

THIRD QUARTER



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Deutsche Rohstoff

Q3 2021

Ladies & Gentlemen,

In the third quarter, an energy crisis developed that no one had expected. It drove the prices of natural gas, but also thermal coal, to unimagined heights. The market-leading European gas price TTF rose by 167% from July to the beginning of October to a record high. In a 12-month comparison, it has increased almost eightfold. The US gas price Henry Hub rose by „only“ 55% in the same period to its highest price since 2008. The oil price also made further gains, ending the quarter at 75 USD/barrel.

The reasons for this deterioration in the oil market have been widely discussed in the meantime. Significant underinvestment in new oil and gas development since 2015 is a key driver of this development. The investment bank J.P. Morgan estimates that USD 600 billion in additional investment will be needed by 2030 to close the investment gap and meet the rising demand for oil. At the same time, increasing regulation and the goal of decarbonisation are making investments in fossil fuels more costly.

Rising prices continued to drive our revenues. After nine months, revenues amounted to EUR 53.2 million (previous year: EUR 32.3 million), EBITDA to EUR 52.1 million (previous year: EUR 21.7 million). Consolidated net income reached EUR 21.4 million as of September 30 (previous year: consolidated net loss of EUR 14.3 million). We continue to expect full-year revenue and EBITDA to be in the upper range of the forecast of EUR 68 to 73 million for revenue and EUR 57 to 62 million for EBITDA.

The fact that the result was not even better is primarily due to our hedge book, which generated a loss of EUR 7.7 million in the first nine months. While the average realised price before hedges was 60.34 USD/barrel, we realised 52.48 USD/barrel net of hedges. From December onwards, however, the share of production that is hedged will fall significantly. Moreover, the hedged prices will then be considerably higher. The margin from operating activities will therefore increase significantly due to this effect from price hedging alone.

In September, we raised our forecast for 2022 due to the positive price and volume development. We now expect sales of EUR 98 to 106 million and EBITDA of EUR 70 to 76 million in the coming year. This forecast is based on rather conservative price assumptions of 60 USD/barrel of crude oil and 3 USD/MMBtu of natural gas. Production is expected to increase from 7,500 BOEPD to around 10,000 BOEPD in the coming year.

Our U.S. subsidiaries produced an average of 7,135 BOE per day in the first nine months, for total production of 1,947,804 BOE. Crude oil accounted for 865,197 barrels, with the remainder coming from natural gas and condensates. All volumes represent the Group's net share.

Cub Creek Energy produced 1,537,498 BOE (658,212 BO) in the first nine months of the year. The main contribution came from the Olander pad, which we brought back in production in early January.

Elster Oil & Gas produced 251,270 BOE (83,993 BO) through September 30. Elster was thus able to make up for the reduced production from the first quarter. The reason for the weak production in the first quarter was the fact that several wells were temporarily shut in.

At **Bright Rock Energy** and **Salt Creek Oil & Gas**, production for the first nine months totaled 159,036 BOE (122,991 BO). This was significantly more than in the previous year. Here it is noticeable that Bright Rock was involved in some new wells in Utah and that production in Wyoming has fully flowed in.

The US WTI oil price rose to USD 75 per barrel in the third quarter. The forward curve is in so-called backwardation, which means that oil is trading significantly more expensive in the short term than in the medium and long term. Currently, the market is undersupplied, which analysts believe should change by the middle of next year. However, it is difficult to predict how oil supply in particular will develop. At least the OPEC+ countries seem to be willing to do everything to ensure adequate prices.

SHARES AND BONDS

Our share price rose by around 132 percent from the beginning of the year to the end of the third quarter, reaching a level last seen in September 2018. Rising oil and gas prices, as well as the good results and increased guidance we were able to publish over the course of the year, were key factors in this positive development.

We repaid the 16/21 bond in full from our own funds in July. EUR 16.7 million was still outstanding. Bond 19/24 traded stably at around 105 percent in the third quarter. The convertible bond 18/23 also increased with the rising share price and is trading at around 100 percent.

GOLD AND OIL PORTFOLIO

Our equity and bond portfolio, which we had built up in April 2020 due to the multi-year lows, continued to perform well in the third quarter of 2021. As of 30 September, we had realised gains of EUR 15.3 million. Unrealized gains stood at EUR 3.6 million. Both oil stocks and bonds and gold stocks contributed to this positive result.

We continue to see strong potential for our stock. The Knight pad comes into production at a time when oil prices have risen to multi-year highs. The Wyoming acquisitions give us a large inventory of new wells. Oil prices appear to have further room to move higher due to the rapid reco-

very in demand and slow growth in supply. Our strong cash flow is rapidly building cash and increasing our flexibility to address new investments.

With best regards from Mannheim



Thomas Gutschlag
Vorstand, CEO

Jan-Philipp Weitz
Vorstand, CFO



Completion activities on **Bright Rock Energy's well pad** in Wyoming, USA

CONSOLIDATED BALANCE SHEET (UNAUDITED)

ASSETS	30/09/2021	30/09/2020	31/12/2020
	EUR	EUR	EUR
A. FIXED ASSETS	187,500,025	176,250,710	170,367,837
I. Intangible assets			
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	19,623,334	18,124,150	20,592,282
2. Goodwill	1,2662,990	1,400,477	1,300,109
	20,886,324	19,524,627	21,892,391
II. Property, plant and equipment			
1. Petroleum extraction equipment	103,002,553	121,887,735	110,203,813
2. Exploration and evaluation	27,093,333	1,880,381	2,226,514
3. Plant and machinery	121,406	125,198	123,398
4. Other equipment, furniture and fixtures	148,083	223,876	224,530
	130,365,375	124,117,190	112,778,255
III. Financial assets			
1. Equity investments	17,489,680	16,920,067	17,772,529
2. Loans to other investees and investors	4,712,026	3,245,552	4,710,836
3. Securities classified as fixed assets	13,946,620	12,443,274	13,213,826
	36,148,326	32,608,893	35,697,191
B. CURRENT ASSETS	35,657,820	39,091,360	33,833,329
I. Inventories			
Finished goods and merchandise	185,720	164,611	185,720
	185,720	164,611	185,720
II. Receivables and other assets			
1. Trade receivables	5,749,819	3,240,951	3,479,338
2. Receivables from other investees and investors	392,815	1,339,728	26,179
3. Other assets	10,800,992	7,425,579	7,326,503
	16,943,626	12,006,258	10,832,020
III. Securities classified as current assets	13,991,838	15,770,170	14,606,071
IV. Bank balances	4,636,637	11,150,321	8,209,518
C. PREPAID EXPENSES	869,863	1,046,790	1,046,601
D. DEFERRED TAX ASSETS	1,313,007	1,471,012	1,474,195
TOTAL ASSETS	225,340,716	217,859,872	206,721,962

EQUITY AND LIABILITIES	30/09/2021	30/09/2020	31/12/2020
	EUR	EUR	EUR
A. EQUITY		52,164,631	45,589,340
I. Subscribed Capital	5,081,747	5,081,747	5,081,747
./. less nominal value of treasury shares	-127,810	4,953,937	-127,810
Conditional capital EUR 2,200,000 (previous year: EUR 2,200,000)			
II. Capital reserves	30,019,333	30,019,333	30,019,333
III. Retained income	0	0	0
IV. Equity differences from currency translation	844,182	-355,893	-5,058,738
V. Consolidated net retained profit	29,863,476	10,914,186	9,505,193
VI. Non-controlling interests	6,859,697	6,633,068	6,169,615
B. PROVISIONS	21,404,968	9,734,473	7,335,409
1. Tax provisions	0	0	0
2. Other provisions	21,404,968	9,734,473	7,335,409
C. LIABILITIES	113,045,035	139,316,141	138,609,854
1. Bonds, thereof convertible EUR 10,700,000 (previous year: EUR 10,700,000)	97,761,000	114,419,000	114,419,000
2. Liabilities to banks	2,009,710	16,739,986	13,962,402
3. Trade payables	4,771,461	1,253,147	2,900,515
4. Other liabilities	8,502,864	6,904,008	7,327,937
D. DEFERRED TAX LIABILITIES	18,350,088	16,644,627	15,187,359
TOTAL EQUITY AND LIABILITIES	225,340,716	217,859,872	206,721,962

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	01/01/–30/09/2021	01/01/–30/09/2020	01/01/–31/12/2020
	EUR	EUR	EUR
1. REVENUE	53,188,365	32,332,084	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	17,805,043	6,552,423	7,692,322
5. COST OF MATERIALS	12,678,684	8,839,576	11,629,977
Cost of purchased services	12,678,684	8,839,576	11,629,977
6. PERSONNEL EXPENSES	3,450,907	2,354,224	3,647,405
a) Wages and salaries	3,274,910	2,192,144	3,431,469
b) Social security, pensions and other benefit costs	175,997	162,080	215,936
– thereof for old-age pensions EUR 3,948 (prior year: EUR 3,896)			
7. OTHER OPERATING EXPENSES	2,753,456	6,019,964	7,184,585
EBITDA	52,110,361	21,670,743	23,934,764
8. AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	23,220,787	27,750,091	31,457,539
a) of intangible assets and property, plant and equipment	23,220,787	27,750,091	31,457,539
b) of current assets	0	0	0
9. AMORTIZATION OF FINANCIAL ASSETS AND SECURITIES CLASSIFIED AS CURRENT ASSETS	1,256,599	9,203,395	8,612,581
EBIT	27,632,974	-15,282,743	-16,135,356
10. OTHER INTEREST AND SIMILAR INCOME	774,323	580,742	565,060
11. INTEREST AND SIMILAR EXPENSES	4,593,124	5,227,751	6,953,557
12. INCOME TAXES	2,401,690	-5,656,117	-6,425,452
13. EARNINGS AFTER TAXES	21,412,482	-14,273,635	-16,098,401
14. OTHER TAXES	10	242	243
15. NET LOSS/INCOME FOR THE GROUP FOR THE YEAR	21,412,472	-14,273,877	-16,098,644
16. PROFIT (-)/ LOSS (+) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	-1,054,189	173,496	589,268
17. PROFIT CARRYFORWARD (+)	9,505,193	25,014,567	25,014,568
18. CONSOLIDATED NET RETAINED PROFIT	29,863,476	10,914,186	9,505,193

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

IN EUR	01/01/-30/09/2021	01/01/-30/09/2020	01/01/-31/12/2020
NET INCOME FOR THE PERIOD (CONSOLIDATED NET INCOME / LOSS INCLUDING PROFIT SHARES ATTRIBUTABLE TO NON-CONTROLLING INTERESTS)	21,412,472.	-14,273,878	-16,098,643
+/- Write-downs / write-ups of fixed assets	23,220,787	34,281,048	37,702,343
+/- Increase / decrease in provisions	9,511,687	-8,972,582	-11,410,946
+/- Other non-cash expenses / income	-6,252	42,359	1,409,172
-/+ Increase / decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	-5,027,949	6,078,645	4,935,073
+/- Increase / decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	981,171	-1,051,768	-2,223,378
-/+ Gains / losses from the disposal of fixed assets	-1,021,719	-336,856	-286,143
+/- Interest expenses / income	3,818,801	4,647,009	6,388,497
+/- Income taxes paid / received	2,401,690	-5,656,117	-6,425,452
-/+ Income tax payments	0	0	0
CASHFLOW FROM OPERATING ACTIVITIES	55,290,689	14,757,860	13,990,524
+ Cash received from disposals of intangible assets	1,632,670	117,278	117,278
- Cash paid for investments in intangible assets	0	-3,246,065	-6,110,441
+ Proceeds from disposals of intangible assets	0	450	1,937
- Cash paid for investments in property, plant and equipment	-29,552,293	-33,383,335	-30,730,688
+ Cash received from disposals of fixed financial assets	1,364,393	356,020	415,976
- Cash paid for investments in fixed financial assets	-756,593	-2,423,382	-4,347,648
+ Cash received in connection with short-term financial management of cash investments	23,904,649	14,705,328	20,013,784
- Cash paid in connection with short-term financial management of cash investments	-23,285,346	-25,139,758	-28,222,728
+ Interest received	407,687	75,787	132,066
CASHFLOW FROM INVESTING ACTIVITIES	-26,284,834	-48,937,677	-48,730,465
+ Cash received from equity contributions by other shareholders	73,602	0	0
- Cash from decrease in equity	-315,146	-90,605	-96,555
+ Cash received from the issue of bonds and from loans	2,009,710	9,315,184	7,321,899
- Cash repayments of bonds and loans	-31,037,215	-16,658,000	-16,658,000
- Interest paid	-3,521,985	-7,303,429	-7,514,923
- Dividends paid to shareholders of the parent company	0	-495,394	-495,394
- Dividends paid to other shareholders	-174,428	-248,947	-248,947
CASHFLOW FROM FINANCING ACTIVITIES	-32,965,462	-15,481,191	-17,691,920
Change in cash and cash equivalents	386,726	-49,661,008	-52,431,861
+/- Changes in cash and cash equivalents due to exchange rates and valuation	-3,959,462	-469,453	-639,402
+ Cash and cash equivalents at the beginning of the period	8,209,518	61,280,782	61,280,782
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4,636,637	11,150,321	8,209,518

NOTES TO THE
CONSOLIDATED BALANCE SHEET
AND THE
CONSOLIDATED INCOME STATEMENT

NOTES TO THE CONSOLIDATED BALANCE SHEET AND THE CONSOLIDATED INCOME STATEMENT

In the following, only items are listed for which significant changes are to be recorded in the current period. Otherwise, please refer to the comments in the Annual Report 2020 and the Half-Year report 2021.

1. FINANCIAL RESULTS

REVENUES

Revenues mainly relate to wells drilled in the Wattenberg field by Cub Creek Energy and Elster Oil & Gas as well as wells in which Bright Rock Energy and Salt Creek Oil & Gas are involved in Utah, Wyoming and North Dakota. Of the revenues (EUR 53.2 million), EUR 34.6 million came from oil and EUR 18.6 million from natural gas and natural gas liquids. Production in the first nine months amounted to 1,947,804 barrels of oil equivalent (BOE) or 7,135 BOE per day.

Sales are reported in euros less production tax (EUR 6.1 million) and include realized losses from hedging transactions (EUR 7.7 million).

OTHER OPERATING INCOME

Other operating income mainly consists of income from the sale of securities in the amount of EUR 15.3 million, which arose at the level of Deutsche Rohstoff AG. This item also includes currency gains of EUR 1.2 million.

COST OF MATERIALS

As of September 30, expenses for purchased services amounting to EUR 12.7 million are reported, which relate to ongoing production costs, fees for the processing of gas and condensates, maintenance and work on the producing and new oil wells in the USA. Operating costs thus amount to approximately USD 7.78 (6.51 EUR) per BOE for the period 1 January to 30 September 2021.

OTHER OPERATING EXPENSES

Other operating expenses amount to EUR 2.8 million. The two largest items here are losses from the sale of marketable securities and additions to provisions of EUR 0.4 million each. The provisions are formed for the obligation to backfill the wells of the oil production facilities in the USA.

Other operating expenses consist of other general administrative

expenses, including occupancy costs, legal and consulting fees, and other administrative expenses in the Group. The personnel expenses of all Group companies amount to EUR 3.5 million.

AMORTIZATION AND DEPRECIATION

Depreciation, depletion and amortisation amounted to EUR 23.2 million and consisted exclusively of scheduled depreciation and amortisation.

Depreciation, depletion and amortization mainly relate to depletion of oil production assets in the 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 barrels of oil equivalent (BOE) produced. For the period January 1 to September 30, 2021, the Group's depreciation rate is EUR 11.92 per barrel of oil equivalent produced.

No impairment losses were recognized in the first three quarters of 2021.

Write-downs on financial assets and marketable securities amount to EUR 1.3 million as of September 30, 2021 and mainly include unrealized losses of marketable securities as of September 30, 2021.

2. FINANCIAL POSITION AND ASSETS

FIXED ASSETS

Due to the start of drilling at Cub Creek Energy's Knight well site, the item „Exploration and evaluation“ in property, plant and equipment increased by around EUR 24.9 million. Financial assets amount to EUR 36.1 million.

CURRENT ASSETS

Receivables amounting to around EUR 16.9 million consist on the one hand of trade receivables of EUR 5.7 million resulting from outstanding sales from 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 18.6 million at the end of the third quarter.

LIABILITIES AND EQUITY

Equity amounts to EUR 72.5 million as of September 30, 2021. The equity ratio amounts to 32.2 %.

The total amount of the bond and the convertible bond is EUR 97.8 million.

Bank borrowings as at September 30, 2021 amounted to EUR 2.0 million and have a maturity of less than 12 months. The loan that Cub Creek Energy entered into with BOKF N.A. to finance its ongoing oil and gas drilling operations was fully repaid as of September 30, 2021.

Trade payables amount to EUR 4.8 million. Other liabilities amount to EUR 8.5 million. They are related to the outstanding payments for royalties to landowners and the distribution of revenue to smaller partners as well as the interest liabilities from the bonds. Provisions amount to around EUR 21.4 million. They were formed for production taxes and investments of the US subsidiaries.

3. SUBSEQUENT EVENTS

There were no relevant issues that arose after the end of the quarter.



Drill rig on **Bright Rock Energy's** acreage in Wyoming, USA

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DISCLAIMER

FORWARD-LOOKING STATEMENTS

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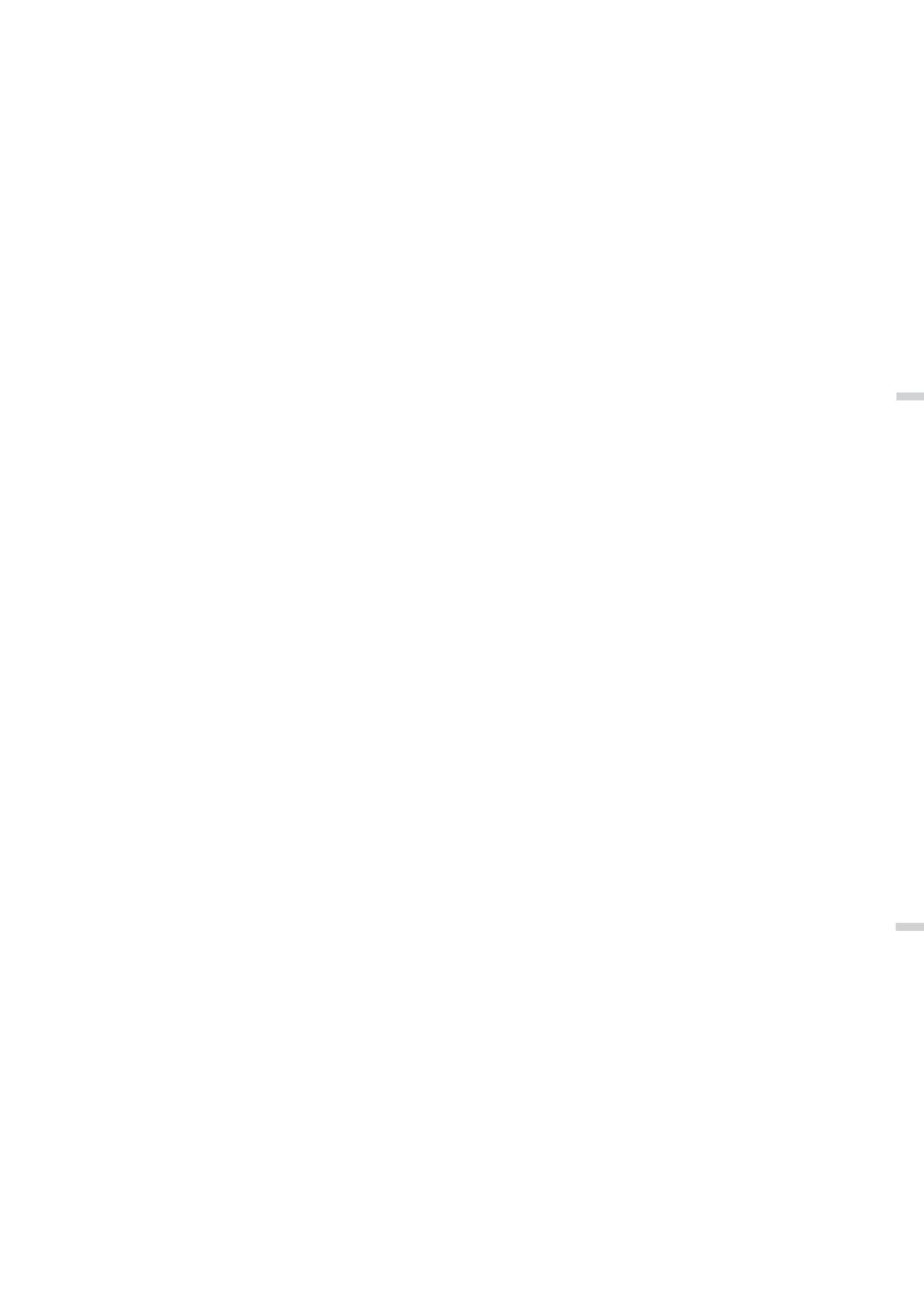
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