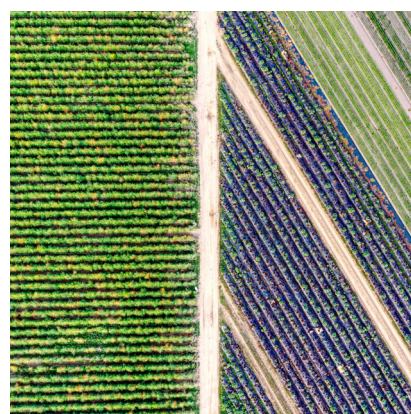


FIRST QUARTER



2021



Deutsche Rohstoff



**Q1 2021**

# Ladies & Gentlemen,

The year 2021 has started very well for Deutsche Rohstoff AG. The oil market has continued to recover thanks to OPEC's restricted supply and the recovery in global demand. WTI was trading at 59.36 USD/barrel at the end of the quarter, after trading below 50 USD/barrel at the beginning of the year.

Consolidated net income for the first quarter was EUR 11.7 million (previous year: EUR 0.9 million). We generated sales of EUR 17.9 million in the first three months (previous year: EUR 16.1 million). EBITDA was even higher than sales at EUR 21.3 million (previous year: EUR 9.5 million) due to the high financial result. For the full year, we expect sales to jump year-on-year to EUR 57 to 62 million (2020: EUR 38.7 million). EBITDA is also expected to be significantly higher than the previous year (EUR 23.9 million) at EUR 42 to 47 million. As things stand today, we will close the current year with a clearly positive consolidated result.

The good results are also reflected in the balance sheet as of March 31, 2021. The total of cash and cash equivalents, current receivables, and non-current and current securities reached EUR 70.8 million, compared with EUR 46.9 million at the end of 2020. This figure reflects the high cash inflow in the first quarter. Accordingly, equity also increased to EUR 61.8 million at the end of the quarter, EUR 17.1 million higher than at the end of 2020. The equity ratio reached 26.7% compared to 22.1% as of December 31, 2021.

Our US subsidiaries have been producing at maximum capacity again since the beginning of January. Cub Creek had already

ramped up the older pads in September and October 2020, followed by the important Olander pad at the beginning of January. Group net production in the first quarter was an encouraging 578,912 barrels of oil equivalent (BOE) and 329,309 barrels of oil (BOPD), respectively. In particular, production from the Olander well exceeded expectations. The coming months will show whether this positive trend will be sufficient.

Our four companies in the USA produced an average of 6,432 BOE or 3,659 BO per day in the first half of the year. All volume figures represent the Group's net share. The oil price realized after deducting hedging losses (approx. USD 5.85/bbl) and transportation costs (approx. USD 4/bbl) was around USD 48/bbl.

Cub Creek Energy produced 460,788 BOE (273,047 BO) in the first three months of the year. As expected, the Olander wells accounted for the largest share.

Elster Oil & Gas produced 72,999 BOE (21,674 BO) through March 31. In February and also still in part of March, production at Elster was significantly below expectation due to maintenance work. On the other hand, Elster and also Cub Creek benefited from significantly higher gas prices in February due to the cold snap in the southern US.

At Bright Rock Energy and Salt Creek Oil & Gas, first quarter production totaled 45,125 BOE (34,588 BO). A significant contribution to this production came from the new wells acquired in Wyoming last year.

As in the previous year, we have partially

hedged our expected production. At the end of March, we had hedged 482,000 barrels of oil for the remaining months of April to December at an average price of around 49 USD/barrel.

In the first quarter, the hedge book resulted in a loss of EUR 1.6 million due to the rapid and strong price increase. Hedged were 161,000 barrels, which corresponded to 49 percent of actual production. If production continues to be above expectation, this would also mean a lower hedge ratio for the coming months.

The development of oil prices is in line with our positive expectations, which we also communicated repeatedly last year. We are also confident that prices will remain at an adequate level for the rest of the year. Many US banks now even expect prices to continue to rise significantly.

In February, as announced, we commenced drilling 12 wells from the Knight pad, which is directly adjacent to the Olander pad to the west. At the time of this report, drilling was nearing completion. In the coming months, the wells will be completed and technical preparations will be made to begin production in the fourth quarter.

### **SHARE AND BONDS**

Our share price gained around 50 percent in the first quarter. It has thus recovered significantly from the lows of last year. Compared with US oil stocks, however, our share still has significant potential. In recent years, we had regularly performed significantly better than comparable US stocks.

Our bonds have since been able to climb back to pre-Corona levels. The longer-dated bond 19/24 reached a price level of 100 percent again at the beginning of March 2021 and has risen further since then.

## **GOLD AND OIL PORTFOLIO**

A significant contribution in the first quarter was made by our stock and bond portfolio, which contributed EUR 8.5 million to net income. Outstanding was the performance of the Oasis Petroleum bond, which we had purchased for the portfolio at very low prices in the second and third quarters of 2020. Our calculations showed that in the event of a restructuring of the debt, the bondholders would receive shares in the company at a price significantly higher than the purchase price of the bonds. Oasis conducted the Chapter 11 restructuring process from September to the end of November. In early December, existing bond-

holders received the company's new shares. During the first quarter of 2021, the share price increased steadily. The average selling price realized in the first quarter represented more than a threefold increase compared with our buy price.

Since the portfolio was launched in April 2020, we have realized gains of EUR 11.6 million. At the end of March, unrealized gains of EUR 2.9 million were still on the books. Oil stocks and bonds as well as gold stocks contributed to this positive result.

The shares in our portfolio companies Almonty Industries and Northern Oil & Gas also developed very positively and currently contain high hidden reserves.

We are confident about the further development this year. The current and coming year will be characterized by strong growth in production, sales and earnings.

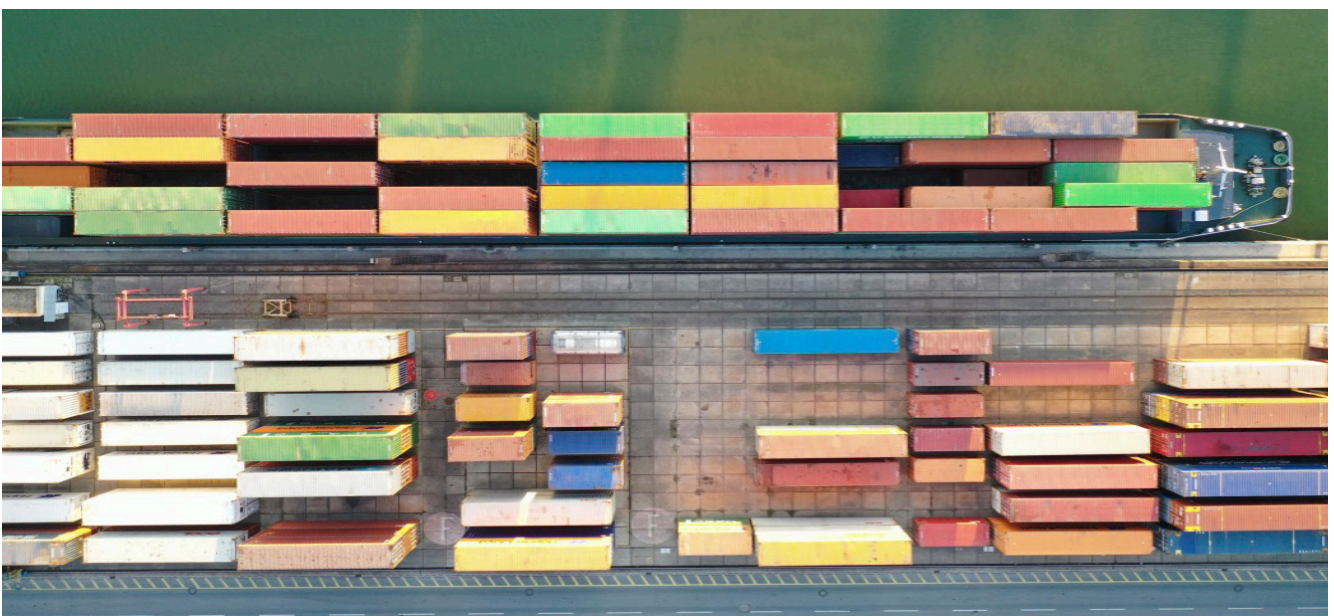
Our stock portfolio should continue to make a positive contribution to earnings. If the positive development continues, we will also be able to resume dividend payments for 2021.

With best regards from Mannheim



Thomas Gutschlag  
CEO

Jan-Philipp Weitz  
CFO



## CONSOLIDATED BALANCE SHEET (UNAUDITED)

ASSETS	31/03/2021	31/03/2020	31/12/2020
	EUR	EUR	EUR
<b>A. FIXED ASSETS</b>	<b>171,541,021</b>	<b>202,109,199</b>	<b>170,367,837</b>
I. Intangible assets			
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	21,209,762	21,735,822	20,592,282
2. Goodwill	1,322,855	1,577,501	1,300,109
	<b>22,532,617</b>	<b>23,313,323</b>	<b>21,892,391</b>
II. Property, plant and equipment			
1. Petroleum extraction equipment	109,654,607	140,006,167	110,203,813
2. Exploration and evaluation	4,208,453	622,754	2,226,514
3. Plant and machinery	119,871	137,623	123,398
4. Other equipment, furniture and fixtures	198,685	302,513	224,530
	<b>114,181,616</b>	<b>141,069,057</b>	<b>112,778,255</b>
III. Financial assets			
1. Equity investments	16,900,936	16,688,646	17,772,529
2. Loans to other investees and investors	4,712,026	2,803,777	4,710,836
3. Securities classified as fixed assets	13,213,826	18,234,396	13,213,826
	<b>34,826,788</b>	<b>37,726,819</b>	<b>35,697,191</b>
<b>B. CURRENT ASSETS</b>	<b>57,812,050</b>	<b>64,201,975</b>	<b>33,833,329</b>
I. Inventories			
Finished goods and merchandise	185,720	164,611	185,720
	<b>185,720</b>	<b>164,611</b>	<b>185,720</b>
II. Receivables and other assets			
1. Trade receivables	14,384,799	6,735,847	3,479,338
2. Receivables from other investees and investors	149,002	1,882,999	26,179
3. Other assets	7,397,081	3,492,965	7,326,503
	<b>21,930,882</b>	<b>12,111,811</b>	<b>10,832,020</b>
III. Securities classified as current assets	19,459,226	4,639,325	14,606,071
IV. Bank balances	16,236,222	47,286,228	8,209,518
<b>C. PREPAID EXPENSES</b>	<b>1,211,826</b>	<b>1,046,732</b>	<b>1,046,601</b>
<b>D. DEFERRED TAX ASSETS</b>	<b>1,238,540</b>	<b>1,450,676</b>	<b>1,474,195</b>
<b>TOTAL ASSETS</b>	<b>231,803,437</b>	<b>268,808,582</b>	<b>206,721,962</b>



## CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	01/01–31/03/2021	01/01–31/03/2020	01/01–31/12/2020
	EUR	EUR	EUR
1. <b>REVENUE</b>	17,923,970	16,119,301	38,683,301
2. INCREASE OR DECREASE IN FINISHED GOODS AND WORK IN PROCESS	0	0	21,108
3. OTHER OWN WORK CAPITALIZED	0	0	0
4. OTHER OPERATING INCOME	9,501,393	1,178,830	7,692,322
5. COST OF MATERIALS	3,444,219	3,856,727	11,629,977
Cost of purchased services	3,444,219	3,856,727	11,629,977
6. PERSONNEL EXPENSES	1,129,578	934,415	3,647,405
a) Wages and salaries	1,074,140	873,715	3,431,469
b) Social security, pensions and other benefit costs	55,438	60,700	215,936
– thereof for old-age pensions EUR 1,453 (prior year: EUR 1,433)			
7. OTHER OPERATING EXPENSES	1,558,604	3,009,400	7,184,585
<b>EBITDA</b>	<b>21,292,962</b>	<b>9,497,589</b>	<b>23,934,794</b>
8. AMORTIZATION, DEPRECIATION AND WRITE-DOWNS		8,249,571	31,457,539
a) of intangible assets and property, plant and equipment	6,763,636	8,249,571	31,457,539
b) of current assets	0	0	0
9. AMORTIZATION OF FINANCIAL ASSETS AND SECURITIES CLASSIFIED AS CURRENT ASSETS	203,462	1,175,300	8,612,581
<b>EBIT</b>	<b>14,325,864</b>	<b>72,718</b>	<b>-16,135,356</b>
10. OTHER INTEREST AND SIMILAR INCOME	387,466	160,577	565,060
11. INTEREST AND SIMILAR EXPENSES	1,676,307	1,789,238	6,953,557
12. INCOME TAXES	1,355,711	-2,443,548	-6,425,452
13. EARNINGS AFTER TAXES	11,681,312	887,605	-16,098,401
14. OTHER TAXES	0	0	243
15. <b>NET LOSS/INCOME FOR THE GROUP FOR THE YEAR</b>	<b>11,681,312</b>	<b>887,605</b>	<b>-16,098,643</b>
16. PROFIT (-)/ LOSS (+) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	-663,198	-113,926	589,268
17. PROFIT CARRYFORWARD (+)	9,505,193	25,509,961	25,014,568
18. CONSOLIDATED NET RETAINED PROFIT	20,523,307	26,283,640	9,505,193



NOTES TO THE  
**CONSOLIDATED BALANCE SHEET**  
AND THE  
**CONSOLIDATED INCOME STATEMENT**

# 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 2020.

## 1. OPERATING RESULTS

### REVENUE

Revenues mainly relate to the US subsidiaries Cub Creek Energy and Elster Oil & Gas and their interests in producing oil and gas wells. Of the sales (EUR 17.9 million), EUR 11.8 million resulted from oil and EUR 6.1 million from natural gas and natural gas condensates. Production in the first 3 months amounts to 578,912 barrels of oil equivalent (BOE) and 6,432 BOE per day.

Sales are reported in euros less production tax (EUR 2.4 million) and include realized losses from hedging transactions (EUR 1.6 million).

### OTHER OPERATING INCOME

Other operating income mainly consists of income from the sale of securities amounting to EUR 8.8 million, which is offset by losses on sale of securities amounting to EUR 0.3 million. Other operating income also includes currency gains of EUR 0.6 million, which are offset by currency losses of EUR 0.1 million, resulting in a net currency gain of EUR 0.5 million.

### COST OF MATERIAL

As of March 31, expenses for purchased services of EUR 3.4 million are reported, which relate to ongoing production costs, fees for processing gas and condensates, maintenance and work on producing and new oil wells in the USA. Operating costs thus amount to approximately USD 7.08 (EUR 5.88) per BOE for the period January 1 to March 31, 2021.

### OTHER OPERATING EXPENSES

Other operating expenses amounted to EUR 1.6 million. The two largest items here are losses on the sale of securities (EUR 0.3 million) and additions to provisions (EUR 0.2 million).

Other operating expenses comprise other general and administrative expenses, including occupancy costs, legal and consulting fees, and other administrative expenses in the Group. Personnel expenses for all Group companies amounted to EUR 1.1 million.

## AMORTIZATION AND DEPRECIATION

Depreciation and amortization amounted to EUR 6.8 million and consisted of scheduled depreciation and amortization, which mainly relates to depreciation of oil production assets in property, plant and equipment of the subsidiaries Cub Creek Energy, Elster Oil & Gas, Bright Rock Energy and Salt Creek Oil & Gas, which are depreciated in accordance with the produced volumes of barrels of oil equivalent (BOE) For the period January 1 to March 31, 2021, the depreciation rate in total, (i.e. scheduled depreciation and amortization in the Group) is approximately EUR 11.59 per barrel of oil equivalent produced.

No extraordinary depreciation and amortization were recognized in the first quarter of 2021.

## 2. FINANCIAL POSITION AND ASSETS

### FIXED ASSETS

In property, plant and equipment, the item „Exploration and evaluation“ increased by approximately EUR 2.0 million compared to December 31, 2020. The increase is related to the start of drilling at Cub Creek Energy's Knight pad. Financial assets amount to EUR 34.8 million.

### CURRENT ASSETS

Receivables amounting to approximately EUR 21.9 million comprise trade receivables of EUR 14.4 million resulting from outstanding sales of oil and gas production.

On the other hand, other assets include the receivable from the expected tax refund in the amount of USD 7.5 million (EUR 6.4 million).

Cash and cash equivalents and marketable securities totaled EUR 35.7 million at the end of the first quarter, an increase of around EUR 12.9 million compared with December 31, 2020.

### LIABILITIES AND EQUITY

Equity amounts to EUR 61.8 million as of March 31, 2021. The equity ratio amounts to 26.7%.

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

Liabilities to banks decreased to EUR 9.6 million in the first quarter due to the partial repayment of the credit line at Cub Creek Energy in the amount of USD 5.6 million. Trade payables amount to EUR 4.3 million. Other liabilities amount to EUR 11.9 million. They are related to outstanding payments for royalties to landowners and the distribution of revenue to minor partners as well as interest payable on the bonds. Provisions amount to approximately EUR 12.8 million. They were formed for production taxes and investments of the US subsidiaries.

### 3. SUBSEQUENT EVENTS

No events after the balance sheet date had a significant impact on the further course of business up to the beginning of May.



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## DISCLAIMER

### FORWARD-LOOKING STATEMENTS

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

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

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