

ANNUAL REPORT



2019



Deutsche Rohstoff



**2019**

## CORPORATE BODIES (AS OF 31/12/2019)



### EXECUTIVE BOARD

Dr. Thomas Gutschlag  
Jan-Philipp Weitz



### SUPERVISORY BOARD

Martin Billhardt (Chairman)  
Prof. Dr. Gregor Borg  
Wolfgang Seybold

## HIGHLIGHTS 2019 DEUTSCHE ROHSTOFF GROUP

02

**22 February 2019**

Salt Creek's production rises to over 200 barrels per day in January

04

**16 April 2019**

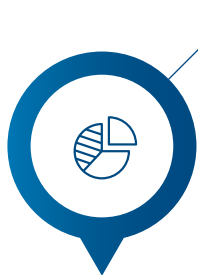
Bright Rock successfully acquires further acreage in the Uinta Basin and grows its core position

05

**6 May 2019**

Further increase of dividend to 70 cent proposed

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



Sales Revenue	+ 41,2
EBITDA	+ 22,7
Net profit	+ 0,2
Operating Cash Flow	+ 34,9
Liquidity	+ 84,8
Equity ratio in %	+ 25,63

# COMMODITIES ARE THE FUTURE



**24 June 2019**

Cub Creek commences 11 2-mile horizontal wells from its Olander well pad in the DJ Basin



**8 July 2019**

Rhein Petroleum GmbH announces significant oil discovery in its recently drilled Steig-1 well



**4 December 2019**

Successful placement of the 2019/2024 bond with a coupon of 5.25 % and an issue volume of EUR 87.1 million



**31 December 2019**

Olander wells commence production



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# Ladies and Gentlemen

As we write this letter, we are experiencing one of the most serious health and economic crises of recent decades.

Within a few weeks, the corona pandemic has completely changed the basis of our actions. We still do not know what the world will look like when the acute phase of the pandemic is over and normality returns.

The past few weeks have also been challenging from the point of view of our company. The oil price has plunged by around 70% to a level last seen at the beginning of the 2000s. Global demand for oil is expected to fall by 30% or 30 million barrels per day in April 2020. Such a crash is unprecedented. It will lead to a rapid filling of oil storage and the situation, that refineries and pipeline operators may stop accepting oil in May. Even veterans of the oil industry have never experienced such a situation.

As the Management Board of Deutsche Rohstoff AG, we have naturally reacted to this situation. As early as March, we implemented an immediate action program to adjust the Group to the changed situation:

- We are drastically reducing our production at Cub Creek to approximately 1,000–1,500 barrels of oil per day, which is about 15–25% of the possible volume.
- Running costs will be further reduced. We are reducing management salaries in the Group by 25% from April to September.

· We realize our hedge book depending on the prices. If WTI falls below 20 USD/barrel, we consider it reasonable to liquidate the hedges and take the accumulated profit.

We also see ourselves well prepared for the crisis in other respects. The Group's liquidity situation is solid. We have sufficient funds at our disposal to be able to continue to manage all companies without any problems. In addition, we are able to take advantage of opportunities arising in the market and expand our production base. To this end, we are examining an increased number of offers, production and acreage purchases. However, experience shows that such purchases take a certain amount of time and are more likely to be concluded within the next 6–12 months.

Last but not least, we also see good opportunities to realize gains with oil and gas stocks and bonds and, to a lesser extent, gold stocks. The valuations of both oil and gold stocks are still at historically low levels. We have the geological and technical know-how to assess individual companies and their production. Together with the Supervisory Board, we have approved a budget of up to USD 25 million, which is roughly equivalent to a medium-sized acreage acquisition. We will invest these funds with an intended holding period of at least 12 months. Naturally, we will continuously review our investments in light of the changing market situation and company an-

nouncements and report regularly to shareholders on the success of our investments.

The further development of the oil price is crucial for our business success in the medium and long term. We assume that prices will recover significantly over the next 12–18 months and trade in the range of over USD 50 per barrel. This assumption is based on the following considerations:

- Global demand will return to pre-crisis levels in the period mentioned.
- The oil supply will not increase as required in the medium term due to massive investment cuts.
- The US oil industry needs prices of more than 50 USD /barrel to survive. The US government will not stand by and watch this important industry, which also ensures the energy independence of the USA, perish. If in doubt, it will take countermeasures with tariffs or other instruments.
- The shale oil industry will continue to increase productivity under the pressure of low prices and thus be able to operate profitably at lower oil prices than before.

Due to the high level of uncertainty about the further development, which affects both our production and the oil price, we had withdrawn our present forecast for 2020 at the beginning of April.





**DR. THOMAS GUTSCHLAG**  
CEO DEUTSCHE ROHSTOFF AG



**JAN-PHILIPP WEITZ**  
CFO DEUTSCHE ROHSTOFF AG

We were able to close the 2019 financial year in line with our expectations. Oil and gas production in the USA reached around 4,500 BOE per day. As announced, it was significantly lower than in the previous year, as production from current wells declined and new wells from the Olander well did not start production until the end of the year. In total, our four subsidiaries in the USA produced 1.64 million BOE. Fortunately, the share of Salt Creek and Bright Rock increased significantly to around 40,000 and 57,000 BOE respectively, which is in line with our strategy of establishing additional footholds in Utah and North Dakota. Cub Creek and Elster nevertheless continued to contribute the lion's share of production with 806,000 and 742,000 BOE respectively. The value of oil and gas reserves at the end of 2019

was USD 196 million, slightly higher than the previous year.

We generated sales of EUR 41.1 million in the fiscal year 2019. Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 22.6 million and consolidated net income to EUR 0.2 million. These figures are at the lower end of our forecast as already announced along with our nine-month figures. Among other things, EBITDA and consolidated net income were negatively affected by one-off costs of the very successful bond placement in December 2019.

In order to conserve our liquid funds and to be prepared for a possibly longer period of low prices, we will propose to the Annual General Meeting that a

significantly reduced dividend of EUR 0.10 be paid this year. We believe that during an exceptional year this measure is in the interests of the Company and its shareholders. Our Annual General Meeting on 15 July 2020 will take place as a purely virtual meeting for the first time. We are thus taking advantage of the opportunity provided by the legislator to hold a legally compliant Annual General Meeting.

Please stay healthy!

With best regards from Mannheim

Thomas Gutschlag  
CEO

Jan-Philipp Weitz  
CFO

## SHARE AND BONDS

### PERFORMANCE OF SHARE PRICE AND DIVIDEND

After the weak fourth quarter of 2018, the shareprice of Deutsche Rohstoff AG increased very quickly from EUR 13.76 at the beginning of the year to its annual high of EUR 19.80 in April 2019. In this context, the strong oil price, which increased by about 20 USD/bbl until April, certainly played a role. However, the share price fell back from its highs in the second and third quarters to EUR 12.45. In the fourth quarter, the share price consolidated in the range from EUR 13.00 to EUR 14.50, before starting a final finish to EUR 15.00 in the last trading

week of 2019. Over the year as a whole, the performance was around 9%. At the end of the year, the market capitalization amounted to EUR 76.2 million.

In 2019, the cumulative average trading volume in our share on the highest-volume exchanges was less than half that of the previous year, at around 7,290 shares per day. Around 40,000 shares were traded on the highest volume day. XETRA with 55% of all shares traded, followed by Tradegate (33%), is still the most liquid exchange.

At the Annual General Meeting on 4 July 2019, the Management Board proposed a

further increase of the dividend to EUR 0.70. For the first time, shareholders were also able to take advantage of the opportunity to receive a stock dividend. With a subscription ratio of 31.8 : 1 and a subscription price of EUR 15.90, 18,675 new shares were issued. The acceptance rate was around 12%.

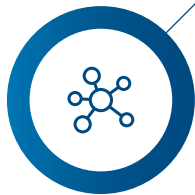
### SHAREHOLDER STRUCTURE

After the capital increase, the share capital of Deutsche Rohstoff AG amounts to EUR 5,081,747 and is divided into the same number of registered shares. Management Board and Supervisory Board held about 10% of the shares at

### SHARE DETAILS (AS OF 31 / 12 / 2019)



Total number of shares	5,081,747
Amount of share capital	EUR 5,081,747.00
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



Management and Supervisory Board	10%
Deutsche Rohstoff AG from share buyback program	2,5%
Other Investors	87,5%

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 almost 7,000 shareholders. As of 31 December 2019 20% of the shares were held by institutional investors.

## ANNUAL GENERAL MEETING

As in previous years, the 2019 Annual General Meeting was held at the Company's headquarters in Mannheim. On 4 July, the Company invited participants to the Congress Center Rosengarten. The about 200 present shareholders

represented around 18.2% of the share capital. The proposals made by the management were adopted by a clear majority.

## BONDS

Deutsche Rohstoff AG successfully placed its third bond in 2019, raising about EUR 87.1 million. The bond 19/24, which was issued in November 2019, pays a coupon of 5.25% and matures in December 2024. EUR 33.3 million of the EUR 87.1 million were exchanged from the old bond 16/21 for bond 19/24, the remainder was subscribed by institutional and private investors. The bond 19/24 has been listed on the Open Market of the Frankfurt Stock Exchange since December 6 and was quoted at 102.5% at the end of the year.



**ANNUAL GENERAL MEETING ON 4 JULY 2019 AT ROSENGARTEN MANNHEIM**

## SHARE AND BONDS

From the bond 16/21, which pays a coupon of 5.625%, only a volume of EUR 16.7 million is still outstanding after the conversion and after half of the call, which took effect in January 2020. At the end of the 2019 financial year, the outstanding volume was still EUR 33.3 million. The bond still has a term until July 2021 and was quoted between 101 and 105.5% in the past fiscal year.

The convertible bond 18/23 issued in 2018 with a coupon of 3.625% has a conversion price of EUR 28 and is convertible into 357,143 shares. Nearly EUR 11 million of the convertible bond were outstanding at the end of the reporting year.

Half of the first bond 13/18 issued by Deutsche Rohstoff AG in 2013 was called in 2016 and fully redeemed in July 2018.

Overall, Deutsche Rohstoff AG sees the German bond market as a very good source for financing the company's further growth and looks back on a positive bond development record.

### CAPITAL MARKET COMMUNICATION

In the past fiscal year, the Management spend over 20 days on roadshows in Europe, promoting the share and the bonds to investors. In numerous individual discussions and presentations, the company was advertised and institutional investors and analysts were

informed about the latest developments. In addition, the company organized analyst calls following the quarterly reports and the half-year report. Further analyst and investor calls were also held as part of the bond marketing activities.

### ANALYST COVERAGE

In 2019, the share of Deutsche Rohstoff AG was regularly analyzed by the independent research house First Berlin. First Berlin publishes its own profit estimate as well as a price target and a recommendation for the share. Not only company estimates but also the entire market environment is taken into account. Within the scope of the scale segment listing, Edison Research additionally publishes a qualitative report twice a year.

## FINANCIAL CALENDAR 2020



### May 2020

Publication of consolidated financial statements 2019 and Publication of Q1 2020 quarterly report



### June/July 2020

Spring Conference Frankfurt



### 15 July 2020

Annual General Meeting of Deutsche Rohstoff (virtuell)

## BONDS

	BOND 2016/2021	CONVERTIBLE BOND 2018/2023	BOND 2019/2024
Issuer	Deutsche Rohstoff AG	Deutsche Rohstoff AG	Deutsche Rohstoff AG
Issue Date	18 July 2016	23 March 2018	4 December 2019
Issued volume	EUR 67.0 million	EUR 10.7 million	EUR 87.1 million
Outstanding Volume	EUR 16.7 million	EUR 10.7 million	EUR 87.1 million
Coupon	5.625%	3.625%	5.250%
Initial/Current Strike	N/A	EUR 28/EUR 28	N/A
Interest payment	semiannual, 20 January and 20 July	annual, 29 March	semiannual, 6 December and 6 June
Tenor	5 years	5 years	5 years
Denomination	EUR 1,000	EUR 1,000	EUR 1,000
ISIN	DE000A2AA055	DE000A2LQF20	DE000A2YN3Q8
Exchange	Frankfurt Exchange, Open Market (Quotation Board)	Frankfurt Exchange, Open Market (Quotation Board)	Frankfurt Exchange, Open Market (Quotation Board)

\* as of 31 March 2020



**August 2020**  
Publication of  
interim report 2020



**September 2020**  
Autumn Conference  
Frankfurt



**November 2020**  
Publication of Q3 2020  
quarterly report

## KNOW-HOW: SUSTAINABILITY

Sustainable management plays an increasingly important role. Companies are required to minimize the impact of their activities on the natural environment, to take into account the interests of employees and many other parties involved in the company's value-added chain and to manage the company according to recognized and transparent rules.

Deutsche Rohstoff AG is aware of its responsibility in terms of sustainability. We generate a substantial part of our

revenues from the production of oil and gas. Both energy commodities are currently indispensable to satisfy the needs of the global economy and to billions of people. Nevertheless, it is an ongoing task to ensure that production takes place with the least possible impact on nature and people.

We operate oil and gas production in the United States and, through our subsidiary Rhein Petroleum, also in Germany. In both countries, high standards apply to the exploration and production of natural

resources. It goes without saying that we fully comply with the existing regulations.

We are committed to continuous improvement in ESG (environment, social, governance). We will report regularly and measure our progress. We have already decided on the following measures:

- Regular reporting as part of the annual report
- Adapting the organization to ESG requirements



**OLANDER** WELLPAD IN COLORADO, USA



## REGULAR REPORTING AS PART OF THE ANNUAL REPORT

As a company listed on the Open Market, we are not obliged to submit a sustainability report. Nevertheless, we have decided to include such a report as part of our annual report starting in fiscal year 2019. We believe that our stakeholders want to know how we deal with sustainability issues.

## ADAPTING THE ORGANIZA- TION TO ESG REQUIREMENTS

From 1 January 2020, we have created clear responsibilities for ESG. At Management Board level, responsibility lies with the CEO. Finally, there is one responsible person at each of the subsidiaries. They report regularly to the holding company, as does the Management Board to the Supervisory Board.

## ENVIRONMENTAL PROTECTION

In all of our license areas we work with state-of-the-art technology, continuous measurements and the best known methods to minimize the impact on landscape and nature. This applies to both, exploration and production. The countries in which we operate (especially Germany and the United States) also apply the

world's highest environmental standards, which we implement in cooperation with local authorities to ensure that natural resources are used in the best possible way and extracted in an environmentally friendly manner.

The resource efficiency of oil and gas production in the USA has improved in recent years to an extent that was unimaginable two decades ago. Modern horizontal drilling technology makes it possible to extract large oil fields from very small areas. As a result, the consumption of landscape and nature has decreased more and more. At the same time, the network of pipelines that transport oil and gas to consumers is being expanded further. This greatly reduces the need for transport by truck, which helps to reduce emissions and relieve the roads.

The world will probably continue to need oil and gas for a very long time. We produce close to the consumer in the USA and Germany. This enables us to avoid long and dangerous transports across seas and continents. Together with local authorities, we are constantly looking for ways to reduce the consumption of resources and emit fewer pollutants. We are convinced that in doing so we are making a contribution to increasing prosperity without unnecessarily burdening the environment.

## SOCIAL ASPECTS

Our activities in oil and gas extraction, as well as in mining, naturally have an impact on the people who live in the respective region.

In most cases it is positive, as we create jobs and help the people in the region to generate income. Some of our projects are also located in remote areas where there are few other opportunities.

Nevertheless, the interests of the local population must be included in the planning of every project from the very beginning. There is detailed legal framework for this in the countries in which we operate, which we naturally fully comply. But in many cases we also go beyond this. In Colorado, USA, for example, we were one of the first companies to build noise barriers around our well pads to protect local residents from noise, light and dust during drilling operations. In the meantime, this protection has become established in the industry as a voluntary standard.

In South Korea, where Almonty Industries has begun to build a new tungsten mine, intensive consultations were held with local associations and non-governmental organizations. The local population is being informed very promptly about the progress of the project. A lot of

## KNOW-HOW: SUSTAINABILITY

the work is being contracted locally. The approval of the project is overwhelming: all major stakeholders have expressed their full support for its realization as soon as possible.

In all cases, we consider it an essential part of our work to achieve added value for the people directly and indirectly involved and to avoid negative influences.

### RESPONSIBLE CORPORATE GOVERNANCE

Deutsche Rohstoff AG is committed to the internationally and nationally recognized standards of good and responsible corporate governance. We want to be successful as a company in the long term and create value for all stakeholders.

Transparency is an essential component of our corporate management. We report regularly and openly on the status of our business, our future plans and risks associated with our strategy. We report on our financial performance and will increasingly do so on the impact of our activities on the society and the environment.

The prevention of corruption is essential for our long-term reputation and ability to survive in our markets. Natural resource production in particular is susceptible to attempts to influence political decisions. We have therefore established a set of rules to prevent employees of our companies or of contracted companies from unlawfully enriching themselves. We represent a high ethical standard.

### EXAMPLE: DEVELOPMENT SANGDONG MINE, SOUTH KOREA

The Sangdong mine in South Korea is the most important new project of our investment Almonty Industries. It is a tungsten mine that will initially produce around 300,000 MTU (Metric Tonne Units) of tungsten trioxide per year. The initial life of the mine is 12 years. The financing requirements for the construction of the mine amount to approximately USD 100 million.

Mining is generally one of the economic activities that can potentially have a significant impact on the environment and the people of the concerned region. Responsible mining is designed from the

outset to minimize the negative consequences. There are now various standards that are applied to understand, assess and control the environmental and social risks of large industrial projects.

Almonty has committed itself to the financing bank, KfW-IPEX from Frankfurt, a subsidiary of the federally owned KfW banking group, to develop the Sangdong mine in accordance with the so-called Equator Principles ([www.equator-principles.com](http://www.equator-principles.com)). This standard was drawn up by the International Finance Cooperation, a subsidiary of the World Bank, among others. All major banks that offer project financing work with this standard. It describes 10 principles for assessing the environmental and social risks of larger projects. These include monitoring by independent third parties during the course of a project to determine the extent to which the standards are met, as well as intensive dialogue with the local population and their organizations.

The Sangdong mine will be CO<sub>2</sub> neutral during operation. It will obtain its electricity requirements from renewable





**EMPLOYEE** OF ALMONTY KOREA



**VISITOR GROUP**  
AT SANGDONG, SÜDKOREA

energies. The fleet of vehicles used to mine the ores will be mostly electrically powered.

Extensive plans are in place to minimize the mine's impact on air quality, flora and fauna, groundwater, surface water and biodiversity. A baseline study on these issues has already been conducted. The health and safety of employees is a high priority. Before starting a new task,

employees must always carry out a safety analysis and wear appropriate personal protective equipment at all times.

The influence of the mine on the social structure of the region will be significant. The mine will directly and indirectly create jobs, purchase goods and services, develop infrastructure, pay taxes and enter into partnerships with various groups. Of course there will also be

negative effects. However, both Almonty and the local authorities and non-governmental organizations assume that the positive effects will far outweigh the negative ones. Since the project was developed in 2006, there have been no complaints or conflicts from local groups about the project. On the contrary, the Sangdong community and all stakeholders have welcomed the project and support it unreservedly.

# PORTFOLIO AS OF 31 DECEMBER 2019



- Cub Creek Energy**
- Elster Oil & Gas**
- Salt Creek Oil & Gas**
- Bright Rock Energy**

**Almonty Industries**  
Los Santos / Panasqueira /  
Valtreixal

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**Ceritech**

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**Rhein Petroleum**

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**Tin International**



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**Almonty Industries**  
Sangdong



# ANNUAL FINANCIALS

## CONSOLIDATED BALANCE SHEET

ASSETS	31/12/2019	31/12/2018
	EUR	EUR
<b>A. FIXED ASSETS</b>		
I. Intangible assets		
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	20,558,383	15,229,295
2. Goodwill	1,577,912	1,702,959
	<b>22,136,294</b>	<b>16,932,254</b>
II. Property, plant and equipment		
1. Petroleum extraction equipment	138,432,742	107,877,586
2. Exploration and evaluation	648,076	2,048,170
3. Plant and machinery	142,588	36,014
4. Other equipment, furniture and fixtures	330,665	91,266
	<b>139,554,072</b>	<b>110,053,036</b>
III. Financial assets		
1. Equity investments	16,688,646	14,385,151
2. Loans to other investees and investors	1,902,145	1,724,138
3. Securities classified as fixed assets	18,189,126	5,891,338
	<b>36,779,917</b>	<b>22,000,627</b>
<b>B. CURRENT ASSETS</b>		
I. Inventories		
Finished goods and merchandise	164,611	155,519
	<b>164,611</b>	<b>155,519</b>
II. Receivables and other assets		
1. Trade receivables	8,853,988	11,646,063
2. Receivables from other investees and investors	1,080,719	1,796,881
3. Other assets	1,161,323	336,929
	<b>11,096,030</b>	<b>13,779,873</b>
III. Securities classified as current assets	5,355,985	14,343,704
IV. Bank balances	61,280,782	45,645,522
<b>C. PREPAID EXPENSES</b>	<b>1,156,344</b>	<b>710,549</b>
<b>D. DEFERRED TAX ASSETS</b>	<b>1,400,918</b>	<b>1,223,470</b>
<b>TOTAL ASSETS</b>	<b>278,924,953</b>	<b>224,844,554</b>

EQUITY AND LIABILITIES		31/12/2019	31/12/2018
		EUR	EUR
<b>A. EQUITY</b>			
I.	Subscribed Capital	5,081,747	
	./. less nominal value of treasury shares	-127,810	4,935,262
	Conditional capital EUR 2,200,000 (previous year: EUR 2,200,000)		
II.	Capital reserves	30,019,333	29,741,076
III.	Retained income	0	0
IV.	Equity differences from currency translation	3,833,204	2,417,573
V.	Consolidated net retained profit	25,509,961	28,656,568
VI.	Non-controlling interests	7,184,494	8,086,685
		<b>71,500,929</b>	<b>73,837,164</b>
<b>B. DIFFERENCE FROM CAPITAL CONSOLIDATION</b>		0	0
<b>C. PROVISIONS</b>			
1.	Tax provisions	691	0
2.	Other provisions	25,221,544	19,311,678
		<b>25,222,235</b>	<b>19,311,678</b>
<b>D. LIABILITIES</b>			
1.	Bonds, thereof convertible EUR 10,700,000 (previous year: EUR 10,700,000)	131,077,000	77,299,000
2.	Liabilities to banks	8,033,734	16,085,646
3.	Trade payables	17,113,896	6,839,639
4.	Other liabilities	9,791,350	15,986,459
		<b>166,015,980</b>	<b>116,210,744</b>
<b>E. DEFFERED TAX LIABILITIES</b>		<b>16,185,809</b>	<b>15,484,968</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>278,924,953</b>	<b>224,844,554</b>

## CONSOLIDATED INCOME STATEMENT

	01/01/–31/12/2019	01/01/–31/12/2018
	EUR	EUR
1. REVENUE	41,203,744	109,052,362
2. INCREASE OR DECREASE IN FINISHED GOODS AND WORK IN PROCESS	9,092	-14,623
3. OTHER OWN WORK CAPITALIZED	101,822	1,231,237
4. OTHER OPERATING INCOME	4,312,435	19,060,335
5. COST OF MATERIALS	11,342,433	19,019,289
Cost of purchased services	11,342,433	19,019,289
6. PERSONNEL EXPENSES	4,489,479	3,918,520
a) Wages and salaries	4,176,788	3,569,660
b) Social security, pensions and other benefit costs	312,691	348,860
– thereof for old-age pensions EUR 4,858 (prior year: EUR 4,409)		
7. AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	16,297,431	58,036,928
a) of intangible assets and property, plant and equipment	16,297,431	58,036,928
b) of current assets	0	0
8. OTHER OPERATING EXPENSES	7,070,068	8,458,536
9. OTHER INTEREST AND SIMILAR INCOME	532,517	458,300
10. AMORTIZATION OF FINANCIAL ASSETS AND SECURITIES CLASSIFIED AS CURRENT ASSETS	797,558	7,205,167
11. INTEREST AND SIMILAR EXPENSES	5,900,577	6,685,233
12. INCOME TAXES	76,072	8,519,169
13. EARNINGS AFTER TAXES	185,992	17,944,769
14. OTHER TAXES	188	761
15. NET INCOME FOR THE GROUP FOR THE YEAR	185,805	17,944,009
16. PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (-)	122,271	-4,072,044
17. PROFIT CARRYFORWARD	25,201,885	14,784,603
18. TRANSFER TO REVENUE RESERVES	0	0
19. CONSOLIDATED NET RETAINED PROFIT	25,509,961	28,656,568



## CONSOLIDATED CASH FLOW STATEMENT

IN EUR	2019	2018
<b>NET INCOME FOR THE PERIOD (CONSOLIDATED NET INCOME / LOSS INCLUDING PROFIT SHARES ATTRIBUTABLE TO NON-CONTROLLING INTERESTS)</b>	<b>185,805</b>	<b>17,944,009</b>
+/- Write-downs / write-ups of fixed assets	16,307,465	59,636,825
+/- Increase / decrease in provisions	23,807,088	7,315,909
+/- Other non-cash expenses / income	-16,311,241	-15,165,294
-/+ Increase / decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	2,441,661	-2,197,363
+/- Increase / decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	2,932,359	1,307,677
-/+ Gains / losses from the disposal of fixed assets	-30,067	-15,132,040
+/- Interest expenses / income	5,368,060	6,226,932
+/- Income taxes paid / received	76,072	8,519,169
-/+ Income tax payments	157,563	218,097
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>	<b>34,934,765</b>	<b>68,673,920</b>
+ Cash received from disposals of intangible assets	0	7,917,980
- Cash paid for investments in intangible assets	-6,214,064	-2,454,333
+ Proceeds from disposals of intangible assets	50,000	30,473,267
- Cash paid for investments in property, plant and equipment	-43,509,899	-63,753,712
+ Cash received from disposals of fixed financial assets	97,147	213,750
- Cash paid for investments in fixed financial assets	-2,900,149	-64,932
+ Cash received in connection with short-term financial management of cash investments	8,302,605	1,640,104
- Cash paid in connection with short-term financial management of cash investments	-11,211,986	-2,449,373
+ Interest received	151,918	208,916
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>	<b>-55,234,428</b>	<b>-28,268,333</b>
+ Cash received from equity contributions by other shareholders	0	518,238
- Cash from decrease in equity	-18,450	-1,011,432
+ Cash received from the issue of bonds and from loans	62,000,443	15,241,485
- Cash repayments of bonds and loans	-16,114,896	-30,238,817
- Interest paid	-6,637,552	-6,925,243
- Dividends paid to shareholders of the parent company	-3,157,751	-3,207,920
- Dividends paid to other shareholders	-779,352	-3,001,932
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>	<b>35,292,442</b>	<b>-28,625,621</b>
Change in cash and cash equivalents	14,992,779	11,779,966
+/- Changes in cash and cash equivalents due to exchange rates and valuation	1,004,000	5,136,345
+ Cash and cash equivalents at the beginning of the period	45,284,003	28,367,692
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>61,280,782</b>	<b>45,284,003</b>

# GROUP MANAGEMENT REPORT

## I. FUNDAMENTAL INFORMATION ABOUT THE GROUP

### 1. BUSINESS MODEL

The Deutsche Rohstoff Group is primarily involved in the production of oil and gas. It also participates in mining projects. Its activities are limited to countries with a stable political and legal system. In fiscal 2019, all activities were located in the USA, 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. In addition, it finances activities or procures financing partners, decides on new investments and divestments, 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 Tin International AG, the share rose from 73.98 % auf 75.40 % due to the purchase of minority interests.

· Due to capital contributions, the share in Bright Rock Energy LLC increased from 95.18 % auf 98.35 %.

· 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.

At the end of 2019, the companies Almonty Industries and Rhein Petroleum shown in the chart were listed as investments. All other companies were fully consolidated.

In 2019, Cub Creek Energy and Elster Oil & Gas continued to operate exclusively in the production of oil in the Wattenberg Field in Colorado. Cub Creek Energy plans and operates oil wells independently as operator. Elster Oil & Gas is only involved as a non-operator in oil wells of other companies.

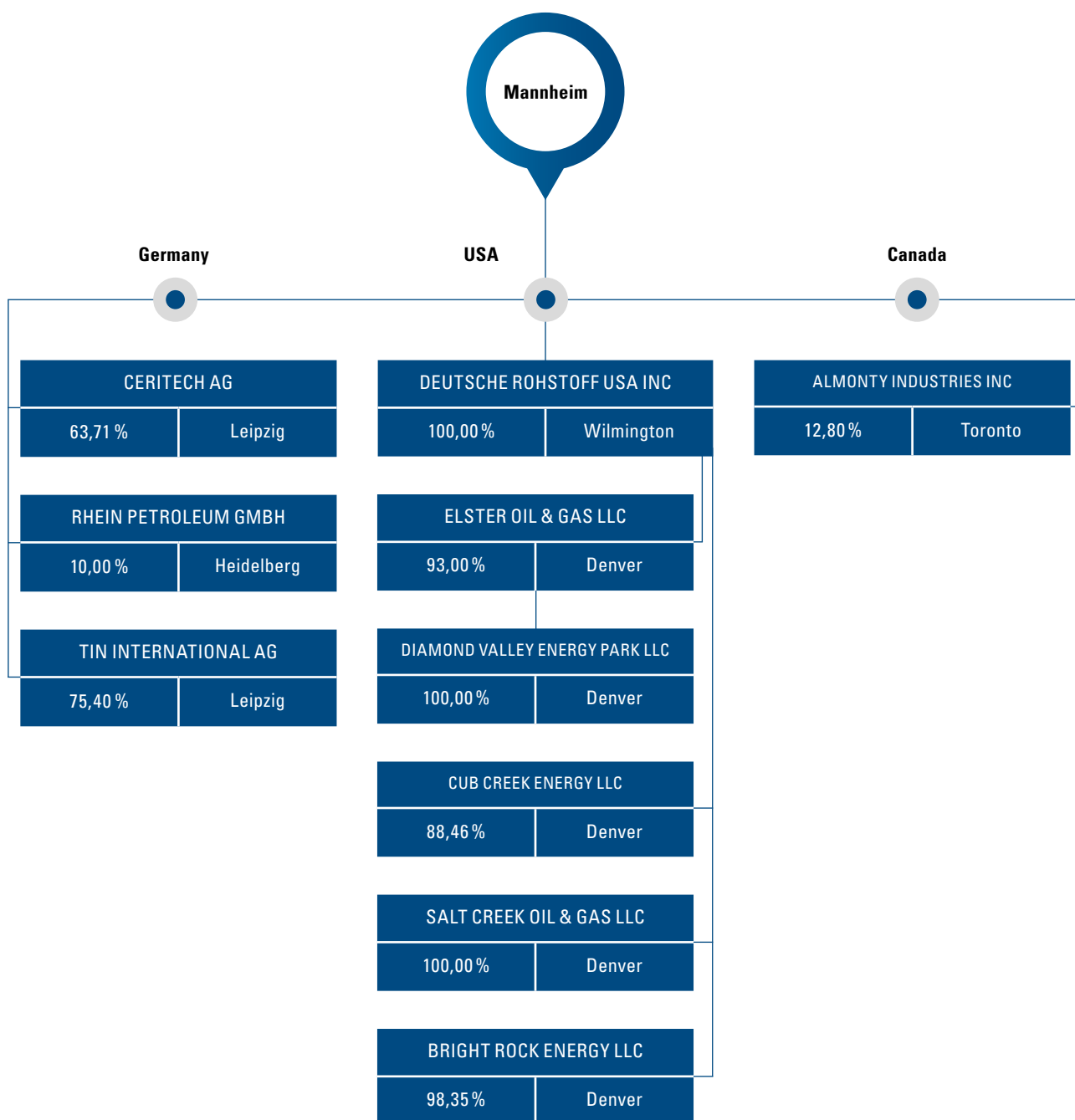
Salt Creek Oil & Gas is active exclusively in the Williston Basin in North Dakota and also participates as a non-operator in oil well operations of other companies. Bright Rock Energy has ac-



COUNTRYSIDE IN UTAH, USA

**STRUCTURE OF THE CORPORATION AS OF 31 DECEMBER 2019**

# Deutsche Rohstoff AG



## GROUP MANAGEMENT REPORT

quired land in the Uinta Basin in Utah, USA, in 2018 and 2019 and is currently participating in other companies' oil well operations 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 has been working with partners in Brazil and Lithuania in 2019 on development projects for the construction of a rare earths production plant.

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

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 2019 and is developing further tungsten projects in Spain and South Korea.

In the fiscal year 2019, 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 produced 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. The market capitaliza-



WELL IN THE UINTA BASIN, UTAH, USA

tion as of 31 December 2019 amounted to EUR 76.2 million (previous year: EUR 70.1 million). The share price thus rose by around 9% in the course of the year. From 31 December 2019 until the end of April, the share price fell to EUR 7.28 due to the Corona crisis.

## 2. OBJECTIVES AND STRATEGIES

In the Group Management Report for 2015, the company had stated as its key goal over a 12-month period for 2016/2017 an increase in market capitalization to EUR 150.0 - 200.0 million. This target was again clearly missed by the end of 2019. The Management Board assumes that this market capitalization can be achieved in the period up to the end of 2021, provided that the negative effects of the global „COVID 19 crisis“ on the world economy decrease significantly in the second half of 2020 and rising oil prices are the consequence. Further requirements for this are new wells and the achievement of the planned production volumes in the USA 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 having focused on the acquisition of land and the development of an inventory of wells since mid-2014. At the end of 2019, the Group had interests in a total of 55 independently operated horizontal wells in the US Wattenberg oil field, Denver-Julesberg Basin, Colorado and 230 partner-operated wells, also in the Wattenberg oil field (39), in the Williston Basin in North Dakota (90) and in the Uinta Basin, Utah (101). In total, this corresponds to 80.9 one-mile net wells, i.e. wells operated by the Group with one mile of horizontal distance and a share of 100%.

In the metals business segment, the Group has two subsidiaries and two equity investments with a share ownership of over 10%. In recent years, the focus has been on securing their financing and developing them further at the lowest possible cost. Due to the significant drop in metal prices since the end of 2011, the Executive Board had decided to make only small amounts of funds available to these companies. Instead, partners for financing were to be sought and possibly individual holdings such as Devonian Metals were to be sold.

In the course of 2019, metal prices initially continued to rise, but declined towards the end of the year. Investor interest in the sector remains strong. The Management Board therefore sees opportunities to implement the strategy and find partners or buyers. A first success was achieved at Tin International, which initially announced a joint venture with Lithium Australia in May 2017 and completed the sale of 100% of the license in September 2018. The sale of the Gottesberg license followed in February 2019. In May 2019, Deutsche Rohstoff AG signed a contract for the sale of the shares in Devonian Metals and the sale of the receivables due from the company. The transaction is expected to be completed in May 2020. It remains the goal of the Management Board to increase the value of the existing assets in the Metals business segment and to sell them in the medium term. In addition, it is selectively reviewing new investments in metals that are considered to be promising based on fundamental analysis. At present, 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..

## II. REPORT ON ECONOMIC POSITION

### 1. MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

The global economy grew by 2.9% in 2019 (source: IMF), thus slowing its growth compared to previous years.

Commodity prices initially recorded another significant increase in 2019. WTI (Western Texas Intermediate) crude oil rose to USD 66 per barrel by mid-April and traded between USD 50 and 60 per barrel for the rest of the year. The relevant US gas price (Hen-

## GROUP MANAGEMENT REPORT

ry Hub) traded between USD 2 and 3 throughout the year. The major industrial metals traded stable over the course of the year: copper, for example, rose by 5.2%. Gold had a strong year, rising by 18.3% to USD 1,517 per ounce. Tungsten APT fell by around 13% during the year.

By April, the oil price had recovered from the lows it had reached at Christmas 2018 at USD 42 per barrel. For the rest of the year it traded relatively stable between USD 50 and 60 per barrel. OPEC's production cuts, which were sustained throughout the year and were also enforced in a very disciplined manner, ensured a stable market phase.

Currency changes have a significant impact on the Group's business performance. The EUR/USD exchange rate is of particular importance. All important commodities are invoiced in US Dollars. A stronger US Dollar means that commodities outside the USA become more expensive. As a result, demand tends to fall as the dollar rises, and thus also the price level of commodities.

During the year, the Euro was very stable against the Dollar. After a 2018 year-end level of 1.14, only USD 1.12 were paid for one Euro at the end of 2019. The interest rate differential between the USA and the Euro zone widened further last year as a result of the asynchronous interest rate policy of the European and American central banks, as the ECB further relaxed its monetary policy in the course of the year. In addition, economic data in the Euro zone deteriorated in the second half of the year.

### 2. CORPORATE DEVELOPMENT

In line with the corporate strategy, the Group focused on the oil & gas business in the fiscal 2019, and again mainly on activities in the United States. Deutsche Rohstoff AG as parent company paid a dividend for the sixth time in the company's history. For the first time, shareholders were able to receive a stock dividend instead of a cash dividend.

#### OIL & GAS DIVISION

In the course of 2019, all oil and gas companies in the USA made significant progress:

**Cub Creek Energy** began production from the Olander well pad in December 2019. The Company had drilled eleven two-mile hor-

izontal wells there in the third quarter of 2019 and completed them in the fourth quarter of 2019. The investment volume for the entire project amounted to approximately USD 50 million for all shareholders and was thus significantly below the originally planned investment volume of USD 60 million. Cub Creek's interest in the project and wells is approximately 93%. Together with the 44 wells already in production from the four other well pads Vail, Markham, Haley and Litzenberger and the minority interest of 30% in one well at the Hergenreder well pad, Cub Creek had 55 wells in production from January 2020. In total, Cub Creek produced 806,555 barrels of oil equivalent (BOE) in 2019 (previous year: 1,707,443 BOE), of which 301,533 barrels are oil (BO) (previous year: 781,425 BO). For the purpose of reporting BOE, the quantity of crude oil is added to natural gas. Natural gas is converted into BOE by a factor of 6,000 in accordance with the industry standard.

**Elster Oil & Gas** was able to lay the foundation for massive growth in 2018 by increasing its share of wells drilled on the Magpie properties in 2017. The number of net wells quadrupled from 5.5 to 22 wells in 2018, and the company has participated in an initial twenty wells since mid-2017. These are fourteen wells with two-miles horizontal length and six wells at two-and-a-half miles length. The operator brought these wells into production in February and March 2018. Elster's average share of the wells was originally around 24.0%. In early February 2018, Elster announced that it had acquired an additional share of approximately 11.0% in these wells. These are so-called „non-consent shares“, where other owners had decided not to participate in the wells. In addition, Elster was able to acquire an approximately 22.0% interest in five one-and-a-half-mile wells. From February to April 2018, all wells had been put into operation. The wells proved to be very profitable and better than expected.

In 2019, the wells in which Elster is involved initially continued to produce as expected. From July onwards, there were restrictions in production due to the fact that the buyer of the natural gas produced had problems with the pipeline infrastructure. Production was therefore repeatedly interrupted from July to the end of September. From the first half of October, the problems were solved. In the fourth quarter, Elster made up some of the shortfalls from the third quarter, with the result that production for the year as a whole was even 1% above the adjusted expectations. In total, Elster produced 742,441 BOE in 2019, 318,136 barrels of it oil.



The subsidiary **Salt Creek Oil & Gas**, which was founded in June 2015, announced in April 2018 that it had sold the major part of the land package in North Dakota, which it was able to acquire in 2016. It kept only a small residual amount of land.

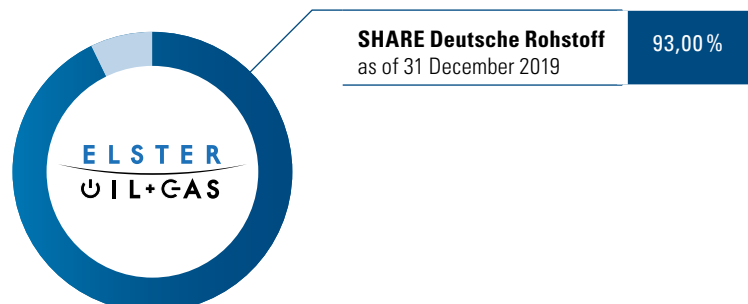
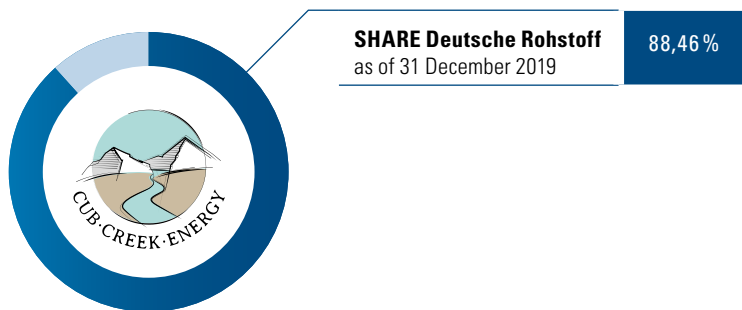
After the completion of the transaction, the previous co-shareholders of Deutsche Rohstoff withdrew from the company. The CEO of the company, Tim Sulser, resigned and left the company. Since September 2018, the company has been managed by Christopher Kiesel, who previously worked for the company since 2016. He manages the remaining land and has the task of acquiring new land 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 the course of 2019, smaller acquisitions were completed. Salt Creek produced 39,798 BOE in 2019, of which 37,140 barrels are oil.

In July 2018, Deutsche Rohstoff founded **Bright Rock Energy** together with the geologist Chris Sutton. The company maintains

an office in Denver. The focus of its business activities is the acquisition of land and its development in the Uinta Basin in Utah. The Company's management has gained extensive experience in the Basin from its previous activities. Due to very good drilling results in recent years, Bright Rock expects prices for attractive land to rise and increasing interest from other oil companies

In the course of 2018 and 2019, the company succeeded in acquiring extensive acreage in the Uinta Basin. The Company has focused on a core area that has the best results and highest drilling activity. By the end of 2019, management had secured a total of 1,937 acres in the core area of the field. Some of these were royalties, which secure a share of production but do not have to be co-invested. Bright Rock produced 57,024 BOE last year, of which 54,588 barrels are oil.

**Rhein Petroleum** produced oil from the wells in Schwarzbach and Lauben during the course of 2019. Rhein Petroleum's share of production amounted to approximately 22,000 barrels of oil. In June 2019, the company drilled the Steig-1 well near Weingar-



# GROUP MANAGEMENT REPORT

ten/Baden-Württemberg. In July, the majority shareholder Tulip Oil reported that a significant discovery was made during the drilling. In January 2020, Tulip published an initial estimate for the so-called Oil in Place, which amounts to at least 114 million barrels. In the current year, Rhein Petroleum plans to have further wells approved for the purpose of field development.

In February 2020, Deutsche Rohstoff published the results of a recalculation of the reserves of the US companies. The amount of barrel oil equivalent (BOE) of the companies' proven reserves decreased from 29.4 million BOE to 26.6 million BOE compared to the previous year. The present value of the proven reserves rose slightly from USD 177.4 million to USD 186.74 million. The value of probable reserves also rose slightly from USD 8.9 million to USD 9.4 million. The increased value of the reserves despite the lower available reserve of BOE is due to lower production costs as well as higher production assumed in the short term, mainly due to the new Olander wells.

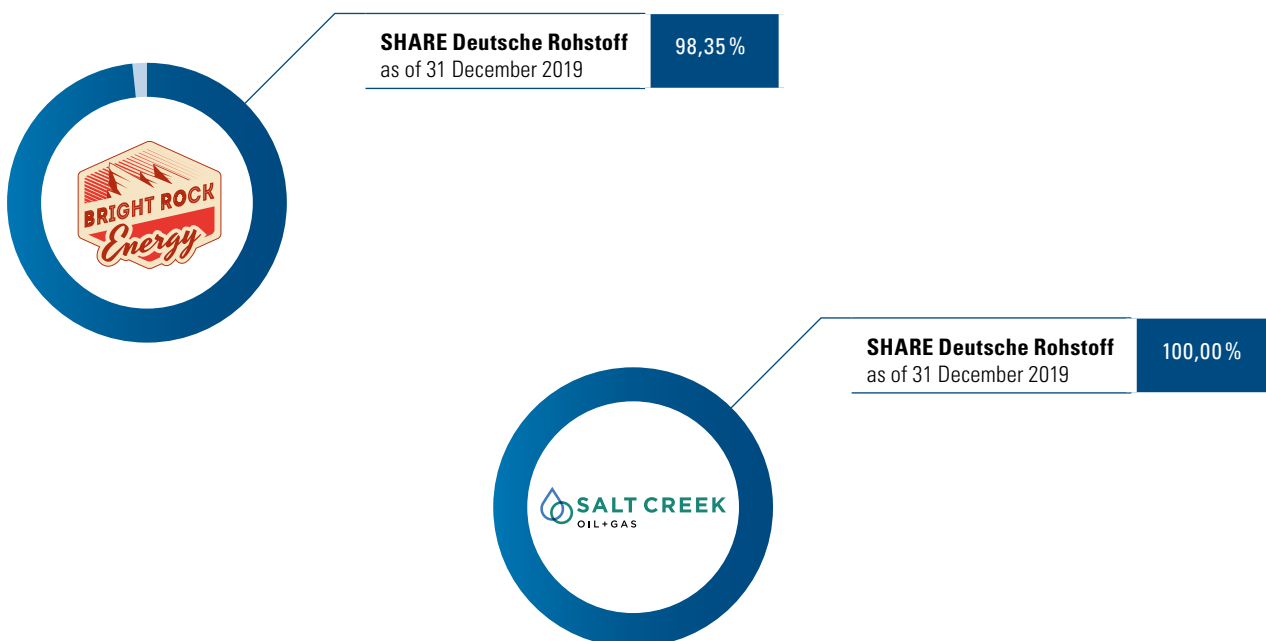
The average oil price of the NYMEX forward curve over the next 10 years, on which the calculation of the present value is based, was USD 53.11 per barrel on December 31, 2019 (previous year: USD 51.44 per barrel).

## METALS DIVISION

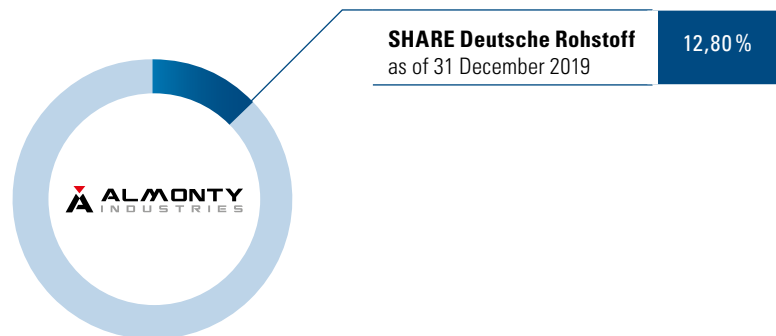
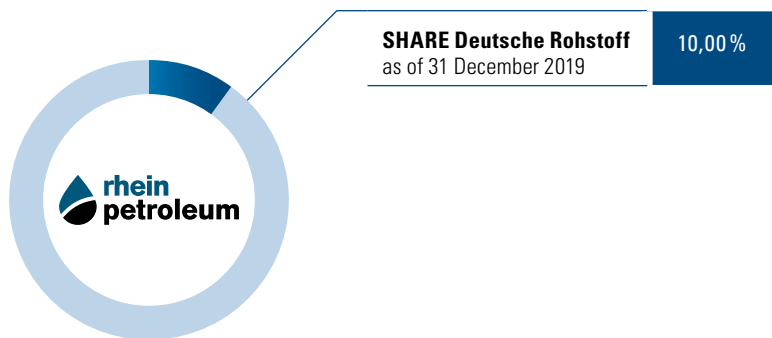
The investment in **Almonty Industries** continued to develop positively in the course of 2019. Until June 2019, tungsten APT was trading stable at around USD 270/mtu before a price decline set in in the third quarter, causing the price to slip to USD 200/mtu. APT recovered in the fourth quarter and ended the year at 240 USD/mtu.

Almonty changed its financial year to the calendar year last year. To this extent, the last financial year ran from 30 September 2018 to 31 December 2019. Comparability with previous financial years is only possible to a limited extent. At the end of March 2020, Almonty decided to take advantage of a relief granted by the Canadian stock exchange in the wake of the Corona crisis. Companies listed on the TSX can publish their annual financial statements up to 135 days after the end of the fiscal year instead of 90 days. In this respect, only the figures as of 30 September 2019 were available at the time of publication of this management report.

In the period from 1 October 2018 to 30 September 2019, Almonty reported significantly lower sales of CAD 48.0 million (previous year: CAD 65.2 million). This was primarily due to a significant reduction in production at the Spanish Los Santos mine, which







had stopped mining fresh ore during the fiscal year and only processed residues from previous processing. These residues have significantly lower contents than the fresh ore.

However, the cessation of mining activities was accompanied by a significant reduction in mining costs. They amounted to CAD 28.8 million compared to CAD 36.7 million the year before. Since Almonty was also able to reverse a special write-off from the previous year in the amount of CAD 4.7 million and scheduled depreciation and amortization fell from CAD 11.2 million to CAD 4.4 million, the result from operations improved from CAD -7.6 million in fiscal year 2017/2018 to CAD 11.7 million from 1 October 2018 to 30 September 2019. Net income jumped from CAD -10.7 million to CAD 9.0 million or CAD 0.05 per share.

At CAD 49.9 million, long-term debt remained virtually unchanged from the previous year (CAD 50.3 million). Equity rose from CAD 40.9 million to CAD 48.2 million due to the positive net result.

In order to become more independent of price developments, Almonty had already concluded fixed-price contracts for the years

2018 and 2019. For the year 2020, Almonty again succeeded in agreeing fixed prices significantly above the market price level for part of the expected production. The production of the Panasqueira mine in Portugal could be sold at a price of about USD 276 per tonne for the concentrate, which corresponds to an APT price of about USD 350 per tonne. Almonty was able to announce a further milestone in March 2018 with an offtake agreement for the Sangdong mine in Korea. After the start of production (planned for 2021), the contract secures the purchase of material for ten years with a lower price limit. In February 2020, Almonty announced that the acceptance contract was extended to 15 years.

In January 2020 Almonty announced that KfW-IPEX Bank had made a binding commitment to provide project financing of USD 76 million. In February, KfW received a provisional export credit guarantee from the Austrian Kontrollbank, which covers a large part of the project financing.

Almonty's share price fell from CAD 0.65 at the end of 2018 to CAD 0.42 at the end of 2019, having reached a high of CAD 1.08 in April 2019.

## GROUP MANAGEMENT REPORT

In June 2017, **Ceritech AG** was able to conclude a letter of intent with one of its partners in Brazil, Copebrás Indústria Ltda. Copebrás belongs to the international commodity group China Molybdenum. With the letter of intent, both parties agreed to carry out further treatment and processing tests as well as an initial feasibility study, the results of which were to be available by the second quarter of 2018, which was also on schedule. Since both the economic feasibility study and the results of the processing tests yielded good results, the partners decided to conclude a long-term cooperation agreement. In September 2019, a contract was ready to be signed. At that time, however, Ceritech's cooperation partner asked for more time to focus on the rare earths market. At the beginning of March 2020, the partner then announced that no contract could be signed for the time being, but rather that the company wanted to carry out further investigations of its own.

In September 2018, **Tin International AG** (TIN) announced the sale of the Hegelshöhe and Sadisdorf licences to the previous joint venture partner Lithium Australia NL. The responsible mining authority in Saxony gave its approval that the licenses could be transferred from Tin International AG 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 with a value of EUR 1.5 million. The LIT shares are subject to staggered selling restric-

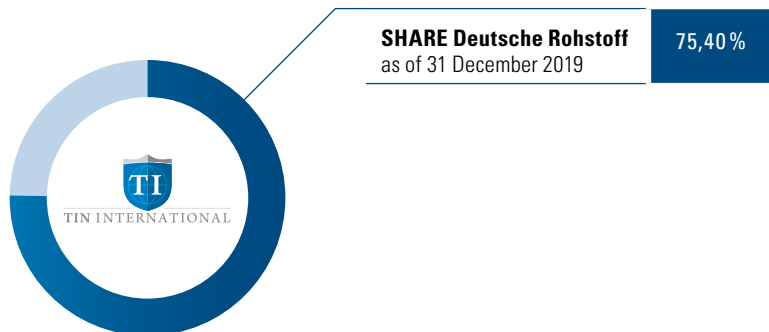
tions of 6, 12 and 18 months. Together with the approx. 1.72 million LIT shares as a result of the joint venture agreement concluded in May 2017, Tin International AG held a total of approx. 23 million LIT shares after the sale, corresponding to a 5% stake in Lithium Australia NL. The various tranches were delivered as agreed. By the end of 2019, Tin International AG sold 11.1 million shares of LIT, generating proceeds of approximately 570,000 AUD.

In February 2019, Tin concluded the sale of the Gottesberg licence in the Saxon Vogtland region. The buyer, the British company ASM, paid EUR 50,000 in cash and 2 million ASM shares. This corresponds to a stake of around 3.5% in ASM. TIN thus no longer holds any mining licenses. The company's only assets are its interests in Lithium Australia and ASM, its cash holdings and some shares in gold companies purchased during 2019.

In December 2019, Deutsche Rohstoff AG placed a bond for the third time. The placed volume amounted to about EUR 87.1 million. The bond runs until December 2024 and bears interest at 5.25%. By the end of the year, the bond was trading at over 100%.

In August 2019, Deutsche Rohstoff AG distributed a dividend of EUR 0.70 per share. For the first time, shareholders were able to have the dividend paid in shares instead of cash. The price per share was set at EUR 15.90. A total of 18,675 shares were subscribed, increasing the share capital to 5,081,747 shares or EUR 5,081,747.





### 3. FINANCIAL PERFORMANCE, FINANCIAL POSITION AND ASSETS AND LIABILITIES

#### FINANCIAL PERFORMANCE

Selected data from the income statement

Fiscal year ended 31 December 2019

IN MILLION EUR	2019	2018
Revenue	41.2	109.1
Total operating performance <sup>1</sup>	45.6	129.3
Gross profit <sup>2</sup>	34.3	110.3
EBITDA <sup>3</sup>	22.7	97.9
Operating result (EBIT) <sup>4</sup>	5.6	32.7
Earnings before taxes	0.3	26.5
Net income for the year	0.2	17.9

<sup>1</sup> 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.

<sup>2</sup> Gross profit is defined as total operating performance less cost of materials.

<sup>3</sup> EBITDA is defined as earnings for the period before interest, taxes, depreciation and amortization on property, plant and equipment and intangible assets.

<sup>4</sup> EBIT is defined as earnings for the period before interest and taxes.

In the past financial year, the consolidated net income for the year amounted to EUR 0.2 million (previous year: EUR 17.9 million) with a total operating performance of EUR 45.6 million (previous year: EUR 129.3 million). Total output includes sales revenues of EUR 41.2 million from the oil and gas production of the US subsidiaries, other operating income of EUR 4.3 million (previous year: EUR

## GROUP MANAGEMENT REPORT

19.0 million) and own work capitalized of EUR 0.1 million (previous year: EUR 1.2 million).

The main components of other operating income are income from the sale of shares in mining companies held by Deutsche Rohstoff AG, as well as currency gains of EUR 1.1 million.

The cost of materials decreased to EUR 11.3 million in 2019 (previous year: EUR 19.0 million). Since January 2017, the operating costs of oil and gas wells have been reported under this item. Overall, gross profit amounted to EUR 34.3 million (previous year: EUR 110.3 million).

Personnel expenses rose slightly to EUR 4.5 million (previous year: EUR 3.9 million). At Deutsche Rohstoff AG level, personnel expenses amount to EUR 1.5 million. No further personnel expenses had to be accrued for the stock option program. Other operating expenses decreased to EUR 7.1 million (previous year: EUR 8.5 million). This decline is mainly due to the reduction in currency losses from EUR 4.1 million to EUR 2.2 million. This effect is partially offset by the costs of the bond issue in 2019 in the amount of EUR 1.4 million. The currency losses are offset by currency gains of EUR 1.1 million as part of other operating income.

Earnings before interest, taxes, depreciation and amortization (EBITDA) fell to EUR 22.7 million (previous year: EUR 97.9 million).

Depreciation and amortization amounting to EUR 16.3 million (previous year: EUR 58.0 million) were almost exclusively attributable to depreciation and amortization on the fixed assets of the producing oil and gas plants in the USA. As planned, Elster Oil & Gas accounted for EUR 9.7 million, Bright Rock for EUR 0.8 million and Salt Creek for EUR 0.3 million. Cub Creek Energy accounted for EUR 14.2 million of scheduled depreciation and amortisation, which is offset by a write-up of EUR 9.4 million. As the drilling activities of Cub Creek Energy have further stabilized in the course of 2019 and the cost structure also developed positively, the reserve calculation on which the depreciation is based was already partially adjusted when the half-year financial statements were prepared. This measure led to a partial reversal of the extraordinary depreciation, which had a positive effect of EUR 6.8 million. The reserve report prepared by an external expert at the end of 2019 was able to confirm the positive development once again, and the available reserves led to a further reversal of the write-down in the amount of EUR 2.6 million, so that the effect in 2019 will amount to EUR 9.4 million in total.

Total depreciation was therefore USD 19.20 per BOE for Cub Creek in 2019 and USD 12.74 per BOE for Elster Oil & Gas.

Unscheduled depreciation and amortisation was recognized on the capitalized exploration costs at Ceritech AG in the amount of EUR 1.0 million.

Earnings before interest and taxes (EBIT) amounted to EUR 5.6 million (previous year: EUR 32.7 million).

The financial result of EUR -6.2 million (previous year: EUR -13.4 million) includes interest payments on outstanding bonds at Deutsche Rohstoff AG and interest payments to US banks in connection with the lending of reserves totalling EUR 5.9 million (previous year: EUR -6.7 million). Expenses were offset by interest income and income from capital investments amounting to EUR 0.5 million. The financial result also included write-downs of EUR 0.8 million on securities held as financial assets and current assets.

The tax expense of EUR 0.1 million comprises US tax refunds of around EUR 0.1 million and tax expenses of EUR 0.2 million from the formation of deferred tax liabilities.

Based on a US oil price of USD 58, a gas price of USD 2.25 and an exchange rate of EUR/USD 1.12, the forecast for 2019 assumed sales of EUR 40-50 million, EBITDA of EUR 25-35 million and a positive consolidated result. On average over the year, these figures were USD 54.1 for US oil, USD 2.64 for gas and EUR/USD 1.12.

With regards to sales and net income, the figures reached the forecast. At EUR 22.7 million, EBITDA is slightly below the lower end of the forecast range. The main reasons for the results at the lower end of the forecast or the fact that the EBITDA forecast was not met were as follows: At Elster Oil & Gas, significantly less oil was produced in the third quarter than expected due to infrastructure work and the capacity utilization of pipeline operators. Realized prices for Natural Gas Liquids (NGL) and processing fees for the full year 2019 were significantly lower than realized prices in previous years. Only 3.4 USD / mcf of sales were realized per 1,000 cubic feet of gas (mcf) for gas and NGL. In the previous year this figure was around 5.3 USD / mcf. The issue of the corporate bond resulted in extraordinary expenses of EUR 1.4 million in the fourth quarter of 2019. At Ceritech AG, an impairment loss of EUR 1.0 million was recognized.

## FINANCIAL POSITION

Selected notes to the cash flow statement

Fiscal year ended 31 December 2019

IN MILLION EUR	2019	2018
Cash flow from operating activities	34.9	68.7
Net cash used in investing activities	-55.2	-28.3
Cash flow from financing activities	35.3	-28.6
Increase / decrease in cash and cash equivalents	16.0	16.9
Cash and cash equivalents at the beginning of the fiscal year	45.3	28.4
Cash and cash equivalents at the end of the fiscal year	61.3	45.3

The cash flow from operating activities amounted to EUR 34.9 million in 2019 (previous year: EUR 68.7 million). This positive cash flow is primarily the result of revenues from the US subsidiaries Cub Creek Energy (EUR 19.9 million), Elster Oil & Gas (EUR 17.3 million) Salt Creek Oil & Gas (EUR 1.5 million) and Bright Rock Energy (EUR 2.5 million). Cash income was offset by cash expenses from operating activities, especially for well operating costs (EUR 11.3 million), personnel expenses (EUR 4.5 million) and other operating expenses (EUR 7.1 million).

The cash flow from investing activities in 2019 is dominated by investments in the US oil and gas activities. Investments at Cub Creek Energy amounted to EUR 37.7 million, at Bright Rock Energy to EUR 7.2 million and at Salt Creek Oil & Gas to EUR 5.0 million. In addition, around EUR 2.9 million were invested in investments and securities held as fixed assets.

The cash flow from financing activities amounted to EUR 35.3 million (EUR -28.6 million) and was mainly influenced by the issue of the 19/24 Bond in the amount of EUR 53.8 million and the raising of a USD credit line with Cub Creek Energy in the amount of EUR 8.1 million. The total volume of Bond 19/24 amounts to EUR 87.1 million, of which EUR 33.3 million is from the exchange of Bond 16/21. Cash outflows resulted in particular from the repayment of a US loan of EUR 16.1 million.

Furthermore, a dividend of EUR 3.2 million and interest of EUR 6.6 million was paid to the shareholders of Deutsche Rohstoff AG.

As of 31 December 2019, cash and cash equivalents including marketable securities in the Group amounted to EUR 66.7 million (previous year: EUR 59.9 million). The cash and cash equivalents correspond to the credit balances at banks.

From today's perspective, the Management Board believes that the Deutsche Rohstoff Group will continue to be in a position to meet its future obligations and to make investments on the basis of a very good equity and liquidity position. However, the prerequisite for this is the expected significant increase in oil prices from the current level of oil prices below USD 20.

## ASSETS AND LIABILITIES

Selected balance sheet data

Fiscal year ended 31 December 2019

IN MILLION EUR	2019	2018
Fixed assets	198.0	149.0
Current assets	77.9	73.9
Equity	71.5	73.8
Liabilities	166.0	116.2
Provisions	25.2	19.3
Total assets	278.9	224.8

The consolidated balance sheet total grew from EUR 224.8 million to EUR 278.9 million in the year under review. This is due to the strong increase in fixed assets to EUR 198.0 million (previous year: EUR 149.0 million). As a result of the new wells and investments, both intangible assets rose from 16.9 million EUR to 22.1 million EUR and property, plant and equipment from 110.1 million EUR to 139.6 million EUR. As of 31 December 2019, intangible assets consist of production rights in the amount of EUR 20.5 million (previous year: EUR 15.2 million) and goodwill in the amount of EUR 1.6 million (previous year: EUR 1.7 million). Property, plant and equipment mainly comprises producing oil production facilities in the amount of EUR 138.4 million (previous year: EUR 107.9 million).

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Financial assets increased to EUR 36.8 million (previous year: EUR 22.0 million). This is mainly due to the fact that the shares in Northern Oil and Gas were reclassified from current to fixed assets due to the longer-term intention to hold them. The shares were valued at a price of USD 2.25. The total capitalized value amounts to EUR 12.5 million. The shares of Northern Oil & Gas moved within a corridor of USD 1.50 and USD 2.80 in the 2019 fiscal year; on 31 December 2019, the price was USD 2.31. With the falling oil price in 2020 and most recently the massive distortions on the oil market, the share price fell to USD 0.85 on 15 April 2020. However, the company assumes that this impairment is not permanent. At USD 2.31, the closing price on the reporting date was almost exactly the same as the price at which the shares were booked. The Management Board regards the position as a longer-term investment and sees no pressure to sell the shares. In April 2020, further shares were purchased at prices around USD 0.75 per share, which underlines the fact that the Board of Management assumes that there is considerable price potential.

Investments in financial assets amounted to EUR 16.7 million as of the reporting date (previous year: EUR 14.3 million). The increase is due to the capital contribution of EUR 2.0 million to the 10% interest in Rhein Petroleum, which is now valued at amortized cost of EUR 5.0 million (previous year: EUR 3.0 million).

Another significant component of financial assets are the shares of Almonty Industries with a valuation of EUR 11.0 million.

Loans to companies with which there is an equity interest existed in the amount of EUR 1.7 million to Almonty Industries.

The securities held as fixed assets reported under financial assets increased to EUR 18.2 million (previous year: EUR 5.9 million). The increase is based on the aforementioned reclassification of the shares of Northern Oil and Gas. This item also includes the convertible bonds of Almonty Industries with a value of EUR 5.5 million.

Receivables with a term of up to one year and other assets amounted to EUR 10.5 million as of 31 December 2019 (previous year: EUR 13.8 million). As of 31 December 2019, this item consisted primarily of trade receivables (EUR 8.9 million) and receivables from companies in which participations are held (EUR 1.1

million). Securities held as current assets amounted to EUR 5.4 million (previous year: EUR 14.3 million). The decline is mainly due to the reclassification of shares in Northern Oil & Gas from current to fixed assets.

At EUR 61.3 million, bank balances were significantly higher than the previous year's level of EUR 45.6 million. The reason for the increase was primarily the issue of the new bond at the end of 2019.

Deferred taxes break down as follows:

Deferred tax assets (esp. loss carryforwards)	1,401 TEUR
Deferred tax liabilities	28,069 TEUR
less	
Deferred tax assets from temporary differences	-1,154 TEUR
less	
Deferred tax assets on loss carryforwards (total)	-10,729 TEUR
Net deferred tax liabilities	16,186 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 characterised by a good equity base. Equity amounted to EUR 71.5 million as of 31 December 2019 (previous year: EUR 73.8 million). The decline is mainly due to the appropriation of the balance sheet profit for the distribution of profits for 2018 in the amount of approximately EUR 3.5 million. The equity ratio as of 31 December 2019, was 25.63% (previous year: 32.8%).

Provisions amounted to EUR 25.2 million as of 31 December 2019 (previous year: EUR 19.3 million). They mainly relate to local taxes not yet due for US oil & gas companies, services not yet invoiced by oil field service companies and provisions for dismantling obligations of US subsidiaries. EUR 7.6 million of this amount is attributable to Elster Oil & Gas, EUR 17.4 million to

Cub Creek Energy and EUR 0.2 million to other companies in the consolidated group.

In addition to the three bonds (EUR 131.1 million), liabilities of EUR 166.0 million (previous year: EUR 116.2 million) mainly consisted of bank loans from Cub Creek Energy (EUR 8.1 million), interest liabilities from the bonds (EUR 1.7 million), trade payables (EUR 17.1 million) and other liabilities at Cub Creek Energy (EUR 3.2 million) and Elster Oil & Gas (EUR 4.5 million).

The bonds with a volume of EUR 131.1 million consist of two non-convertible and one convertible bond. The first non-convertible bond still has a volume of EUR 33.3 million and matures on 20 July 2021, bearing interest at 5.625 %. With the issue of the second bond in December 2019, bonds from the first bond in the amount of EUR 33.3 million were exchanged. As of the reporting date, EUR 33.3 million of the first bond were still outstanding, but EUR 16.7 million of this amount had already been called in December 2019 and repaid in January 2020. The second bond has a term until 6 December 2024 and bears interest at 5.25%. As of 31 December 2019, this bond still had a volume of EUR 87.1 million. The convertible bond has a volume of EUR 10.7 million, an interest rate of 3.625 % and a conversion price of EUR 28 and matures in March 2023.

In the USA, the Group lend against security from Cub Creek Energy's reserves last year as part of an industry-standard „Reserved Based Lending Facility“ (RBL). In the case of Cub Creek, the interest rates are variable and range between LIBOR +2.75% and LIBOR +3.75%. The loan amounted to EUR 8.1 million as of 31 December 2019 (previous year: EUR 15.7 million).

Other liabilities mainly result from sales payments at Elster Oil & Gas and Cub Creek Energy, which have to be made to royalty owners and partner companies that are also involved in the well projects.

In the following, the Company provides an overview of other key figures not used for the direct management of the Company, which are of particular importance for assessing its ability to service debt. The figures relate to the reporting date of 31 December 2019.

## ADDITIONAL SELECTED FINANCIAL INFORMATION

Fiscal year ended 31 December 2019

	2019	2018
EBIT Interest Coverage Ratio <sup>1</sup>	1.0	4.9
EBITDA Interest Coverage Ratio <sup>2</sup>	3.9	14.6
Total DEBT/EBITDA <sup>3</sup>	6.1	1.0
Total net Debt/EBITDA <sup>4</sup>	2.4	0.3
Risk Bearing Capital <sup>5</sup>	0.3	0.3
Total Debt/Capital <sup>6</sup>	0.7	0.6

<sup>1</sup> 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.

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

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

<sup>4</sup> 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.

<sup>5</sup> Ratio of liability capital (liability capital is defined as equity) to total assets.

<sup>6</sup> Ratio of financial liabilities (total debt) to financial liabilities plus equity.

## OVERALL CONCLUSION

From the Management Board's perspective, the Group's economic and financial situation remained good in 2019. Business development was good overall, particularly in the important US market. The price of WTI, which is of particular importance to the Group, recovered at the beginning of the year and averaged USD 54.1 for the year as a whole. The existing wells were able to stabilize production and operating costs were reduced. Drilling at the Olander well pad was completed on budget and on schedule. Im-



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portant foundations were laid for further development at the growth companies Bright Rock and Salt Creek.

Production amounted to 1,671,284 BOE (previous year: 3,508,001 BOE), which corresponds to a daily average of 4,501 BOE. The lack of agreement among the OPEC states in March 2020 as well as the global COVID-19 pandemic and related economic crisis lead to great uncertainties for 2020 and the existing planning of further development. This applies in particular to the oil and gas subsidiaries in the USA. For the planning of further wells and the strategic positioning of the companies, it is first of all necessary to wait for the global development and oil price trends of the coming months.

In the Metals division, Almonty Industries, by far the most important investment, continued to make good progress. For the period from 1 October 2018 to 30 September 2019, the company reported net income of CAD 9.1 million or CAD 0.05 per share (previous year: CAD -10.7 million or CAD -0.06 per share).

Ceritech AG will have to discontinue its cooperation with the Chinese partner and is not expected to pursue any further projects.

The Group is solidly financed in the short term thanks to the reflows from the USA and the placement of the corporate bond in December 2019 and is in a position to continue to make high investments and to take advantage of opportunities arising from the current environment in the oil & gas market. The very stable price development of the two bonds in the past year documents the confidence that the capital market places 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

After the balance sheet date, the following events had a significant impact on the further course of business until the beginning of May 2020:

In January, Tulip Oil, majority shareholder of Rhein Petroleum GmbH, published a first estimate of how much oil the Steig field could contain according to internal calculations. According to this, the so-called Oil in Place, i.e. the amount of oil in the reservoir identified by last year's well, amounts to more than 114 million barrels. The estimate refers only to the upper part of the reservoir that was explored by the Steig well. Further potential could arise in deeper layers that are productive elsewhere in the Rhine Graben.

Almonty Industries announced in February 2020 that it had overcome the decisive hurdles for project financing of the Sangdong mine in South Korea. After the financing bank, the KfW-IPEX Bank from Frankfurt, had already given a binding commitment at the beginning of February, the Austrian Kontrollbank (OeKB) issued a provisional export credit guarantee.

Deutsche Rohstoff AG announced at the end of February that the companies of Deutsche Rohstoff Group have hedged about 80% of their expected oil production for the first quarter of 2020. The hedged price amounts to 57.48 USD/barrel. For 2020 as a whole, the expected hedging rate is approximately 55% and a minimum price of 57.12 USD/barrel, for the first half of 2020 it is 65% and a minimum price of 57.04 USD/barrel.

At the beginning of April 2020, Deutsche Rohstoff AG published the following measures, which the Management Board and Supervisory Board had decided on, as a reaction to the COVID-19 crisis and the market environment in the oil and gas sector:

- Adjustment of production to the market situation: Due to the good liquidity situation and technical feasibility, it is possible to reduce the production of the independently operated oil production facilities without any problems and to ramp it up again later. Cub Creek has therefore decided to initially limit oil production to 1,000 to 1,500 barrels/day until the end of June 2020. This is around 15 to 25% of the originally planned production volume. If necessary, production could also be stopped completely if the buyers no longer accept oil.
- The oil hedges („hedge book“) concluded by Elster Oil & Gas for 2020 were terminated at a WTI oil price of USD 22. This resulted in income of around USD 1.8 million. The corresponding hedges at Cub Creek continue to exist. Management has decided to terminate them if the oil price falls below USD 20 per barrel. In this case, income based on the current forward curve would be around USD 11 million.



- Savings potentials are currently being identified and realized both in the running costs of production and in administrative costs. With immediate effect, salary payments for the management of all Group companies will be reduced by 25% over the next six months.
- Cub Creek has postponed the decision to develop the Knight well pad until June.

Furthermore, Deutsche Rohstoff AG announced that the Group has sufficient liquid funds to overcome the crisis. At the end of 2019, the Group had about EUR 85 million at its disposal. In January 2020, these funds were used for the partial repayment of bond 16/21 in the amount of about EUR 16 million. Other noteworthy current liabilities existed only at Cub Creek, as part of the drilling costs from the previous year still have to be paid. However, this is also offset by revenues from oil and gas production.

The Management Board also reduced the forecast for 2020. These mentioned measures will have a significant impact on the Company's revenue, EBITDA and net income for 2020. At the time of the announcement in early April 2020, it was not possible to reliably estimate how production volumes and oil prices will develop over the course of the year. The Management Board announced a new forecast for a later date, when the economic consequences of the current pandemic are much more predictable and oil prices have stabilized.

The Management Board also announced that a statement on the dividend could not yet be made either. However, it is likely that the Management Board and Supervisory Board will propose a significantly lower dividend than in previous years to the Annual General Meeting or even recommend that the dividend be suspended. The Management Board announced that a decision on this would be made by the time the final annual figures were published on 11 May 2020.

The Management Board and Supervisory Board of Deutsche Rohstoff AG had also decided to invest up to USD 25 million of free liquidity in a portfolio of oil and gas stocks and bonds and, to a lesser extent, gold stocks. With this, the management intends to take advantage of the historically low valuations of oil stocks and the, in the opinion of the company, excellent prospects of gold companies and their also low valuation. Each investment will be closely scrutinized and tracked based on the Company's geological and technical expertise.

In mid-April, Deutsche Rohstoff AG announced that due to new tax legislation of the US government in connection with the corona pandemic, Deutsche Rohstoff USA expects a tax refund of about USD 7.5 million in the coming months. This results from a newly created possibility to carry back operating losses into 2014. In 2014, the subsidiary Tekton Energy sold its assets at a high profit and made a tax payment of around USD 35 million. The tax change will contribute to an income at Deutsche Rohstoff USA level of USD 3 million in the current year and increase deferred tax liabilities by around USD 4.5 million.

## IV. FORECAST, OPPORTUNITIES AND RISK REPORT

### 1. FORECAST

The Group's business activities focus on the production of oil and gas in the USA. At the end of 2019, 55 wells were operated by the Group as operator and approximately 230 wells in which the Group has a minority interest produced oil and gas.

In the Management Report 2018, the company had published a forecast for 2019 and 2020. The forecast for 2020 was mainly based on eleven new wells from the Olander well pad, which went into production as planned at the end of 2019. To this extent, the operational prerequisites for achieving the forecast have been created.

From mid-February 2020, the appearance of the corona virus had a massive impact on the financial markets. The price of oil, a key factor influencing Group sales and earnings, fell from over USD 60 per barrel at the beginning of the year to below USD 20 in mid-April. Deutsche Rohstoff AG had already pointed out when publishing the preliminary Group figures on 10 March 2020 that a sustained low oil price could jeopardize the achievement of the forecast, especially if it continues into the second half of the year. On 6 April, the company initially reduced its forecast for 2020. A revised forecast will be published as part of this annual report.

The forecast for 2020 is based solely on the wells that are currently already producing. Additional new production may result from acquisitions and participation in new wells. However, such acquisitions are not included in the forecast.

The Group does not currently have any ongoing production in the Metals division. Income can therefore only be generated by sell-

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ing assets or investments. Since such income is by nature difficult to forecast, it is not included in the forecast. The same applies to unscheduled depreciation.

Assuming an average annual US oil price of USD 20 per barrel in the second quarter and a US oil price of USD 30 in the second half of the year, a Henry Hub gas price of USD 2.25 and a EUR/USD exchange rate of 1.1, the Management Board expects the following results for the current year

- Group sales 2020 in a range of EUR 33.0 to 37.0 million
- Earnings before interest, taxes, depreciation and amortisation (EBITDA) 2020 of around EUR 15 million

The Management Board expects to achieve a single-digit negative consolidated result in 2020.

This forecast is based on the assumption that production in the US subsidiaries will be significantly reduced for the year as a whole. Production from the Olander well pad was already completely halted at the end of April. The other well pads are producing only a minimum, which is partly necessary for regulatory reasons. This approach results in an overall production that is over 50% lower than previously assumed for 2020. In the view of the Management Board, it makes economic sense to make use of the existing flexibility and good liquidity, to conserve existing reserves and only to produce when the oil price is expected to be significantly higher in 2021.



**DRILL WORKERS**  
AT RHEIN PETROLEUM

Due to the existing hedging transactions, an average oil price of USD 58 can be realized for the expected reduced production volumes of Oil & Gas, USD 2 for natural gas and USD 6 per barrel of Natural Gas Liquids. The operating costs will be around USD 10 per BOE.

Sales could decline further if the operator of the wells in which Elster Oil & Gas has a stake also significantly reduces production from these wells. So far, there is no indication of this. Conversely, if the price of US oil rises more strongly than expected in the second half of the year, production could be increased again earlier than anticipated, thus generating more sales than forecast.

Gains or losses from securities transactions are not part of the forecast. The company announced in April that it would invest up to USD 25 million in shares and bonds of oil companies and, to a lesser extent, gold companies.

The forecast does not include unscheduled depreciation. Should the current oil price environment prove to be likely to be permanent, there is a risk of significant impairment losses on the producing oil production facilities in the United States, the value of which will be reviewed on the basis of the existing oil and gas reserves and the sales revenues that can be generated from them depending on the price of raw materials. The carrying amount of the oil production facilities amounted to EUR 138 million as of 31 December 2019.



**STEIG-1 WELL**  
OF RHEIN PETROLEUM IN  
WEINGARTEN, DEUTSCHLAND

## 2. RISKS AND OPPORTUNITIES

### MANAGING OPPORTUNITIES AND RISKS

Deutsche Rohstoff AG itself operates only a subordinated operative business. All major activities are carried out in the subsidiaries and investments, each of which is equipped with its own management. The activities in the mining or oil and gas sector are subject to a multitude of external and internal risks and opportunities. We attempt to identify and exploit opportunities at an early stage without neglecting or underestimating the risks involved. The management of Deutsche Rohstoff AG as well as the management of the Group companies attach particular importance to identifying risks in time, assessing the consequences of the occurrence of the respective risk, continuously evaluating the probability of occurrence and quantifying it, if possible..

The Management Board of the holding company in Mannheim uses a range of instruments to identify opportunities at an early stage, to recognize risks and to take countermeasures:

- The annual financial planning for the holding company and the subsidiaries is prepared on a monthly basis and is subject to an ongoing target/actual comparison. Major deviations are taken as an opportunity to review the corresponding costs directly or to adjust the plan if necessary.
- The credit and cash management of the subsidiaries is coordinated promptly with the parent company. No major financial statements are prepared without the approval of the parent company.
- Deutsche Rohstoff AG as parent company is represented in all supervisory bodies of the group companies and also of the investments. At regular intervals board meetings or supervisory board meetings take place in which the business policy is discussed in detail. In most cases the representative of Deutsche Rohstoff is the chairman of the supervisory board. In the case of companies in which the Group holds a majority stake, the majority of votes are held by the Group representatives.
- Two to three times a month, or more frequently if necessary, detailed telephone or video conferences are held with the management of the subsidiaries. In these telephone conferences, the Management Board is informed about all current developments and discusses upcoming measures.
- The Chairman of the Supervisory Board of Deutsche Rohstoff AG is a member of the boards of major US subsidiaries. He is there-

fore involved in all important decisions of 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 in detail and to plan the next months/years operationally. Such personal visits take place at least four times a year. There is also a regular exchange of information at management level with the subsidiaries, both during on-site visits and during the year, both by telephone and in writing.

### RISKS AND OPPORTUNITIES

The opportunities and risks are divided into five categories:

#### **Systemic opportunities and risks**

#### **Industry opportunities and risks**

#### **Performance-related opportunities and risks**

#### **Financial opportunities and risks**

#### **Other opportunities and risks**

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

#### **Systemic opportunities and risks**

This category includes one of the main risks that occurs in the commodity business, namely the risk of falling prices of the commodities produced. Falling prices have a significant impact on the profitability of mining operations and the liquidity requirements of the respective Group company. If the recoverable prices per unit produced fall permanently below the costs incurred to produce such a unit, the Company's continued existence as a going concern may be at risk.

In the Deutsche Rohstoff Group, the price risk currently exists primarily for crude oil and natural gas. For crude 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 in the event of different prices. If the price of WTI crude oil were to fall below USD 40 per barrel on a

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sustained basis, new horizontal wells would no longer pay for themselves as quickly as management believes is reasonable from an opportunity/risk perspective. As a result, no new wells would be drilled if the price level fell below this threshold. Such a waiver of new wells would have an impact on the earnings, financial and asset situation, but would in no case endanger the company's existence. On the balance sheet date, prices were above this threshold. At the time the financial statements were prepared (end of April 2020), the spot price of around USD 16/barrel was very far below the threshold. The forward curve was extremely steep at that time. Oil with delivery in December 2020 costs around 30 USD/barrel and is significantly closer to the threshold. A permanent or very long-term persistent level of the oil price below USD 40 represents a considerable risk threatening the existence of Deutsche Rohstoff AG, the further development of the areas in the USA and the overall economic situation of the Group.

One of the main operational risks in shale oil production is that the expected production rates are not 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 fails to recover the investment will result in a loss. In such a case, it may become necessary to make unscheduled depreciation of the capitalized value with the corresponding effect on the earnings and asset situation. Conversely, production rates may exceed expectations, which represents an opportunity.

In 2019, the Group exercised the option under section 254 of the German Commercial Code (HGB) to reconstruct the economic hedge relationship in the context of transactions to hedge the WTI oil price and the Henry Hub gas price by forming a valuation unit. The effective portion of the valuation unit formed is shown using the freeze method. The hedging transactions are derivative financial transactions (portfolio hedges) to hedge the price risk of the raw materials natural gas and crude oil.

The derivative financial instruments hedge a total production volume (underlying transaction) of 638,000 barrels of oil (BO) and 1.2 million cubic feet of gas (mcf) for 2020. The transactions entered into hedge against a decline in the price of crude oil to below approximately USD 57 and the price of gas to below approximately USD 2.2. If the price is above this corridor, the individual valuation of the unrealized forward transaction at market prices results in a loss. As of the reporting date, oil prices were above the average value of the hedged corridor, resulting in an unrealized loss of EUR 1.4 million as of 31 December 2019.

At the time of hedging, crude oil is already being produced from existing production facilities, so that the effectiveness of the hedging method is ensured and anticipatory valuation units have been formed in view of the reliably plannable scope and timing of the occurrence. The opposing effects of the underlying and hedging transactions are therefore highly likely to cancel 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 production of raw materials, since production can be operated profitably even at the hedged price level. In effect, the loss therefore has the effect of reducing sales. The risk that the hedged derivative volume is not matched by corresponding production of crude oil and natural gas is therefore considered extremely low.

Similar to oil and gas production, there is a price risk in the production of tungsten concentrates. Should the price of the concentrates fall permanently below the production costs, this could result in a risk to the Almonty Industries investment as a going concern. 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 advance notice. In the first half of the year under review, prices initially rose sharply to as much as USD 270/mtu before easing again in the second half of the year, ending the year at USD 240/mtu.

Almonty reported a decline in sales to CAD 48.0 million for the first twelve months of the 2018/2019 fiscal year, which did not end until 31 December 31 2019 due to the changeover to the calendar year. In contrast, earnings from operations rose to CAD 11.7 million. At the same time, the company reported a net profit of CAD 9.1 million (previous year: CAD -10.7 million). The profit resulted from significantly lower mining costs due to the closure of the Los Santos mine and lower depreciation and amortization.

The main risks arising from Almonty's business model are, in addition to the risk of the development of tungsten prices, the development of exchange rates and costs in the countries in which Almonty is active. Furthermore, there is a risk that Almonty will not be able to implement the financing, construction or economically successful operation of the Sangdong and Valtreixal mines as planned. Furthermore, there is a risk that the mine in Panasqueira cannot be operated profitably due to operational problems or price changes.





#### COUNTRYSIDE IN COLORADO, USA

All in all, the Executive Board of Deutsche Rohstoff believes that the Almonty Industries investment continues to be on the right track. The significantly reduced operating costs, the relatively stable prices for tungsten-APT and the fixed price contracts concluded, the reduction of balance sheet risks and the promising new mines Sangdong and Valtreixal, which Almonty is developing, speak in the opinion of the Management Board for a continued good development. The share price was able to remain stable in 2019. At the end of 2019, the stock market value of the investment was above the book value of Deutsche Rohstoff, but fell back significantly again in February/March 2020 in the context of the corona crisis. Currently, the value of the company's investment in Almonty Industries is around EUR 19.4 million. In extreme cases, a large part or the entire investment could become worthless if many of the risks mentioned above occur. However, the Management Board currently considers the risk of a permanent impairment of the shareholding or the convertible bonds to be average. Conversely, an increasing price has a positive effect on the earnings, financial and asset situation of all Group companies and participations. It therefore represents a significant opportunity. The Management Board expects that there will be moderate increases in the price of oil and the metals important to the Group in the further course of 2020. The value of the Group's assets will rise disproportionately in the event of

price increases, as rising prices can be fully allocated to the profit margin if production is already profitable.

The Company's investments are primarily denominated in US dollars, and to a much lesser extent in Australian and Canadian dollars. The associated currency risk is considerable and is reflected in the consolidated financial statements both with and without effect on income. In the opinion of the Management Board, one of the greatest currency risks for the Group constantly exists. The development of the EUR/USD in the past year led to a currency loss of EUR 1.2 million. Should the Euro strengthen, there is a risk that further losses will be incurred.

The management constantly reviews the possibilities of hedging or reducing the currency risk. For this purpose, forward exchange contracts are regularly entered into to hedge a specific exchange rate for foreign currency items whose return flow is already scheduled. In addition, Deutsche Rohstoff has started to enter into future positions on EUR/USD.

Rhein Petroleum is active in the exploration of oil & gas. Exploration in the commodity sector entails high risks to the extent that the capital invested in carrying out exploration wells may be completely lost in the event of uneconomical results and thus the

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value of the investment may be worthless. Rhein Petroleum is currently planning the development of the Steig field in Baden-Württemberg, which could be delayed or not economically viable if oil prices remain low.

## Industry opportunities and risks

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

## Performance-related opportunities and risks

With regard to the provision of services, the following significant risks exist at the sponsoring companies, which can occur individ-

ually or in combination and each of which, individually and in particular when they occur in combination, has a significant impact on the income, assets and finances of the Group:

**Production rates:** The commercial success of the oil companies' drilling operations depends on the production rates or the total possible production that can be achieved. In general, the costs per well have fallen in recent years, while production rates have risen, particularly due 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 constantly reviews its assumptions regarding the possible production rates on the basis of new results achieved by itself or by competitors operating in the surrounding areas. This is to avoid poor drilling results and production rates. Of course, better than expected production rates represent an opportunity that has a positive impact on earnings.

Exploration results are, by their very nature, only predictable to a limited extent. There is therefore a risk that drilling or other



**DRILL RIG** OF RHEIN PETROLEUM IN WEINGARTEN, GERMANY

types of exploration in the Group's exploration activities will not be as successful as hoped. As a result, the value of capitalized exploration expenses could decrease or these expenses could become completely worthless. However, due to the relatively low capitalized balance sheet values for exploration, the impact on the Group as a whole is in no way a threat to the continued existence of the company. Conversely, exploration results that are better than expected may have a significant positive impact, particularly on the financial position.

### **Financial opportunities and risks**

The ability to finance project development is one of the key success factors in commodity extraction. At the end of 2019, 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 funds in order to be able to carry out future horizontal drilling in the USA or to acquire new projects. The need for financial resources 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 by a very conservative financing policy. The range of available cash is calculated continuously. By means of ongoing discussions with potential equity or debt capital providers it is attempted to create further financing possibilities which 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 Management Board assumes that, based on current tax legislation, these tax loss carryforwards or tax offset possibilities can be carried forward and used to offset future or past profits in accordance with the tax framework (e.g. minimum taxation). If it is not possible to use the tax loss carryforwards in full or in part, e.g. because it is not possible to operate raw material projects at a profit in the long term, due to short-term changes in legislation, changes in capital resources or ownership structures, or other events, income tax payments on the expect-

ed profits would be incurred in future if the respective subsidiaries developed successfully. These tax payments would burden liquidity and the value of capitalized deferred taxes would be impaired. The Management Board therefore regularly reviews the recoverability of deferred tax assets on loss carryforwards. Local tax advisors in all countries in which the Group is domiciled have been commissioned to identify and remedy 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 main current risks are the prices for oil and tungsten, the currency risk, the value of other investments and the risks in the further development of the exploration companies.

In the opinion of the Management Board, the risks are manageable overall. However, the global corona crisis, the collapse of OPEC and the associated drop in oil prices to the lowest levels of the last 30 years pose a challenge for the company.

However, due to the good liquidity position, the Management Board is of the overall opinion that the company risk is relatively low, provided that oil prices and the global economy recover in the medium term. The main risks are also countered by opportunities arising from further increases in raw material prices, favorable currency developments or successful project development by the exploration companies. In addition, the company's solid liquidity position and good reputation on the capital market give it the opportunity to invest in new, promising activities even in the current situation.

Mannheim, 11 May 2020

The Management Board

Dr. Thomas Gutschlag

Jan-Philipp Weitz

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IN TEUR	EQUITY OF THE PARENT COMPANY					
	Subscribed Capital	Capital Reserves according to § 272 paragraph 2 nr. 1-3 HGB	RESERVES	Total	Equity differences from currency translation	Consolidated profit/loss carried forward
<b>AS OF 01/01/2018</b>	<b>4,935,262</b>	<b>29,827,395</b>		<b>29,827,395</b>	<b>-3,507,363</b>	<b>12,444,003</b>
Change through capital increase with participation of minority shareholders	0	-86,319		<b>-86,319</b>	0	0
Capital repayment and distribution to minority shareholders	0	0		<b>0</b>	0	0
Distribution	0	0		<b>0</b>	0	-3,207,920
Currency translation	0	0		<b>0</b>	5,924,936	0
Other changes	0	0		<b>0</b>	0	5,548,520
Consolidated net profit/loss for the year	0	0		<b>0</b>	0	0
<b>AS OF 01/01/2019</b>	<b>4,935,262</b>	<b>29,741,076</b>		<b>29,741,076</b>	<b>2,417,573</b>	<b>14,784,603</b>
Capital increase Parent company	18,675	278,257		<b>278,257</b>	0	0
Capital repayment and distribution to minority shareholders	0	0		<b>0</b>	0	0
Distribution	0	0		<b>0</b>	0	-3,454,683
Currency translation	0	0		<b>0</b>	1,415,631	0
Other changes	0	0		<b>0</b>	0	13,871,965
Consolidated net profit/loss for the year	0	0		<b>0</b>	0	0
<b>AS OF 31/12/2019</b>	<b>4,953,937</b>	<b>30,019,333</b>		<b>30,019,333</b>	<b>3,833,204</b>	<b>25,201,885</b>



		NON-CONTROLLING INTERESTS				GROUP EQUITY
Consolidated net profit/loss for the year attributable to the parent company	Total	Non-controlling interests before equity difference from currency translation and net income	Currency translation difference attributable to non-controlling interests	Profit/loss attributable to non-controlling interests	Total	
5,548,520	49,247,817	7,426,885	0	0	7,426,885	56,674,702
0	-86,319	518,238	0	0	518,238	431,919
0	0	-3,927,046	0	0	-3,927,046	-3,927,046
0	-3,207,920	0	0	0	0	-3,207,920
0	5,924,936	0	-3,436	0	-3,436	5,921,500
-5,548,520	0	0	0	0	0	0
13,871,965	13,871,965	0	0	4,072,044	4,072,044	17,944,009
13,871,965	65,750,479	4,018,077	-3,436	4,072,044	8,086,685	73,837,164
0	296,932	0	0	0	0	296,932
0	0	-779,352	0	0	-779,352	-779,352
0	-3,454,683	0	0	0	0	-3,454,683
0	1,415,631	0	17,882	0	17,882	1,433,513
-13,871,965	0	-18,450	0	0	-18,450	-18,450
308,076	308,076	0	0	-122,271	-122,271	185,805
308,076	64,316,435	3,220,275	14,446	3,949,773	7,184,494	71,500,929

# CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS

## ACQUISITION AND PRODUCTION COST

IN EUR	01/01/2019	ADDITIONS	DISPOSALS
<b>I. INTANGIBLE ASSETS</b>			
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	21,615,460	6,214,064	0
2. Goodwill	4,139,640	0	0
	<b>25,755,100</b>	<b>6,214,064</b>	<b>0</b>
<b>II. PROPERTY, PLANT AND EQUIPMENT</b>			
1. Producing oil production facilities	190,796,923	5,500,024	-52,087
2. Exploration and evaluation	4,888,050	37,519,525	-2,263,215
3. Technical equipment and machinery	520,216	146,320	-212,525
4. Other equipment, operating and office equipment	308,098	344,029	-2,894
	<b>196,513,287</b>	<b>43,509,898</b>	<b>-2,530,721</b>
<b>III. FINANCIAL ASSETS</b>			
1. Equity investments	16,843,293	2,003,020	-34,593
2. Loans to other investees and investors	1,852,197	178,007	0
3. Securities classified as fixed assets	6,306,327	14,337,690 <sup>1</sup>	-1,694,799 <sup>2</sup>
	<b>25,001,817</b>	<b>16,518,717</b>	<b>-1,729,392</b>
	<b>247,270,204</b>	<b>66,242,679</b>	<b>-4,260,113</b>

<sup>1</sup> This item includes reclassifications from current to non-current assets totaling EUR 12,944,663, of which EUR 11,622,109 relates to the reclassification of the Northern Oil & Gas shares and EUR 1,322,554 to the Almonty Industries convertible bond.

<sup>2</sup> This item includes reclassifications from fixed assets to current assets in the amount of EUR 1,335,782, which relate to the Lithium Australia shares of Tin International AG.

CHANGES IN BASIN OF CONSOLIDATION	RECLASSIFICATIONS	FOREIGN CURRENCY TRANSLATION	31/12/2019
0	1,520,636	316,135	29,666,295
0	0	44,165	4,183,805
0	1,520,636	360,300	33,850,100
0	36,075,305	3,322,341	235,642,506
0	-37,595,941	6,497	2,554,916
0		21,626	475,637
0	0	2,074	651,307
0	-1,520,636	3,352,537	239,324,365
0	0	0	18,811,720
0	0	0	2,030,204
0	0	0	18,949,218
0	0	0	39,791,142
<b>0</b>	<b>0</b>	<b>3,712,837</b>	<b>312,965,607</b>

## CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS

### ACCUMULATED AMORTIZATION, DEPRECIATION AND WRITE-DOWNS

IN EUR	01/01/2019	ADDITIONS	DISPOSALS
<b>I. INTANGIBLE ASSETS</b>			
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	6,386,165	2,463,095	0
2. Goodwill	2,436,681	158,349	0
	<b>8,822,846</b>	<b>2,621,444</b>	<b>0</b>
<b>II. PROPERTY, PLANT AND EQUIPMENT</b>			
1. Producing oil production facilities	82,919,337	12,863,561	0
2. Exploration and evaluation	2,839,880	694,520 <sup>3</sup>	-1,627,561
3. Technical equipment and machinery	484,202	12,864	-186,237
4. Other equipment, operating and office equipment	216,832	105,042	-2,731
	<b>86,460,251</b>	<b>13,675,987</b>	<b>-1,816,529</b>
<b>III. FINANCIAL ASSETS</b>			
1. Equity investments	2,458,142	-335,068 <sup>4</sup>	0
2. Loans to other investees and investors	128,059	0	0
3. Securities classified as fixed assets	414,989	345,103	0
	<b>3,001,190</b>	<b>10,035</b>	<b>0</b>
	<b>98,284,287</b>	<b>16,307,465</b>	<b>-1,816,529</b>

<sup>3</sup> In addition to the amortization of capitalized exploration costs in the amount of EUR 1,059,549 at Ceritech AG, this item also includes the correction of the amortization of the Gottesberg license at Tin International AG. A higher amortization was already amortized at Group level in fiscal year 2014, which was corrected in the amount of EUR 365,029 at the time of the sale of the license.

<sup>4</sup> This item includes write-ups on investments in the amount of EUR 400,000, which were recognised in the income statement under other operating income.

CHANGES IN BASIN OF CONSOLIDATION	RECLASSI- FICATIONS	FOREIGN CURRENCY TRANSLATION	NET BOOK VALUES		
			31/12/2019	31/12/2019	31/12/2018
0	217,785	40,867	9,107,912	20,558,383	15,229,295
0	0	10,864	2,605,893	1,577,912	1,702,959
0	217,785	51,731	11,713,806	22,136,294	16,932,254
0	-217,785	1,644,651	97,209,764	138,432,742	107,877,586
0	0	0	1,906,840	648,076	2,048,170
0	0	22,219	333,048	142,588	36,014
0	0	1,499	320,642	330,665	91,266
0	-217,785	1,668,369	99,770,293	139,554,072	110,053,036
0	0	0	2,123,074	16,688,646	14,385,151
0	0	0	128,059	1,902,145	1,724,138
0	0	0	760,092	18,189,126	5,891,338
0	0	0	3,011,225	36,779,917	22,000,627
<b>0</b>	<b>0</b>	<b>1,720,100</b>	<b>114,495,324</b>	<b>198,470,283</b>	<b>148,985,917</b>

# 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 also included three German and six foreign subsidiaries. Please also refer to 5.2. Information on shareholdings.

Due to share purchases from co-shareholders, the shareholding in Tin International AG increased from 73.98% to 75.40%.

Due to capital contributions, the shareholding in Bright Rock Energy LLC also increased from 95.18% to 98.35%.

## 3. CONSOLIDATION PRINCIPLES

Capital consolidation for companies that are consolidated for the first time as a result of an acquisition is carried out using the purchase method at the time at which the companies became subsidiaries.

In doing so, the valuation of the shares belonging to the parent company is offset against the amount of the subsidiary’s equity attributable to these shares. Equity is stated at the amount corresponding to the fair value of the assets, liabilities and deferred items to be included in the consolidated financial statements at the time of consolidation. Any difference remaining after offsetting is shown separately as goodwill if it arises on the assets side and as goodwill if it arises on the liabilities side under the item Difference arising from capital consolidation.

The date used to determine the fair value of the assets, liabilities and deferred items to be included in the consolidated financial statements and the date relevant for capital consolidation is generally the date at which the company became a subsidiary.

Receivables and liabilities, sales, expenses and income as well as interim results within the scope of consolidation were eliminated.

## 4. RECOGNITION AND MEASUREMENT POLICIES

The following accounting and valuation methods were applied in preparing the annual financial statements.

The financial statements of the companies included in the consolidated financial statements were prepared using uniform accounting and valuation principles.

**Purchased intangible assets** are reported at acquisition or production cost and, if subject to wear and tear, are reduced by scheduled depreciation (straight-line method) in accordance with their useful life. The useful life is between 3 and 5 years. Intangible assets mainly include production rights and exploration and mining licenses. Exploration licenses are amortized on a straight-line basis from the date of acquisition over the expected total exploration period. In contrast, mining licenses are amortized on a straight-line basis over the expected remaining useful life of the deposit. An exception to the straight-line method of amortization applies to production rights, which are amortized according to the degree to which they are utilized. In this case, the degree of utilization reflects the economic devaluation process.

Impairment losses are recognized in the event of expected permanent impairment.

**Goodwill** from the first-time consolidation of shares prior to 1 January 2016 is amortized pro rata temporis over a period of 5

years. For goodwill arising after 31 December 2015, explanations on the determination of the respective useful life are provided in accordance with the provisions of the BilRUG in the notes on fixed assets. The useful life estimate is based on the expected subsidy periods and subsidy volumes, whereby the appropriateness of the useful life is regularly reviewed and adjusted downwards if necessary.

Property, plant and equipment is carried at cost and, if subject to wear and tear, is reduced by scheduled depreciation. Direct and pro rata overheads are included in the manufacturing costs of self-constructed assets.

**Property, plant and equipment** includes the item producing oil production facilities due to the specifics of a company producing commodities. The producing oil production facilities relate to production plants operated by Cub Creek Energy LLC in the Wattenberg field in Colorado (USA). The producing oil production facilities in the USA, in which the companies Elster Oil & Gas LLC, Salt Creek Oil & Gas LLC and Bright Rock Energy LLC hold shares, are also included under this item. Specifically, these are investments in producing oil production facilities in the Wattenberg field in Colorado (USA) of Elster Oil & Gas LLC, in the Williston Basin - Bakken oil field in North Dakota (USA) of Salt Creek Oil & Gas LLC and in the Uinta Basin in Utah (USA) of Bright Rock Energy LLC.

The classification of property, plant and equipment also includes an item entitled Exploration and Evaluation. This item includes expenditure in the exploration and evaluation phase that is directly related to a discovered, recoverable deposit and is directly related to the extraction of raw materials for which future cash flows are expected with a high degree of probability. Direct costs and a proportionate share of overheads are capitalized.

As of the date of commercial production, a reclassification to the respective fixed asset items is made. If, as a result of events or changes in circumstances, it becomes apparent that the estimated reserves of raw materials will not be sustainable or will be substantially reduced, or that the yield will not be sufficient for commercial production, the assets concerned are amortized with an effect on income.

Property, plant and equipment is generally amortized on a straight-line basis over its expected useful life. The useful life is between 8 and 25 years for technical equipment and machinery, and between 3 and 13 years for other equipment, factory and office equipment. An exception with regard to the straight-line

method of depreciation is made for producing oil production facilities, which are amortized according to the degree of utilization. In this case, the degree of utilization reflects the economic devaluation process.

Impairment losses are recognized in the event of expected permanent impairment.

**Financial assets** are carried at the lower of cost or fair value.

**Inventories** are carried at the lower of cost or market value.

Finished goods and merchandise are valued at production cost, taking into account directly attributable direct material costs, production wages and special direct costs as well as production and material overheads and depreciation. Interest on borrowed capital was not included in the manufacturing costs. General administration costs were also not capitalized.

In all cases a loss-free valuation was applied, i.e. deductions were made from the likely sales prices for costs still to be incurred.

**Receivables and other assets** were carried at their nominal values less valuation allowances for individual risks.

**Derivative financial instruments** are generally not recognized as pending transactions. Gains from hedging transactions that are not assigned to a specific underlying transaction are only realized when they mature. Unrealized losses from derivative financial instruments are accrued with an effect on income unless they are included in a valuation unit and the unrealized losses are not offset by opposite changes in the value of the underlying transaction. The Company has exercised the option under Section 254 HGB to reconstruct the economic hedge relationship in the context of transactions to hedge the WTI oil price and the Henry Hub gas price by forming a valuation unit. The freezing method is used for this purpose. The offsetting positive and negative changes in value are recorded without affecting the income statement.

**Other securities** classified as current assets are carried at cost or, where appropriate, at the lower values resulting from stock exchange or market prices on the balance sheet date.

**Prepaid expenses** include expenditure prior to the balance sheet date that represents an expense for a specific period after that date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Other provisions** take into account all uncertain liabilities and impending losses from pending transactions. They are stated at the amount necessary to settle the obligation (i.e. including future cost and price increases) according to sound business judgment. Provisions with a remaining term of more than one year were discounted. Provisions for recultivation were set up primarily for field clearance and well plugging. They are accrued in installments, taking into account expected future price and cost increases and discounting in accordance with the respective remaining term.

Provisions are discounted using an interest rate appropriate to the term in accordance with the provisions discounting regulation.

**Liabilities** were carried at their settlement amounts.

In order to determine **deferred taxes** due to temporary or quasi-permanent differences between the commercial-law valuations of assets, liabilities and prepaid expenses and deferred income and their tax valuations or due to tax losses carried forward, the amounts of the resulting tax burden and relief are measured at the individual company tax rates at the time the differences are reduced and are not discounted. Differences resulting from consolidation measures in accordance with sections 300 to 307 HGB are also taken into account, but not differences from the initial recognition of goodwill or negative goodwill from capital consolidation. Deferred tax assets are recognized for tax loss carryforwards to the extent that they can be expected to be offset within the next five years. Deferred tax assets and liabilities are netted where permissible.

## CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currencies were generally translated at the mean spot exchange rate on the balance sheet date. In the case of a remaining term of more than one year, the realisation principle and the acquisition cost principle were observed.

With the exception of equity, the asset and liability items in the annual financial statements prepared in foreign currencies were converted into euros at the mean spot exchange rate on the balance sheet date. Equity was translated at historical rates. Income statement items are translated into euros at the average exchange rate. The resulting translation difference is shown within the consolidated equity under the item equity differences from currency translation.

## 5. NOTES TO THE CONSOLIDATED BALANCE SHEET

### 5.1. FIXED ASSETS

The development of fixed assets is shown in the statement of changes in fixed assets, together with details of depreciation and amortization for the fiscal year.

In the financial years 2013 and 2014, shares in Elster Oil & Gas were acquired from minority shareholders. These capital increases disclosed hidden reserves totaling EUR 8,569 thousand, which were capitalized under the item concessions, industrial property rights and similar rights acquired for consideration.

In addition, production rights in connection with potential and producing oil and gas wells are capitalized under this item.

Salt Creek Energy made investments totalling TEUR 4,424 in February 2019. Of this amount, TEUR 1,270 is attributable to the item production rights. Bright Rock's production rights increased by TEUR 5,387 in financial year 2019 due to various acquisitions.

The item Concessions, industrial property rights and similar rights and assets acquired for valuable consideration and licenses in such rights and assets breaks down as follows, see Table 5.1.1

Exploration and evaluation in the Mining segment at Tin International and Ceritech includes valuations for licenses for the exploration of commodity or development projects. In the oil and gas sector, this item includes those drilling projects that are in development at the relevant time but have not yet started production.

As of 31 December 2019, a value of TEUR 1,578 is still reported as goodwill, which relates to the company Cub Creek Energy. The amortization of this goodwill is carried out linearly over a useful life of 15 years. The useful life was estimated on the basis of the average production periods of the oil wells of Cub Creek Energy.

For Cub Creek Energy, the item „Exploration and evaluation“ still includes investments for the preparation of new drillings in the amount of TEUR 511. Due to the acquisition made in fiscal year 2019, Bright Rock Energy's capital expenditures for new wells amount to TEUR 85. The German company Tin International sold the Gottesberg license in 2019. An impairment loss of TEUR 1,059 was recognized on the exploration and evaluation costs previously capitalized for the German company Ceritech AG in order to reflect the item at its fair value.



The Exploration and Evaluation item consists of the following, see Table 5.1.2

The item „producing oil production facilities“ is composed as follows, see Table 5.1.3.

The producing oil production facilities of Elster Oil & Gas relate to 39 wells in the Wattenberg field in Colorado/USA, an average of 34.87% of which are economically attributable to Elster Oil & Gas.

The producing oil production facilities of Cub Creek Energy relate to 55 wells in the Wattenberg field in Colorado/USA, which are economically attributable to Cub Creek Energy on average 82.23%. An unscheduled amortization in the amount of TEUR 13,161 was taken on the producing oil production facilities of Cub Creek Energy in the financial year 2018 so that the carrying amount reflects the fair value. A write-up of TEUR 9,417 was made in the 2019 fiscal year (see further details in Note 6.4. Scheduled amortization).

## 5.2. INFORMATION ON SHAREHOLDINGS

Impairment losses totalling EUR 1,258,420.78 were recognised on the shares of Devonian Metals Inc. in the past fiscal years as a result of permanent impairment. Due to the existing takeover bid for the shares in Devonian Metals Inc. a write-up of EUR 400,000.00 was made as of 31 December 2019 in order to show the book value at fair value.

The options of Hammer Metals Ltd. in the amount of EUR 64,931.86 were fully written off in order to show the book value at fair value.

The investment in Almonty Industries was reported at the book value of EUR 11,052,085.66, exercising the valuation option pursuant to § 253 (3) sentence 6 HGB.

The book value of the investment as of 31 December 2019 is therefore based on an average price of CAD 0.68 (EUR 0.48) per share at acquisition.

The share price as of 31 December 2019 was CAD 0.42 per share (EUR 0.29 per share), with the share price moving in a range of CAD 0.34 per share (EUR 0.22 per share) and CAD 0.66 per share (EUR 0.42 per share) in the first three months of 2020. The Management Board currently considers the risk of a permanent impairment below the book value of the shareholding or the convertible bonds to be low, see Table 5.2.

## 5.3. INVESTMENT SECURITIES

Long-term securities increased on the one hand due to a convertible bond issued by Almonty Industries Inc. in the amount of EUR 1,322,554.24 (CAD 2,000,000.00) - previously reported under current assets - which was extended from 30 June 2019 to March 2021 and therefore reclassified to fixed assets. On the other hand, the shares of Northern Oil & Gas were reclassified to fixed assets, as a holding period of at least 12 months is now intended. The shares have a total value of EUR 12,518,08.32 and are valued at a price of USD 2.25 per share.

The Northern Oil & Gas share price moved within a corridor of USD 1.50 and USD 2.80 in the 2019 financial year; on 31 December 2019, the price was USD 2.31. With the falling oil price in 2020 and most recently the massive distortions on the oil market, the share price fell to USD 0.85 on 15 April 2020. However, the company assumes that this impairment is not permanent. At USD 2.31, the closing price on the reporting date was almost exactly the same as the price at which the shares were booked. The Management Board regards the position as a longer-term investment and sees no pressure to sell the shares. In April 2020, further shares were purchased at prices around USD 0.75 per share, which underlines the fact that the Management Board assumes that there is considerable price potential.

An impairment loss of EUR 345,102.80 was recognised on the shares held by Tin International AG in the company Anglo Saxonia Mining Ltd. in order to present the book value with the fair value.

## 5.4. INVENTORIES

Inventories relate to gold in the finished goods sector.

## 5.5. RECEIVABLES AND OTHER ASSETS

The breakdown of receivables and other assets by residual term is as follows, see Table 5.5 Other assets mainly comprise accessories for oil production in the USA and domestic tax receivables.

## 5.6. DERIVATIVE FINANCIAL INSTRUMENTS

There are transactions with a derivative character. These transactions include derivative financial instruments in the form of „costless collars“ consisting of put and call options and swaps, which were concluded to hedge the oil and gas price risk in the USA. On the other hand, transactions with so-called foreign cur-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

PROJECT/COMPANY	RESOURCE	2019	2018
Elster Oil & Gas LLC	Oil and Gas	8,560,075	10,282,721
Salt Creek Oil & Gas LLC	Oil and Gas	1,763,793	493,905
Cub Creek Energy LLC	Oil and Gas	3,114,218	2,718,576
Bright Rock Energy LLC	Oil and Gas	7,114,730	1,727,500
Other	Various	5,567	6,593
IN EUR		20,558,383	15,229,295

TAB 5.1.2. EXPLORATION AND EVALUATION

PROJECT/COMPANY	RESOURCE	2019	2018
Cub Creek Energy LLC	Oil and Gas	511,405	1,055,673
Elster Oil & Gas LLC	Oil and Gas	51,629	0
Bright Rock Energy LLC	Oil and Gas	85,042	18,326
Tin International AG	Tin and Lithium	0	30,401
Ceritech AG	Rare earths	0	943,770
IN EUR		648,076	2,048,170

TAB 5.1.3. PRODUCING OIL PRODUCTION EQUIPMENT

PROJECT/COMPANY	RESOURCE	2019	2018
Elster Oil & Gas LLC	Oil and Gas	35,512,290	42,931,041
Cub Creek Energy LLC	Oil and Gas	95,468,265	61,791,637
Salt Creek Oil & Gas LLC	Oil and Gas	5,125,247	1,595,842
Bright Rock Energy LLC	Oil and Gas	2,326,940	1,559,066
IN EUR		138,432,742	107,877,586

TAB. 5.2. INFORMATION ON SHAREHOLDINGS

	CURRENCY	SHARE- HOLDING IN %	SHARE- HOLDING IN EUR	EQUITY IN NATIONAL CURRENCY	RESULT IN NATIONAL CURRENCY
<b>DOMESTIC</b>					
Tin International AG	EUR	75,40		1.578.287	-879.369
Ceritech AG	EUR	63,71		1.075.658	-92.697
Jutland Petroleum GmbH	EUR	100,00		8.355	-636
<b>FOREIGN</b>					
Deutsche Rohstoff USA Inc., USA	USD	100,00		41.821.760	8.443.320
Elster Oil & Gas LLC, USA <sup>1</sup>	USD	92,99		35.819.743	2.492.608
Diamond Valley Energy Park LLC, USA <sup>2</sup>	USD	100,00		1.791.657	-166
Cub Creek Energy LLC, USA <sup>1</sup>	USD	88,46		47.370.865	-7.736.085
Salt Creek Oil & Gas LLC, USA <sup>1</sup>	USD	100,00		5.522.523	807.905
Bright Rock Energy LLC, USA <sup>1</sup>	USD	98,35		12.233.220	396.395
<b>OTHER (INVESTMENTS)</b>					
Devonian Metals Inc., Kanada <sup>*</sup>	CAD	47,00	400.000	5.376.398	-69.654
Almonty Industries Inc., Kanada <sup>**</sup>	CAD	12,80	11.052.086	48.229.000	9.063.000
Hammer Metals Ltd., Australien <sup>***</sup>	AUD	6,29	320.011	13.890.970	-852.517

<sup>1</sup> indirectly via Deutsche Rohstoff USA Inc., USA

<sup>2</sup> indirectly via Elster Oil & Gas LLC, USA

<sup>\*</sup> as at the balance sheet date of 30 April 2017 (current figures are not yet available at the time of preparation of the balance sheet)

<sup>\*\*</sup> as of the balance sheet date 31 December 2019

<sup>\*\*\*</sup> as of the balance sheet date 30 June 2019

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

rency futures are carried out to hedge the currency risk in the EUR/USD area. There were no foreign currency futures on the balance sheet date.

Derivative financial instruments are measured at fair value based on published market prices. If no price quoted in an active market exists, other suitable valuation methods are used. The fair values of the oil price hedges were provided by the relevant contractual partners (financial service providers) with whom the hedges were concluded.

In order to determine the market value of the put and call options (costless collars) as of the balance sheet date, the values provided by the respective contractual partner were also used. The fair value of put and call options (costless collars) is determined on the basis of a mark-to-market valuation. The value of a foreign currency future is continuously determined and made available on futures exchanges.

The Company has exercised the option pursuant to Section 254 of the German Commercial Code (HGB) to reconstruct the economic hedge relationship in the context of transactions to hedge the WTI oil price and the Henry Hub gas price by forming a valuation unit. The disclosures required under Section 314 (1) No. 15 of the German Commercial Code are provided in the Group Management Report in Section „IV. Environmental opportunities and risks“ in the Group Management Report.

### 5.7. PREPAID EXPENSES

These are essentially prepaid insurance and rental amounts and deferred interest expenses.

### 5.8. DEFERRED TAXES

A tax rate of 24 % to 30 % was applied to calculate deferred taxes, depending on local tax law. Deferred tax assets on tax loss

TAB 5.5. RECEIVABLES AND OTHER ASSETS

			31/12/2019
IN EUR	< 1 YEAR	> 1 YEAR	GESAMT
Trade receivables	8,853,988	0	8,853,988
Receivables from other investees and investors	554,815	525,304	1,080,719
Other assets	993,429	167,894	1,161,323
			11,096,030

			31/12/2018
IN EUR	< 1 YEAR	> 1 YEAR	GESAMT
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

carryforwards were capitalised at the local tax rate of 30 % or 24.35 %. The theoretical Group tax rate is 24.69 %. Deferred tax assets were only recognized for tax loss carryforwards that are expected to be offset within the next five years. The deferred tax assets and liabilities calculated separately at national level are reported offset in the balance sheet at the level of the individual taxable entities, see Table 5.8.

## 5.9. EQUITY

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

As of 31 December 2019, the subscribed capital of EUR 5,081,747 (previous year: EUR 5,063,072) corresponds to the balance sheet item reported by the parent company. The increase in share capital is based on a capital increase in connection with the distribution of dividends from the balance sheet profit for the 2018 financial year at the parent company.

The capital reserve for the current year is EUR 278,258 higher than the capital reserve of the previous year (EUR 29,741). The change results from the capital increase carried out in connection with the distribution of dividends from the retained earnings of the 2018 financial year at the parent company.

The number of treasury shares acquired in 2015 and 2016 remained unchanged at 127,810 as of 31 December 2019, representing EUR 127,810 (2.51%) of share capital.

The treasury shares were acquired for the purpose of flexible management of the Company's capital requirements and the valuation which, in the opinion of the Management Board, was not appropriate at the time of the resolution.

The nominal amount of the treasury shares was openly deducted from the subscribed capital (EUR 127,810.00) in accordance with § 272 (1a) HGB.

In accordance with § 268 para. 8 HGB (German Commercial Code), the capitalisation and recognition of deferred taxes results in a profit distribution block of EUR 985,051.13 (previous year: EUR 957,225.16) for the individual financial statements of Deutsche Rohstoff AG at 31 December 2019, as the capitalised deferred taxes exceed the deferred tax liabilities.

## 5.10. PROVISIONS

The development of other provisions is as follows, see Table 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

The item „Bonds, non-convertible“ contains liabilities from the issue of two corporate bonds totalling EUR 120,377,000.

The first bond was issued on 20 July 2016. This non-convertible bond has a final maturity date of 20 July 2021 and bears interest at 5.625 % p.a. When the second bond was issued in fiscal year 2019, bonds with a nominal value of EUR 33,283,000 were exchanged for the new bond, so that the first bond still had an outstanding volume of EUR 33,316,000.00 as of 31 December 2019 (previous year: EUR 66,599,000.00).

In December 2019, the right of termination was exercised and in January 2020 half of the existing volume (EUR 16,658,000) was repaid at 102% of the agreed nominal amount. The obligation to pay the two percent additional price (EUR 333,160.00) represents interest expense and is reported under other liabilities with a term of up to one year.

The second, likewise non-convertible bond was issued on 6 December 2019 and has a five-year term until 6 December 2024; it also has a final maturity and bears interest at 5.25% p.a. As of 31 December 2019, the bond has an outstanding volume of EUR 87,061,000.00.

The item „Bonds, convertible“ contains liabilities from the issuance of a convertible bond as at 29 March 2018 in the amount of 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. The subscription rights of shareholders have been excluded.

The liabilities as of December 31, 2019 with a term of up to five years include a loan to banks in the amount of EUR 8,011,394, which relates to the company Cub Creek Energy. The loan serves

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

TAB. 5.8. DEFERRED TAXES

IN EUR	31/12/2019	31/12/2018
<b>DEFERRED TAX ASSETS ON DIFFERENCES IN CARRYING AMOUNTS FOR</b>		
Property, plant and equipment	607,981	963,940
Receivables and other assets	0	0
Securities classified as current assets	0	0
Bank balances	0	0
Other provisions	415,867	246,003
Liabilities	546,441	0
<b>TOTAL</b>	<b>1,570,289</b>	<b>1,209,943</b>
Deferred taxes on loss carryforwards	11,713,899	6,191,907
<b>TOTAL DEFERRED TAX ASSETS</b>	<b>13,284,188</b>	<b>7,401,850</b>
<b>DEFERRED TAX LIABILITIES ON DIFFERENCES IN CARRYING AMOUNTS FOR</b>		
Intangible assets	1,119,033	1,355,460
Property, plant and equipment	26,950,046	20,280,062
Receivables and other assets	0	1,097
Securities classified as current assets*	0	25,522
Bank balances*	0	1,207
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>28,069,079</b>	<b>21,663,348</b>
<b>TOTAL DEFERRED TAXES, NET</b>	<b>-14,784,891</b>	<b>-14,261,498</b>

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

TAB. 5.10. PROVISIONS

IN EUR	01/01/2019	UTILIZATION	CLOSING	ALLOCATION	CURRENCY	31/12/2019
Tax provisions	0	0	0	691	0	691
Other provisions	19,311,678	-17,574,333	0	23,323,140	161,060	25,221,545
<b>TOTAL</b>	<b>19,311,678</b>	<b>-17,574,333</b>	<b>0</b>	<b>23,323,831</b>	<b>161,060</b>	<b>25,222,236</b>

TAB. 5.11. LIABILITIES

DUE (IN YEARS)			31/12/2019		
IN EUR	< 1 YEAR	1–5 YEARS	> 5 YEARS	TOTAL	THEREOF SECURED
Bonds, not convertible	0	120,377,000	0	120,377,000	0
Bonds, convertible	0	10,700,000	0	10,700,000	0
Liabilities to banks	22,340	8,011,394	0	8,033,734	8,011,394
Trade payables	17,113,896	0	0	17,113,896	0
Other liabilities	9,791,350	0	0	9,791,350	0
– thereof for social security	12,118	0	0	12,118	0
– thereof for taxes	200,248	0	0	200,248	0

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	0	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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

to finance the ongoing oil and gas drilling activities and was concluded with BOKF N.A. The credit line, which is recalculated every six months, amounts to USD 25.0 million as of 31 December 2019, of which USD 9.0 million or EUR 8,011,394 had been drawn down. The interest rate is variable, with the weighted average interest rate as of 31 December 2019 being 5.0%. The loan matures on May 31, 2024.

The item other liabilities amounts to EUR 9,791,350 and mainly comprises license obligations to landowners of Cub Creek Energy and Elster Oil & Gas and interest liabilities in connection with the corporate bond.

## 6. NOTES TO THE CONSOLIDATED INCOME STATEMENTG

### 6.1. REVENUE

The revenues primarily relate to the US companies Elster Oil & Gas, Cub Creek Energy, Bright Rock Energy and Salt Creek Oil & Gas and their participation in producing oil wells. Revenue from oil well operations is subject to production taxes, which are deducted directly from revenue in accordance with the provisions of BilRUG. In fiscal year 2019, production taxes in the amount of EUR 2.7 million were incurred.

Revenue by segment and region breaks down as follows:

IN EUR	2019	2018
Gold	13,926	37,705
Oil	30,175,217	84,691,044
Gas and condensates	11,014,601	24,323,613
	41,203,744	109,052,362

IN EUR	2019	2018
Germany	13,926	37,705
USA	41,189,818	109,014,657
	41,203,744	109,052,362

### 6.2. OTHER OPERATING INCOME

Other operating income breaks down as follows, see table 6.2.

Income from the sale of current assets includes profits from the sale of shares generated at Deutsche Rohstoff AG level.

### 6.3. COST OF MATERIAL

As of 31 December 2019, the cost of purchased services was reported at EUR 11.3 million. These relate mainly to current operating costs incurred for the 39 wells drilled by Elster Oil & Gas and the 55 wells drilled by Cub Creek Energy in 2019.

### 6.4. AMORTIZATION AND DEPRECIATION

This depreciation and amortisation comprises scheduled amortisation of TEUR 25,714 and a write-up of TEUR 9,417.

Scheduled depreciation and amortization mainly relates to the producing oil production facilities in the USA. Depreciation is based on the degree of utilization, which reflects the economic devaluation process. The depreciation calculation is based on the proven reserves per oil well on the respective reporting date, calculated in barrel oil equivalent. These reserves are set in relation to the total capitalized costs per well and multiplied by the quantity produced. The reserves of each oil well are recalculated annually.

The write-up is related to the impairment loss of TEUR 13,161 recognised as of 31 December 2018 on the producing oil and gas facilities of Cub Creek Energy. This extraordinary depreciation was based on internal reserve reports for the already producing oil wells. The permanence of the extraordinary depreciation is subject to an annual review.

As of 31 December 2019, the valuation of the producing oil and gas facilities based on current internal reserve reports showed a higher fair value, so that a write-up of TEUR 9,417 was required.

### 6.5. EXTRAORDINARY WRITE-DOWNS

An impairment loss of TEUR 1,059 was recognized on the exploration and evaluation costs previously capitalized for the German company Ceritech AG in order to reflect the item at its fair value.

Depreciation and amortisation is shown under the item „Depreciation and amortisation of intangible and tangible fixed assets“.

Further unscheduled write-downs are shown in the amount of TEUR 798 under the item „Write-downs of financial assets and securities held as current assets“ and relate in the amount of TEUR 410 to write-downs of financial assets, and in the amount of TEUR 388 to write-downs of securities held as current assets at the balance sheet date at the companies Deutsche Rohstoff AG and Tin International AG.



TAB. 6.2. REVENUE

IN EUR	2019	2018
Income from the disposal of tangible fixed assets	1,573	15,221,364
Income from the sale of current assets	2,137,123	0
Exchange rate gains	1,129,028	2,853,530
Income from the write-up of financial assets	400,000	0
Remaining other income	644,710	985,441
	4,312,434	19,060,335

## 6.6. OTHER OPERATING EXPENSES

The composition of the main items of other operating expenses is shown in Table 6.6.

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

## 6.7. INCOME TAXES

The item „income taxes“ is composed as follows, see table 6.7

## 7. OTHER NOTES

### 7.1. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

In the 2019 financial year, cash inflow was mainly due to the issue of bond 19/24 in the amount of EUR 53.8 million and the raising of a USD credit line of EUR 8.1 million. The total volume of the Bond 19/24 amounts to EUR 87.1 million, of which EUR 33.3 million is attributable to the exchange of Bond 16/21. Cash outflows result in particular from the repayment of a US loan of EUR 16.1 million.

## 7.2. RELATED PARTY TRANSACTIONS

In the financial year under review, no material transactions were conducted with related parties at non-market conditions.

## 7.3. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

### CONTINGENT LIABILITIES

There are contingent liabilities from guarantees amounting to TEUR 805. The guarantee is secured by a right in rem and a counter-guarantee. The Management Board considers the occurrence of a liability under the guarantee to be extremely unlikely due to the existing collateralization.

### 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 Executive Board is authorized to set up stock option plans until 9 July 2021 and to issue, once or in several tranches, up to 200,000 stock options with subscription rights for new registered shares of the company

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

with a proportionate amount of the share capital of EUR 1.00 per 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 proviso that each stock option grants the right to subscribe for one new share of the company.

By resolution of 2 October 2018, the Management Board made use of this authorisation for the first time and issued 34,500 stock options to employees of Deutsche Rohstoff AG. By resolution of 19 December 2019, the Management Board issued a further 21,000 stock options to employees.

The company will grant the option beneficiaries exclusively subscription shares, provided that the conditions of the stock option program 2018 are fulfilled; in this context, cash compensation was expressly excluded. The stock option program had no influence on the present annual financial statements.

At the time of granting, the stock options had a value of TEUR 0. On the balance sheet date, this value was TEUR 0.

Based on the resolution of the annual general meeting of Deutsche Rohstoff AG on 22 July 2011, the Management Board was authorized to issue up to 225,000 stock options in one or more tranches until 31 December 2013 with subscription rights for new registered shares of the company with 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 Company's affiliated companies in Germany and abroad as well as employees of the Company and its affiliated companies in Germany and abroad. In principle, 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 the authorization for the first time and issued 90,000 stock options to members of the management of the Company's

TAB. 6.6. OTHER OPERATING EXPENSES

IN EUR	2019	2018
Expenses for exchange losses	2,150,374	4,058,907
Bond financing costs (previous year convertible bond)	1,521,301	378,049
Legal and consulting fees	621,837	503,541
Financial statement and audit costs	177,412	193,352
Rents and leasing	270,182	261,980
Insurance premiums	221,697	252,133
Remaining expenses	2,107,265	2,810,574
	<b>7,070,068</b>	<b>8,458,536</b>

TAB. 6.7. INCOME TAXES

IN EUR	2019	2018
Current tax	-6,928	4,693
Refund Withholding Tax	-71,449	0
Income (-)/expense (+) from changes in deferred taxes	83,000	-8,523,862
	<b>76,072</b>	<b>8,519,169</b>

affiliated companies in Germany and abroad and 28,000 stock options to employees of the Company and its affiliated companies in Germany and abroad. By resolution of 3 January 2012, the Management Board again made use of the authorization and issued 50,000 stock options to members of the management of the Company's 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 not issued in the first two tranches, 36,000 options were available for reissue.

On 14 June 2013, the Management Board made use of the authorization of 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 from the second tranche, which had been issued to members of the management of the Company's affiliated companies in Germany and abroad, expired. In addition, one employee of a domestic affiliated company left the Company in 2014, so that a further 5,000 stock options were returned from the third tranche.

The lock-up period for the first tranche of the stock option programme expired on 13 September 2015.

The Management Board resolved on 13 September 2015, with the consent of the Supervisory Board dated 18 September 18 2015, in accordance with Section 1 (5) of the 2011 Stock Option Program, to settle in cash all subscription rights exercised or to be exercised in accordance with Section 7 (2) of the 2011 Stock Option Program in return for payment of the difference between the exercise price in accordance with Section 5 of the Stock Option Program and the relevant reference price in accordance with Section 6 (2) of the Stock Option Program, instead of granting subscription shares.

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

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

In 2018, 64,693 stock options were redeemed. As of 31 December 2019, 11,416 unexercised stock options remain.

## 7.4. EMPLOYEES

Average number of staff employed during the financial year, see Table 7.4.

TAB. 7.4. EMPLOYEES

NUMBER OF EMPLOYEES	2019	2018
Wage earners	0	0
Salaried employees	24	22
Trainees	0	0
<b>TOTAL</b>	<b>24</b>	<b>22</b>

The average number of employees is defined as the fourth part of the sum of the number of employees on 31 March, 30 June, 30 September and 31 December.

## 7.5. CORPORATE BODIES

### MANAGEMENT BOARD

**Dr. Thomas Gutschlag** · Mannheim

**Jan-Philipp Weitz** · Mannheim

### SUPERVISORY BOARD

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

**Prof. Dr. Gregor Borg** · Halle

Head of the working group on petrology and economic geology (Fachgruppe für Petrologie und Lagerstättenforschung) at the University of Halle-Wittenberg

**Wolfgang Seybold** · Esslingen am Neckar

Banking professional, General Manager of AXINO Investment GmbH

## 7.6. TOTAL REMUNERATION OF THE MANAGEMENT BOARD

The remuneration of the Management Board of Deutsche Rohstoff AG for the performance of its duties in the parent company and the subsidiaries amounted to TEUR 849 (previous year: TEUR 665).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 7.7. TOTAL REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board of Deutsche Rohstoff AG for the performance of its duties in the parent company and the subsidiaries amounted to TEUR 159 (previous year: TEUR 118).

## 7.8. AUDITOR'S FEE

The total fee charged to the Group's auditors for the financial year is TEUR 75 for audit services and TEUR 22 for confirmation services from the audit reviews (quarterly and half-yearly financial statements) and TEUR 12 for other services.

## 7.9. SUBSEQUENT EVENTS

After the balance sheet date, the following events had a significant impact on the further course of business until the beginning of May 2020:

In January, Tulip Oil, majority shareholder of Rhein Petroleum GmbH, published a first estimate of how much oil the Steig field could contain according to internal calculations. According to this, the so-called Oil in Place, i.e. the amount of oil in the reservoir

identified by last year's drilling, amounts to more than 114 million barrels. The estimate refers only to the upper part of the reservoir that was explored by the Steig well. Further potential could arise in deeper layers that are productive elsewhere in the Rhine Graben.

Almonty Industries announced in February 2020 that it had overcome the decisive hurdles for project financing of the Sangdong mine in South Korea. After the financing bank, the KfW-IPEX Bank from Frankfurt, had already given a binding commitment at the beginning of February, the Austrian Kontrollbank (OeKB) issued a provisional export credit guarantee.

Deutsche Rohstoff AG announced at the end of February that the companies of Deutsche Rohstoff Group have hedged about 80% of their expected oil production for the first quarter of 2020. The hedged price amounts to 57.48 USD/barrel. For 2020 as a whole, the expected hedging rate is approximately 55% and a minimum price of 57.12 USD/barrel, for the first half of 2020 it is 65% and a minimum price of 57.04 USD/barrel.

At the beginning of April 2020, Deutsche Rohstoff AG published the following measures, which had been decided by the Management Board and the Supervisory Board, in response to the

TAB. 7.3.1. CONTINGENT LIABILITIES

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

TAB. 7.3.2. OTHER FINANCIAL OBLIGATIONS

IN EUR	DUE IN < 1 YEAR	DUE IN > 1 YEAR	2019	DUE IN < 1 YEAR	DUE IN > 1 YEAR	2018
Rent for office space	218,704	321,675	540,378	215,339	536,377	751,716
Vehicle leasing	8,145	2,715	10,859	17,306	10,860	28,166
Other	2,171	181	2,351	2,171	2,351	4,522
			553,589			784,404

COVID-19 crisis and the market environment in the oil and gas sector:

- Adjustment of production to the market situation: Due to the good liquidity situation and technical feasibility, it is possible to reduce the production of the independently operated oil production facilities without any problems and to ramp it up again later. Cub Creek has therefore decided to initially limit oil production to 1,000 to 1,500 barrels/day until the end of June 2020. This is around 15 to 25 % of the originally planned production volume. If necessary, production could also be stopped completely if the buyers no longer accept oil.
- The oil hedges („hedge book“) concluded by Elster Oil & Gas for 2020 were terminated at a WTI oil price of USD 22. This resulted in income of around USD 1.8 million. The corresponding hedges at Cub Creek continue to exist. Management has decided to terminate them if the oil price falls below USD 20 per barrel. In this case, income based on the current forward curve would amount to around USD 11 million.
- Savings potentials are currently being identified and realized both in the running costs of production and in administrative costs. With immediate effect, salary payments for the management of all Group companies will be reduced by 25 % over the next six months.
- Cub Creek has postponed the decision to develop the Knight well pad until June.

Furthermore, Deutsche Rohstoff AG announced that the Group has sufficient liquid funds to overcome the crisis. At the end of 2019, the Group had around EUR 85 million at its disposal. In January 2020, these funds were used for the partial repayment of bond 16/21 in the amount of about EUR 16 million. Other noteworthy current liabilities existed only at Cub Creek, as part of the drilling costs from the previous year still have to be paid. However, this is also offset by revenues from oil and gas production.

The Management Board also withdrew from its forecast for 2020. These mentioned measures will have a significant impact on the Company's revenue, EBITDA and net income forecasts for 2020. At the time of the announcement in early April 2020, it was not possible to reliably estimate how production volumes and oil prices will develop over the course of the year. The Management

Board announced a new forecast for a later date, when the economic consequences of the current pandemic are much more predictable and oil prices have stabilized.

The Management Board also announced that a statement on the dividend could not yet be made either. However, it was likely that the Management Board and Supervisory Board would propose a significantly lower dividend than in previous years to the Annual General Meeting or even recommend that the dividend be suspended. The Management Board announced a decision on this until the publication of the final annual figures on 11 May 2020.

The Management Board and Supervisory Board of Deutsche Rohstoff AG had also decided to invest up to USD 25 million of free liquidity in a portfolio of oil and gas stocks and bonds and, to a lesser extent, in gold stocks. With this, the management intends to take advantage of the historically low valuations of oil stocks and the, in the opinion of the company, excellent prospects of gold companies and their also low valuation. Each investment will be closely scrutinized and tracked based on the Company's geological and technical expertise.

In mid-April, Deutsche Rohstoff AG announced that due to new tax legislation of the US government in connection with the Corona pandemic, Deutsche Rohstoff USA expects a tax refund of about USD 7.5 million in the coming months. This results from a newly created possibility to carry back operating losses into 2014. In 2014, the subsidiary Tekton Energy sold its assets at a high profit and made a tax payment of around USD 35 million. The tax change will contribute to an income at Deutsche Rohstoff USA level of USD 3 million in the current year and increase deferred tax liabilities by approximately USD 4.5 million.

## **7.10. PROPOSAL FOR THE DISTRIBUTION OF PROFIT**

At the time the annual financial statements were prepared, the Management Board had not yet decided on the distribution of profits.

Mannheim, 11 May 2020

The Management Board

Dr. Thomas Gutschlag

Jan-Philipp Weitz

# REPORT OF THE SUPERVISORY BOARD

## DEAR SHAREHOLDERS,

Over the past fiscal year, the Supervisory Board of Deutsche Rohstoff AG (hereinafter also referred to as “company”) performed its duties in accordance with law, the articles of incorporation and rules of procedure, and intensively supervised the 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, I continuously maintained contact to the Management 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 new wells of the subsidiary Cub Creek Energy LLC in Colorado as well as the financing of the Group.

### MEETINGS OF THE SUPERVISORY BOARD AND KEY POINTS OF DELIBERATION

A total of five Supervisory Board meetings were held in 2019. All members of the Supervisory Board attended all meetings. No committees were formed. The Supervisory Board meetings in 2019 focused on the following topics in particular:

- the development of the production of the subsidiaries Cub Creek Energy LLC and Elster Oil & Gas LLC
- the financing of new wells at the subsidiary Cub Creek Energy LLC;
- the expansion of acreage of the subsidiary Bright Rock Energy LLC;
- the purchase of shares in wells and royalties by the subsidiary Salt Creek Oil & Gas LLC;

- the sale of the Gottesberg license by the subsidiary Tin International AG;
- the approval of the annual financial statements and the consolidated financial statements of Deutsche Rohstoff AG for fiscal year 2018 in the annual accounts meeting on 6 May 2019, after extensive discussion with the external auditor for fiscal year 2018
- the business development and financial situation of Almonty Industries Inc. and the extension of existing loans and convertible bonds by Deutsche Rohstoff AG;
- the results of the Company’s interim financial statements as of 30 June 2019 and the quarterly report for the first nine months of 2019
- the price hedging of expected oil production, especially in 2020;
- the investment of the Company’s cash and cash equivalents;
- the development of raw material prices, especially the oil price in the United States and the European tungsten APT (ammonium paratungstate);
- the assessment of the currency development, in particular of EUR/USD;
- the investment and budget planning of the Company and the Group for fiscal year 2020;
- the placement of a new bond by Deutsche Rohstoff AG.

The budget planning for fiscal year 2018 prepared by the Management 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 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 to finance the wells of the Olander well pad by Cub Creek Energy LLC with a loan of Deutsche Rohstoff AG of up to USD 20 million;
- the issue of stock options to the Management as of 13 May 2019;
- the approvals for the use of the Authorized Capital in connection with the stock dividend offer of 4 and 22 July 2019;
- the authorization of the Management to participate in a capital increase of Rhein Petroleum GmbH and the amendment of the Shareholder Agreement;
- the approval of the half-call of the bond 16/21 dated 9 December 2019;
- the consent to issue a second tranche of stock options to the employees of Deutsche Rohstoff AG of 18 December 2019.

#### **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 2019 by the Annual General Meeting on 4 July 2019 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 2019 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 11 May 2020. 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 11 May 2020. 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 2019, 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 2019.

Mannheim, May 2020

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 2019, 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 2019 to 31 December 2019, 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 2019 to 31 December 2019.

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 2019, and of its financial performance for the financial year from 1 January 2019 to 31 December 2019 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.
- Obtain an understanding of internal control relevant to the audit

# AUDITOR'S REPORT

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 with-

in 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, 11 May 2020

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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