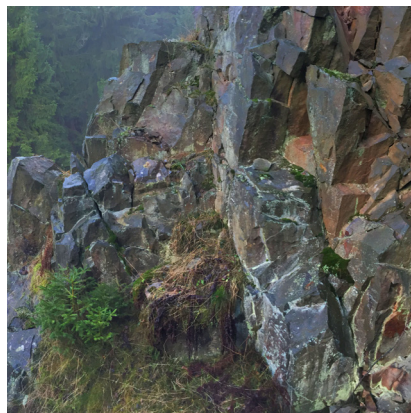


3RD QUARTER 2020



2020



Deutsche Rohstoff

3RD QUARTER 2020

Deutsche Rohstoff

COMMODITIES ARE
THE FUTURE

OVERVIEW OF THE **THIRD QUARTER 2020**

Ladies & Gentlemen,

In the third quarter, the global economy continued to recover from the Corona pandemic shock in March and April. The US oil price WTI fluctuated around USD 40 per barrel. However, it was unable to maintain its high of almost USD 44 per barrel at the end of August and fell back to below USD 40 per barrel at the end of the quarter.

In September we started to gradually ramp up production at Cub Creek. However, this only applied to the older well pads Vail, Markham, Litzenberger and Haley. The important Olander well pad, which accounts for the majority of Cub Creek's already developed reserves, is not yet producing. We have not yet made a decision as to when the Olander wells will resume production.

Adjusted net income before extraordinary depreciation, impairments and amortization was EUR 0.3 million at 30 September. After the extraordinary depreciation, impairments and amortization announced with the half-year financial statements, the consolidated net loss for the year amounts to EUR 14.3 million (prior year: consolidated net income of EUR 2.4 million).

Sales revenues after nine months were higher than expected at 32.3 million EUR (previous year: 31.2 million EUR), as was EBITDA at 21.7 million EUR (previous year: 19.2 million EUR). For the full year we now expect sales of 37 to 40 million EUR. The EBITDA of EUR 23 to 36 million is expected to be significantly above our previous forecast. We now expect a consolidated loss for the full year of EUR 15 to 18 million.

In the third quarter, the Group companies in the US produced reduced production just like in the previous months. We had decided in March to cut back production in

order to avoid having to sell more than absolutely necessary at very low prices. However, we can only make this decision at Cub Creek Energy, where we are the operator responsible for production. In all other companies, we hold minority interests and it is up to the respective operator to decide whether to reduce production or not.

The four companies produced an average of 4,433 BOE per day during the first nine months of the year, for a total production of 1,214,507 BOE. Oil accounted for 560,857 barrels and natural gas and condensates for the remainder. All volume figures represent the Group's net share.

Cub Creek Energy produced 646,960 BOE (323,776 BO) in the first nine months of the year. Quantities increased again in September as the older well pads were ramped up. However, the full effect of this measure will not be seen in production figures until the fourth quarter.

Elster Oil & Gas produced 475,760 BOE (163,584 BO) up to 30 September. The operator had not reduced production, so Elster continued to deliver the expected volumes.

Production at Bright Rock Energy and Salt Creek Oil & Gas totaled 91,787 BOE (73,498 BO) for the first half of the year, after some of the operators had shut down wells in the spring.

Our hedge book, i.e. the pricing contracts that we had entered into, accounted for a significant share of sales and earnings in the first half of the year. These hedges always expire at the end of the month and are then settled. In the case of Elster, we had decided in March to sell the entire position for the rest of the year. In total, the

realized proceeds from hedging amounted to EUR 10.2 million in the first nine months. The value of outstanding and unrealized hedges for the fourth quarter amounts to approximately EUR 2.8 million. The remaining hedges cover 80% of our fourth quarter production if we do not increase production at Olander again.

The US oil price WTI fluctuated around USD 40 per barrel in the third quarter. For the rest of the year, we expect the fluctuation range to remain relatively narrow. In the medium term, however, we expect prices to rise. When demand returns to pre-Corona levels, it will meet a supply side that can only be increased slowly. The global oil industry has announced massive investment cutbacks in recent months. Only if prices were to rise significantly, new investments would presumably be triggered again, and experience has shown that this requires a considerable lead time before they result to new production.

SHARES AND BONDS

Our share price has continued to perform disappointingly in recent months. It was unable to escape the generally very poor market sentiment, especially for oil and gas stocks in the US. At present, the market continues to value our share below the value of equity. In contrary to the share price, our bonds have almost regained their pre-Corona level relatively quickly and are trading quite stable at this level.

GOLD AND OIL PORTFOLIO

Our equity and bond portfolio, which we started building back up in April after a long-term low, also performed well in the third quarter. As of 30 September, we had realized profits of EUR 3.2 million. Unrealized

zed gains amounted to EUR 5.2 million. Both oil stocks and bonds and gold shares contributed positive to this result.

The further development of our share price depends very much on oil prices. A price level of 50 USD/barrel or more should give a significant boost to oil and gas shares and also to our share. If uncertain factors such as the presidential election in the USA and the further course of the corona pandemic cease to apply, the valuations of oil and gas share prices should rise again to a realistic level.

With best regards from Mannheim



Thomas Gutschlag Vorstand, CEO
Jan-Philipp Weitz Vorstand, CFO



DRILL RIG AT THE **OLANDER PAD**

CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2020 (UNAUDITED)

ASSETS	30.09.2020	30.09.2019	31.12.2019
	EUR	EUR	EUR
A. FIXED ASSETS	176,250,710	179,892,966	198,470,283
I. Intangible assets			
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	18,124,150	20,751,928	20,558,383
2. Goodwill	1,400,477	1,668,603	1,577,912
	19,524,627	22,420,531	22,136,294
II. Property, plant and equipment			
1. Oil production facilities	121,887,735	105,944,888	138,432,742
2. Exploration and evaluation	1,880,381	15,210,036	648,076
3. Plant and machinery	125,198	20,125	142,588
4. Other equipment, furniture and fixtures	223,876	359,298	330,665
	121,887,735	121,534,347	139,554,072
III. Financial assets			
1. Equity investments	16,920,067	16,621,495	16,688,646
2. Loans to other investees and investors	3,245,552	1,902,145	1,902,145
3. Securities classified as fixed assets	12,443,274	17,414,448	18,189,126
	32,608,893	35,938,088	36,779,917
B. CURRENT ASSETS	39,091,360	32,856,288	77,897,408
I. Inventories			
Finished goods and merchandise	164,611	175,079	164,611
	164,611	175,079	164,611
II. Receivables and other assets			
1. Trade receivables	3,240,951	4,249,511	8,853,988
2. Receivables from other investees and investors	1,339,728	2,272,856	1,080,719
3. Other assets	7,425,579	1,384,183	1,161,323
	12,006,258	7,906,550	11,096,030
III. Securities classified as current assets	15,770,170	5,695,216	5,355,985
IV. Bank balances	11,150,321	19,079,443	61,280,782
C. PREPAID EXPENSES	1,046,790	525,512	1,156,344
D. DEFERRED TAX ASSETS	1,471,012	1,324,482	1,400,918
TOTAL ASSETS	217,859,872	214,599,248	278,924,953

LIABILITIES	30.09.2020	30.09.2019	31.12.2019
	EUR	EUR	EUR
A. EQUITY	52,164,631	76,648,034	71,500,929
I. Subscribed capital	5,081,747	5,081,747	5,081,747
./. less nominal value of treasury shares	-127,810	-127,810	-127,810
Conditional capital: EUR 2,200,000 (prior year: EUR 2,200,000)	4,953,937	4,953,937	4,953,937
II. Capital reserves	30,019,333	30,019,333	30,019,333
III. Equity differences from currency translation	-355,893	6,717,287	3,833,204
IV. Consolidated net retained profit	10,914,186	27,294,407	25,509,961
V. Non-controlling interests	6,633,068	7,663,070	7,184,494
B. PROVISIONS	9,734,473	22,776,074	25,222,235
1. Tax provisions	0	52,046	691
2. Other provisions	9,734,473	22,724,028	25,221,544
C. LIABILITIES	139,316,141	97,680,882	166,015,980
1. Bonds, thereof convertible: EUR 10,700,000 (prior year : EUR 10,700,000)	114,419,000	77,299,000	131,077,000
2. Liabilities to banks	16,739,986	11,668,829	8,033,734
3. Trade payables	1,253,147	758,668	17,113,896
4. Other liabilities	6,904,008	7,954,385	9,791,350
D. DEFERRED TAX LIABILITIES	16,644,627	17,494,258	16,185,809
TOTAL EQUITY AND LIABILITIES	217,859,872	214,599,248	278,924,953

CONSOLIDATED INCOME STATEMENT FROM 1 JANUARY TO 30 SEPTEMBER 2020 (UNAUDITED)

	01.01.-30.09.2020	01.01.–30.09.2019	01.01.–31.12.2019
	EUR	EUR	EUR
1. REVENUE	32,332,084	31,154,968	41,203,744
2. INCREASE OR DECREASE IN FINISHED GOODS AND WORK IN PROCESS	0	19,560	9,092
3. OTHER OWN WORK CAPITALIZED	0	53,660	101,822
4. OTHER OPERATING INCOME	6,552,423	3,253,459	4,312,435
5. COST OF MATERIALS	8,839,576	8,309,386	11,342,433
Cost of purchased services	8,839,576	8,309,386	11,342,433
6. PERSONNEL EXPENSES	2,354,224	3,005,582	4,489,479
a) Wages and salaries	2,192,144	2,896,412	4,176,788
b) Social security, pensions and other benefit costs	162,080	109,169	312,691
– thereof for pensions EUR 3,896 (prior year: EUR 3,848)			
7. OTHER OPERATING EXPENSES	6,019,964	3,969,538	7,070,068
EBITDA	21,670,743	19,197,142	22,725,113
8. AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	27,750,091	11,073,761	16,297,431
a) of intangible assets and property, plant and equipment	27,750,091	11,073,761	16,297,431
b) of current assets	0	0	0
9. AMORTIZATION OF FINANCIAL ASSETS AND SECURITIES CLASSIFIED AS CURRENT ASSETS	9,203,395	861,597	797,558
EBIT	-15,282,743	7,261,784	5,630,124
10. OTHER INTEREST AND SIMILAR INCOME	580,742	400,430	532,517
11. INTEREST AND SIMILAR EXPENSES	5,227,751	4,079,026	5,900,577
12. INCOME TAXES	-5,656,117	-1,164,208	76,072
13. EARNINGS BEFORE TAXES	-14,273,635	2,418,980	185,992
14. OTHER TAXES	242	-188	188
15. NET INCOME FOR THE GROUP	-14,273,877	2,418,792	185,805
16. PROFIT (-)/LOSS (+) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	173,496	-326,270	122,271
17. PROFIT CARRYFORWARD (+)	25,014,567	25,201,885	25,201,885
18. CONSOLIDATED NET RETAINED PROFIT	10,914,186	27,294,407	25,509,961

NOTES TO THE CONSOLIDATED BALANCE SHEET AND THE CONSOLIDATED INCOME STATEMENT

The following only lists items where significant changes have been recorded in the current period. Otherwise, reference is made to the statements in the Annual Report 2019.

1. OPERATING RESULTS

REVENUE

Revenues are primarily related to the US subsidiaries Cub Creek Energy and Elster Oil & Gas and their interests in producing oil and gas wells. EUR 24.8 million of the revenues (EUR 32.3 million) result from oil and EUR 7.5 million from natural gas and natural gas condensates. Production in the first 9 months amounts to 1,214,507 barrels of oil equivalent (BOE) and 4,433 BOE per day.

Sales are reported in Euros less production tax (EUR 1.0 million) and include realized income and losses from hedging transactions (EUR 11.2 million).

OTHER OPERATING INCOME

Other operating income mainly consists of income from the sale of securities in the amount of EUR 3.4 million (thereof EUR 3.0 million from the third quarter of 2020) as well as foreign exchange gains and gains from foreign exchange hedging transactions in the amount of EUR 1.2 million, which are offset by foreign exchange losses and losses from foreign exchange hedging transactions in the amount of EUR 2.1 million. This results in a net currency loss of EUR 0.9 million.

COST OF MATERIAL

As of 30 September, expenses for purchased services in the amount of EUR 8.8 million are reported, which relate to current production costs, fees for processing gas and condensates, maintenance and work on the producing and new oil wells in the USA. The operating costs for the period 1 January 2020 to 30 September 2020 thus amount to approximately USD 8.12 (EUR 7.28) per BOE.

OTHER OPERATING EXPENSES

Other operating expenses amount to EUR 6.0 million. The two largest items here are exchange rate losses in the amount of EUR 2.1 million and losses from the sale of marketable securities in the amount of EUR 1.4 million (thereof EUR 0.1 million from Q3 2020).

Other operating expenses comprise other general and administrative expenses including office space costs, legal and consulting fees and other administrative expenses within the Group. The personnel expenses of all Group companies amount to EUR 2.4 million.

AMORTIZATION AND DEPRECIATION

Depreciation and amortization amounted to EUR 27.8 million and consisted of scheduled depreciation and amortization of EUR 17.1 million and extraordinary depreciation and amortization of EUR 10.7 million. The impairment relates to the oil production facilities of Elster Oil & Gas and was recognized due to the low oil and gas price forecasts.

Depreciation and amortization in the amount of EUR 17.1 million mainly relates to depreciation of oil production assets within property, plant and equipment of the subsidiaries Cub Creek Energy, Elster Oil & Gas, Bright Rock Energy and Salt Creek Oil & Gas, which are depreciated according to the amount of barrel oil equivalent (BOE) produced. For the period from 1 January to 30 September 2020, the Group's depreciation rate is EUR 12.81 per barrel of oil equivalent produced

Write-downs of financial assets and marketable securities amounted to EUR 9.2 million at 30 September 2020. This item mainly includes the impairment of EUR 6.5 million on the shares of Northern Oil & Gas Inc,

INCOME TAXES

Deferred tax income of EUR 5.7 million is reported under this item as of 30 September, whereby EUR 2.7 million are related to the US tax refund of USD 7.5 million expected in fiscal year 2020 and EUR 2.5 million were recognized in connection with the impairment losses at Elster Oil & Gas.

2. FINANCIAL POSITION AND ASSETS

FIXED ASSETS

Intangible assets and property, plant and equipment increased by EUR 4.1 million in Q3 2020. This increase is based on the acquisition of stakes in new wells and new well pads by Bright Rock Energy. Financial assets amount to EUR 32.6 million. The decrease compared to 31 December 2019, is primarily due to the impairment of the shares of Northern Oil & Gas.

CURRENT ASSETS

Receivables of around EUR 12.0 million consist on the one hand of trade receivables of EUR 3.2 million resulting from outstanding sales from oil & gas production.

Secondly, other assets include the receivable from the expected tax refund of USD 7.5 million (EUR 6.4 million).

Cash and cash equivalents and marketable securities amounted to EUR 26.9 million at the end of the third quarter.

LIABILITIES AND EQUITY

Equity amounted to EUR 52.2 million as of 30 September 2020. The equity ratio amounts to 23.9%.

The total amount of the two bonds and the convertible bond is EUR 114.4 million.

Liabilities to banks increased by EUR 4.2 million to EUR 16.7 million in the 3rd quarter due to increased utilization of the credit line at Cub Creek Energy. Trade payables amount to EUR 1.3 million. Other liabilities amount to EUR 6.9 million. They are related to the outstanding payments for royalties to landowners and the distribution of revenues to smaller partners as well as interest liabilities from the bonds. Provisions amount to approximately EUR 9.7 million. They were formed for production taxes and investments of the US subsidiaries.

3. SUBSEQUENT EVENTS

The following events after the balance sheet date had a significant impact on the further course of business until the beginning of November:

On 6 November 2020, the Company published a new forecast for the fiscal year 2020, which now forecasts consolidated revenue of EUR 37 to 40 million and EBITDA of around EUR 23-26 million. A negative consolidated net income of around EUR 15-18 million is expected. Possible impairment losses and income or losses from securities transactions are not part of the forecast. The outlook is based on the assumption of an average oil price of 40 USD/barrel in the 4th quarter and an exchange rate of 1.18 EUR/USD. For further details, please refer to the comments in the 2019 Annual Report.

CONTACT DETAILS / PUBLISHER

Deutsche Rohstoff AG
Q7, 24
68161 Mannheim
Germany

Telephone +49 621 490 817 0
Telefax +49 621 490 817 22

info@rohstoff.de
www.rohstoff.de

District Court: Mannheim
HRB Number: 702881

DISCLAIMER

FORWARD-LOOKING STATEMENTS

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

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

This report was published on 11 November 2020.



<https://twitter.com/deurohstoffag>



<https://tinyurl.com/DRAGLinkedIn>

Deutsche Rohstoff



Q7, 24
68161 Mannheim

Phone +49 621 490 817 0
Fax +49 621 490 817 22

info@rohstoff.de
www.rohstoff.de

