

# ANNUAL REPORT



# 2020



Deutsche Rohstoff



2020

## CORPORATE BODIES (AS OF 31/12/2020)



### EXECUTIVE BOARD

Dr. Thomas Gutschlag  
Jan-Philipp Weitz



### SUPERVISORY BOARD

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

## HIGHLIGHTS 2020/21 DEUTSCHE ROHSTOFF GROUP

01

**January 20, 2020**

Rhein Petroleum estimates  
Steig-discovery of more  
than 114 million barrels of  
oil in place

03

**March 2020**


Cub Creek reduces  
production in response to  
COVID-19 crisis

04

**April 6, 2020**

Deutsche Rohstoff AG  
decides to build up an oil,  
gas and gold equity and  
bond portfolio with a  
volume of up to  
USD 25 million

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



Sales Revenue	+38.7
EBITDA	+23.9
Net profit	-16.1
Operating Cash Flow	+14.0
Liquidity	+36.0
Equity ratio in %	+22.05

# COMMODITIES ARE THE FUTURE



**April 16, 2020**  
Deutsche Rohstoff  
USA expects tax refund  
of USD 7.5 million



**June 2, 2020**  
Bright Rock acquires  
land package in  
Wyoming



**December 4, 2020**  
Almonty signs project  
financing agreement for  
Sangdong mine in  
South Korea



**February 5, 2021**  
Cub Creek begins drilling  
from Knight well pad and  
has successfully restarts  
Olander production



# CONTENTS

<b>6</b>	LETTER TO <b>SHAREHOLDERS</b>
<b>8</b>	<b>SHARE AND BONDS</b>
<b>12</b>	THINGS TO KNOW: <b>ELECTROMOBILITY AND OIL CONSUMPTION</b>
<b>16</b>	<b>PORTFOLIO</b>
<b>20</b>	CONSOLIDATED <b>BALANCE SHEET</b>
<b>22</b>	CONSOLIDATED <b>INCOME STATEMENT</b>
<b>23</b>	CONSOLIDATED <b>CASH FLOW STATEMENT</b>
<b>24</b>	GROUP <b>MANAGEMENT REPORT</b>
<b>46</b>	CONSOLIDATED <b>STATEMENT OF CHANGES IN EQUITY</b>
<b>46</b>	CONSOLIDATED <b>STATEMENT OF CHANGES IN FIXED ASSETS</b>
<b>52</b>	NOTES TO THE CONSOLIDATED <b>FINANCIAL STATEMENTS</b>
<b>68</b>	REPORT OF THE <b>SUPERVISORY BOARD</b>
<b>70</b>	AUDITOR'S REPORT
<b>74</b>	CONTACT DETAILS, DISCLAIMER, PUBLISHER

## *Ladies and Gentlemen*

Fiscal 2020 was a very challenging year for the Deutsche Rohstoff Group. In March and April, oil prices fell to 20-year lows. On 20 and 21 April, NYMEX futures for May even traded negative, meaning producers had to pay to take their oil.

Many shareholders have asked what this price drop means for us and how we can counter it. We were able to answer that our production is very flexibly controllable and we can bring it down without any problems, which we then did. We also referred to our very good liquidity and our hedge book, which brought us around EUR 12 million in income for the year as a whole and was thus able to replace some

of the revenue that had been missing due to the curtailment of production.

Of course, we also discussed what would happen if oil prices remained at very low levels for a longer period. That would have been a real threat to our business model. However, after analyzing the available data, we quickly became certain that oil prices like those in March and April 2020 could not last, as they would drag down the oil industry worldwide. We judged such a scenario to be extremely unlikely. We have therefore decided to take action at various levels to take advantage of the tense situation:

· Cutting back existing production to conserve reserves

· Search for favorable land to secure additional potential at low prices

· Using the good liquidity position to build a portfolio of undervalued stocks and bonds in the range of up to \$ 25 million.

The last point in particular generated some demand. Our idea was to profit from the extreme situation on the market, even in the short term. Based on our analyses, we had assumed that both oil and gold stocks had been hit disproportionately hard during the crisis and had a



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



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



correspondingly high potential to recover. This assessment proved to be correct. In the first quarter of 2021, we had realized gains of about EUR 8 million. There were also unrealized gains of about EUR 3 million.

In June, our subsidiary Bright Rock was pleased to successfully complete the purchase of very large acreage in the Powder River Basin in Wyoming. The purchase price was very low and represented only the discounted value of existing production. Bright Rock received the undeveloped acreage at no cost. The acreage represents a large potential for future drilling. A first well could be drilled as early as this year.

In our core oil and gas business, daily production fell 6.4 percent year-on-year to 4,213 BOE. More than half of this was attributable to Cub Creek, where the Olander well was brought into production at the end of 2019. It produced almost at full capacity until mid-March 2020, before shutting down completely in April. Elster's production ran without curtailment throughout the year, contributing 1,618 BOE to the daily production. Salt Creek and Bright Rock had relatively low contributions, as expected, at 46 and 264 BOE per day, respectively. Our oil and gas reserves were valued at approximately USD 134 million combined at year-end. However, by 8 March 2021, the value had already increased to USD 212 million due to higher oil and gas prices.

Group sales amounted to EUR 38.7 million, only 6 % below the previous year. EBITDA (earnings before interest, taxes, depreciation and amortization) was even slightly higher than the

previous year at EUR 23.8 million. By contrast, consolidated net income fell to EUR -16.1 million. This was due to special write-downs of EUR 10.7 million on the property, plant and equipment of Elster Oil & Gas and EUR 6.5 million on the shares of Northern Oil & Gas (NOG). The write-down at Elster was due to the fact that the operator of Elster's wells had been producing throughout. As a result, Elster had to sell part of its remaining reserves at very low prices. As a result, the cash flow was much lower than planned and is no longer available to cover the book value. The shares in NOG, on the other hand, are now trading above the reduced book value again, so we were able to build up a hidden reserve.

Oil prices recovered from the April lows during the year. WTI closed at almost USD 50, significantly higher than most observers had thought possible at mid-year. It continued to move higher in the first quarter of 2021. Some analysts already believe in USD 70-80 for the rest of the year. We remain cautious and have based our planning on an annual average price of USD 55 /barrel.

In the Metals division, Almonty Industries took a very important step towards the development of the Sangdong mine in South Korea in December with the signing of the project financing contract with KfW-IPEX Bank. We expect the financing to be released in the first half of 2021 and the construction of the mine to then proceed swiftly.

We were able to reduce liabilities to EUR 128 million at the end of the year (end of 2019: EUR 139 million). In balance sheet

terms, the Group remains on a sound footing. Our equity decreased to EUR 46 million at the end of the year due to the consolidated loss and also due to currency effects. With total assets of EUR 218 million, the equity ratio thus fell to 22 %. However, it will be above 25 % again by the end of the first quarter. At the end of the year, cash and cash equivalents remained at a very comfortable level of around EUR 35 million.

This year we again plan to invest heavily in oil and gas production. We initially postponed the Knight drilling program at Cub Creek, originally planned for 2020, due to the sharp drop in prices. In January 2021, however, we gave the go-ahead for up to twelve wells with a net investment volume of around USD 45 million. Together with investments at the other companies, we expect to invest up to USD 60 million again this year to build up additional production. We therefore also expect production to increase further in 2022.

We will propose to the Annual General Meeting that no dividend be distributed for 2020 due to the high loss for the year. However, the payment of a reliable and, if possible, increasing dividend will remain a key objective of the Executive Board in the future.

Good luck from Mannheim,



Thomas Gutschlag  
CEO

Jan-Philipp Weitz  
CFO

## SHARE AND BONDS

### SHARE PRICE DEVELOPMENT AND DIVIDEND

The Deutsche Rohstoff AG share got off to a good start in 2020, marking its high for the year at EUR 16.06 just a few days after opening the year at EUR 15.02. However, with the falling oil price in the first two months of the year, the Deutsche Rohstoff share also went down. The OPEC+ announcement that it would not cut production any further stroke a blow to the oil price. The Corona pandemic, which started worldwide at the beginning of March, then caused a massive sell-off on the stock markets. For the Deutsche Rohstoff AG share, the low

of EUR 5.93 was marked on 18 March. The subsequent recovery led to a trading range between EUR 8 and EUR 10 over the summer months. At the end of October, there was another sell-off on the markets, which brought the Deutsche Rohstoff AG share price back towards EUR 6. At the end of the year, the share price then returned to between EUR 8 to 10 and closed at EUR 8.50. For the year under review, the performance was -43%. Market capitalization at the end of the year was EUR 43 million.

In 2020, the average trading volume on the five trading venues with the highest turnover (XETRA, Tradegate, Stuttgart,

Frankfurt, Quotrix) was twice as high as in the previous year at around 15,500 shares per day. The day with the highest turnover was 9 March, when around 64,000 shares were traded. XETRA was the most liquid trading venue, with a 48% share of the volume traded, ahead of Tradegate (41%).

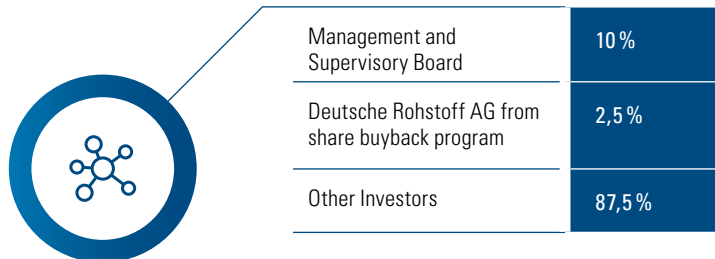
### VIRTUAL GENERAL MEETING

The Corona crisis also threw into disarray the usual processes associated with the annual general meeting. For the first time, the legislator made complete virtual AGMs possible, as a meeting in a presence AGM was not permitted due to

### SHARE DETAILS (AS OF 31 / 12 / 2020)



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



the pandemic. Deutsche Rohstoff AG held its first virtual AGM on 15 July 2020 at its offices in Mannheim. At 12.3 % of the capital stock, participation remained below the levels of previous years, with around 120 shareholders attending the AGM. The Annual General Meeting approved the management's proposals with a large majority.

Due to the Corona crisis, the Management Board and Supervisory Board proposed a reduced dividend of EUR 0.10 to the Annual General Meeting. The

Annual General Meeting resolved the dividend on 15 July 2020, so that it could be paid out to shareholders on the third trading day after the Annual General Meeting, as required by law.

## SHAREHOLDER STRUCTURE

The capital stock of Deutsche Rohstoff AG amounts to EUR 5,081,747 and is divided into the same number of registered shares. The Management Board and Supervisory Board held around 10 % of the shares at the end of the year.

Following 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 more than 6,850 shareholders. 20 % of the shares were held by institutional investors as of 31 December. Around 90 % of the shares are held by investors in Germany.

## BONDS

At the beginning of the 2020 reporting year, Deutsche Rohstoff AG had two

## SHARE AND BONDS

non-convertible bonds outstanding with a total volume of EUR 103.7 million. The bond 2016/2021 (WKN: A2AA05) matures on 20 July 2021. Following the exchange offer in November 2019 and the subsequent half-call, EUR 16.7 million are still outstanding in this bond. The second non-convertible bond 2019/2024 (WKN: A2YN3Q) was issued in 2019 and matures on 6 December 6 2024. It bears interest at 5.25 %. The outstanding volume as of 31 December 2020 amounted to EUR 87.1 million. The 2019/2024 bond traded between 103.4 % and 38 % in the reporting year. The low was marked in the wake of the Corona crisis on 18 March. By the end of the year, the price had stabilized again just below par.

The convertible bond issued in March 2018 has a coupon of 3.625 % and an initial conversion price of EUR 28. The issue was made under exclusion of subscription rights and is initially convertible into 357,143 shares of Deutsche Rohstoff AG. The outstanding volume amounts to EUR 10.7 million and is due in March 2023.

### CAPITAL MARKET COMMUNICATIONS

In the past reporting year, all roadshows were held virtually. The Executive Board was in talks with investors on more than 20 days to present the Company and inform the capital market about business developments. The Executive

Board also presented the Company and courted investors at various virtual conferences.

### ANALYST COVERAGE

The Deutsche Rohstoff AG share was regularly evaluated by the bank-independent analysts of First Berlin in the reporting year. First Berlin publishes its own earnings estimates as well as a price target and recommendation for the share. As part of the scale segment listing, Edison Research additionally publishes a qualitative report twice without a price target and recommendation. For 2021, Kepler Chevreux will also resume coverage and publish a comprehensive research report.

## FINANCIAL CALENDAR 2021



## 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 2021**  
Half-year financial  
statements 2021



**September 6–7, 2021**  
Equity Forum Fall  
Conference 2021



**November 2021**  
Publication of quarterly  
report Q3 2021



**November 22–24, 2021**  
German Equity  
Forum

## THINGS TO KNOW: ELECTROMOBILITY AND OIL CONSUMPTION

### POLITICS PROVIDE STRONG INCENTIVES FOR THE EXPANSION OF ELECTROMOBILITY

The member states of the European Union, led by Germany, have adopted drastic measures to reduce CO<sub>2</sub> emissions. By 2030, it shall be reduced by 55 % compared to 1990. The European Union wants to become CO<sub>2</sub>-neutral by 2050. In addition to the increased expansion of power generation from renewable energies, the reduction of emissions from the transport sector is an important pillar in the fight against climate change. In this context, many countries have already proclaimed the age of electromobility and are subsidizing

the market launch of electric cars or even plug-in hybrids. In addition, sales bans for vehicles with combustion engines could be enacted in the 2030s.

The sharp drop in demand for oil caused by the COVID-19 pandemic has additionally created a perception among many investors that oil as a commodity has seen its best days.

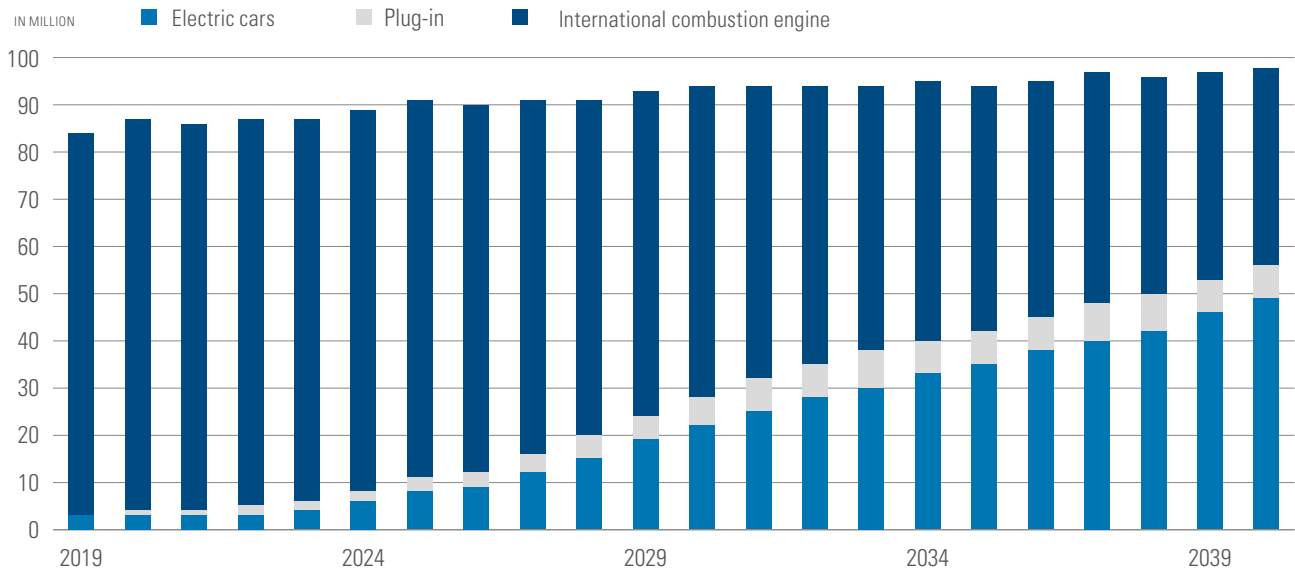
Deutsche Rohstoff AG generates a substantial part of its sales from the production of oil. Is this business model at risk for the foreseeable future? We believe not, because oil will remain indispensable for the next few decades despite the current lower demand and the

discernible trend in the transport sector toward combustion-free alternatives.

### CURRENT OIL DEMAND

Demand for oil has increased by an average of 1 million barrels per day per year over the past 30 years. In 2019, global oil demand was about 100 million barrels per day. Due to the Corona pandemic, demand plummeted by about 10 %. The transport sector in particular caused this decline. The International Energy Agency (IEA 2021) estimates that demand will stabilize at around 96 million barrels per day in 2021. However, kerosene in particular, i.e. fuel for the aviation industry, will still fall short of the





**CARS SOLD BY TYPE** (ACCORDING TO BLOOMBERGNEF 2019).

2019 level and is not expected to return to anywhere near its pre-crisis level until 2022.

### DEMAND FROM THE TRANSPORT SECTOR

The transportation sector accounted for about 57 % of total oil demand in 2018. The remainder is split between thermal energy for buildings, industry, and to a small extent electricity generation. Road transport, i.e. trucks and cars, accounted for 44 % (BP 2020). The share of passenger cars is put at 21 % by BP. Political measures for a “transport turnaround” are mainly aimed at reducing

emissions in private motorized transport, i.e. passenger cars.

For OECD countries, it is expected that the massive purchase incentives will greatly increase the share of electric vehicles and decrease the share of internal combustion vehicles. In 2019, the share of internal combustion engines in new vehicles sold was still 97 %. Estimates suggest that it will not be until 2040 that more cars will be sold with an electric drive than with an internal combustion engine (comparison Figure 1).

It should be emphasized here, however, that only around a quarter of the global

vehicle fleet will consist of electric cars at that time (Bank of Montreal, BMO 2021). In the non-OECD countries in particular, conventional vehicles will still be the standard for a long time to come.

This fact also shows that displacing oil in the transportation sector takes time. Demand will not decrease as quickly as the general perception suggests. The majority of the vehicle fleet will continue to demand fossil fuels for many years to come. Nevertheless, the increasing market penetration by electric cars means that about 11 million barrels of oil per day could be substituted by 2040 (BMO 2021). Compared to the oil demand

# THINGS TO KNOW: ELECTROMOBILITY AND OIL CONSUMPTION

from passenger car transport in 2018, this corresponds to a halving of demand.

## RISING DEMAND FROM NON-OECD COUNTRIES

In the big picture, this drop in demand caused by electric cars is also offset by rising demand for oil, especially from non-OECD countries with strong population and economic growth. As prosperity increases, so does the desire for individual mobility. Overall, the global vehicle fleet will increase significantly. With nearly 2 billion vehicles expected in 2040, the vehicle fleet would almost

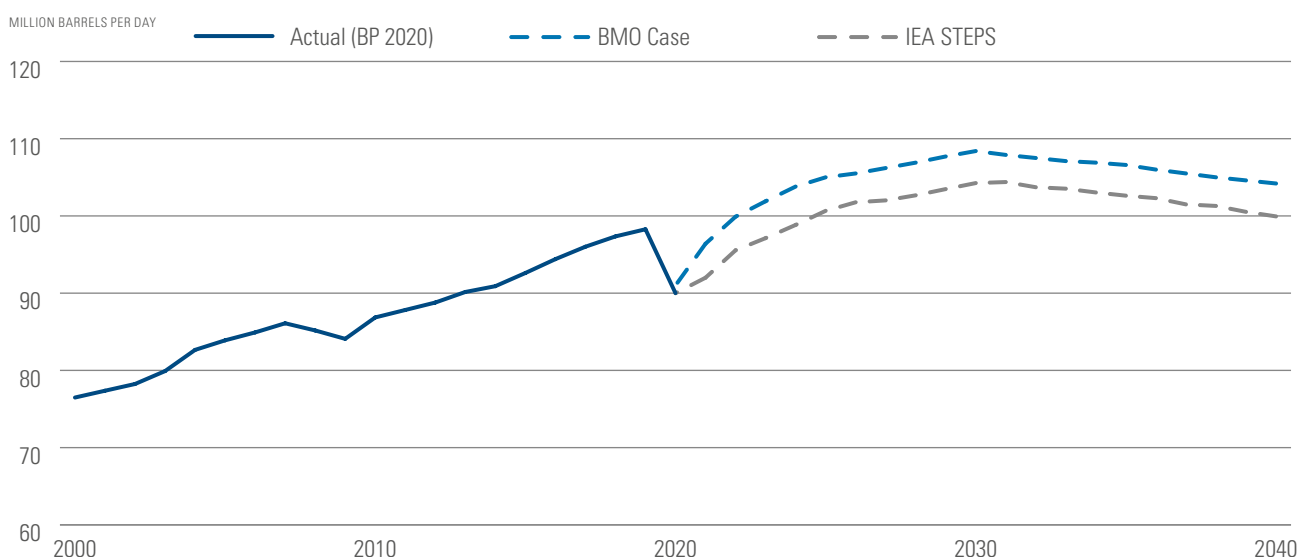
double from today. A relatively rapid substitution from conventional cars with combustion engines to electric cars will be a major challenge for most of these countries. This is due on the one hand to the currently higher costs of electric cars and on the other hand to the lack of possibility to establish a nationwide charging infrastructure.

## OIL DEMAND EXPECTED TO RISE OVERALL

In addition to the displacement of oil as a raw material by electric cars in the area of individual mobility discussed here so

far, there will certainly also be substitution in other sectors over time. The electricity and heating sectors will become more energy efficient, and demand will be replaced more and more by renewables. There are also efforts, at least in OECD countries, to reduce plastic consumption and thus demand for oil from the petrochemical industry.

Overall, however, demand for crude oil is expected to continue to rise initially, leaving a dent in the long-term view in 2020. Figure 2 shows two possible scenarios. The STEPS scenario published by the International Energy Agency



**OIL DEMAND PROJECTIONS** (ACCORDING TO BMO 2021, IEA 2020).





includes the currently published and known policy framework. The Base Case scenario published by the Bank of Montreal (BMO 2021) also includes current policy frameworks. Both scenarios see an increase in oil demand primarily by non-OECD countries. The curve is not expected to flatten until 2030 at the earliest. BMO sees peak demand of around 108 million barrels per day before measures take effect that significantly reduce consumption.

As already explained, these projections are based on the currently communicated

political framework conditions and are also largely dependent on them. A stronger politically driven strategy to avoid emissions would bring this peak further forward. In particular, with Joe Biden as U.S. President, the U.S., as one of the main emitters, still has considerable room for maneuver. In turn, however, there are arguments against rapid market penetration of electric cars. In the past, forecasts in this respect have regularly been missed. Also, the fact that many plug-in hybrids are sold in Germany, for example, but these often run exclusively on gasoline, distorts the statistics and

overestimates the decline in demand for oil (Fraunhofer ISI 2020).

Deutsche Rohstoff, with its subsidiaries and investments, is currently well positioned to continue contributing to individual mobility in the coming years.

Of course, Deutsche Rohstoff is continuously evaluating various opportunities to become active in other commodities beyond oil and gas. Electromobility undoubtedly offers interesting opportunities for companies in the commodities industry in particular.

# PORTFOLIO AS OF 31 DECEMBER 2020



**Cub Creek Energy**

**Elster Oil & Gas**

**Salt Creek Oil & Gas**

**Bright Rock Energy**

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

---

**Ceritech**

---

**Rhein Petroleum**

---

**Tin International**



---

**Almonty Industries**  
Sangdong

---



# ANNUAL FINANCIALS

## CONSOLIDATED BALANCE SHEET

ASSETS	31/12/2020	31/12/2019
	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	20,592,282	20,558,383
2. Goodwill	1,300,109	1,577,912
	<b>21,892,391</b>	<b>22,136,294</b>
II. Property, plant and equipment		
1. Petroleum extraction equipment	110,203,813	138,432,742
2. Exploration and evaluation	2,226,514	648,076
3. Plant and machinery	123,398	142,588
4. Other equipment, furniture and fixtures	224,530	330,665
	<b>112,778,255</b>	<b>139,554,072</b>
III. Financial assets		
1. Equity investments	17,772,529	16,688,646
2. Loans to other investees and investors	4,710,836	1,902,145
3. Securities classified as fixed assets	13,213,826	18,189,126
	<b>35,697,191</b>	<b>36,779,917</b>
<b>B. CURRENT ASSETS</b>		
I. Inventories		
Finished goods and merchandise	185,720	164,611
	<b>185,720</b>	<b>164,611</b>
II. Receivables and other assets		
1. Trade receivables	3,479,338	8,853,988
2. Receivables from other investees and investors	26,179	1,080,719
3. Other assets	7,326,503	1,161,324
	<b>10,832,020</b>	<b>11,096,030</b>
III. Securities classified as current assets	14,606,071	5,355,985
IV. Bank balances	8,209,518	61,280,782
<b>C. PREPAID EXPENSES</b>	<b>1,046,601</b>	<b>1,156,344</b>
<b>D. DEFERRED TAX ASSETS</b>	<b>1,474,195</b>	<b>1,400,918</b>
<b>TOTAL ASSETS</b>	<b>206,721,962</b>	<b>278,924,954</b>

EQUITY AND LIABILITIES		31/12/2020	31/12/2019
		EUR	EUR
<b>A. EQUITY</b>			
I.	Subscribed Capital	5,081,747	
	./. less nominal value of treasury shares	-127,810	4,953,937
	Conditional capital EUR 2,200,000 (previous year: EUR 2,200,000)		4,953,937
II.	Capital reserves	30,019,333	30,019,333
III.	Retained income	0	0
IV.	Equity differences from currency translation	-5,058,738	3,833,204
V.	Consolidated net retained profit	9,505,193	25,509,961
VI.	Non-controlling interests	6,169,615	7,184,494
		<b>45,589,340</b>	<b>71,500,929</b>
<b>B. DIFFERENCE FROM CAPITAL CONSOLIDATION</b>		0	0
<b>C. PROVISIONS</b>			
1.	Tax provisions	0	691
2.	Other provisions	7,335,409	25,221,544
		<b>7,335,409</b>	<b>25,222,235</b>
<b>D. LIABILITIES</b>			
1.	Bonds, thereof convertible EUR 10,700,000 (previous year: EUR 10,700,000)	114,419,000	131,077,000
2.	Liabilities to banks	13,962,402	8,033,734
3.	Trade payables	2,900,515	17,113,896
4.	Other liabilities	7,327,937	9,791,350
		<b>138,609,854</b>	<b>166,015,980</b>
<b>E. DEFFERED TAX LIABILITIES</b>		15,187,359	16,185,809
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>206,721,962</b>	<b>278,924,954</b>

## CONSOLIDATED INCOME STATEMENT

	01/01/–31/12/2020	01/01/–31/12/2019
	EUR	EUR
1. REVENUE	38.683.301	41.203.744
2. INCREASE OR DECREASE IN FINISHED GOODS AND WORK IN PROCESS	21.108	9.092
3. OTHER OWN WORK CAPITALIZED	0	101.822
4. OTHER OPERATING INCOME	7.692.322	4.312.435
5. COST OF MATERIALS	11.629.977	11.342.433
Cost of purchased services	11.629.977	11.342.433
6. PERSONNEL EXPENSES	3.647.405	4.489.479
a) Wages and salaries	3.431.469	4.176.788
b) Social security, pensions and other benefit costs	215.936	312.691
– thereof for old-age pensions EUR 4,858 (prior year: EUR 4,409)		
7. AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	31.457.539	16.297.431
a) of intangible assets and property, plant and equipment	31.457.539	16.297.431
b) of current assets	0	0
8. OTHER OPERATING EXPENSES	7.184.585	7.070.068
9. OTHER INTEREST AND SIMILAR INCOME	565.060	532.517
10. AMORTIZATION OF FINANCIAL ASSETS AND SECURITIES CLASSIFIED AS CURRENT ASSETS	8.612.581	797.558
11. INTEREST AND SIMILAR EXPENSES	6.953.557	5.900.577
12. INCOME TAXES	-6.425.452	76.072
13. EARNINGS AFTER TAXES	-16.098.401	185.992
14. OTHER TAXES	243	188
15. NET LOSS/INCOME FOR THE GROUP FOR THE YEAR	-16.098.643	185.805
16. PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (-)	589.268	122.271
17. PROFIT CARRYFORWARD	25.014.568	25.201.885
18. TRANSFER TO REVENUE RESERVES	0	0
19. CONSOLIDATED NET RETAINED PROFIT	9.505.193	25.509.961



## CONSOLIDATED CASH FLOW STATEMENT

IN EUR	2020	2019
<b>NET INCOME FOR THE PERIOD (CONSOLIDATED NET INCOME / LOSS INCLUDING PROFIT SHARES ATTRIBUTABLE TO NON-CONTROLLING INTERESTS)</b>	<b>-16.098.643</b>	<b>185.805</b>
+/- Write-downs / write-ups of fixed assets	37.702.343	16.307.465
+/- Increase / decrease in provisions	-11.410.946	17.379.872
+/- Other non-cash expenses / income	1.409.172	-16.311.241
-/+ Increase / decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	4.935.073	2.441.661
+/- Increase / decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	-2.223.378	-11.636.917
-/+ Gains / losses from the disposal of fixed assets	-286.143	-30.067
+/- Interest expenses / income	6.388.497	5.368.060
+/- Income taxes paid / received	-6.425.452	76.072
-/+ Income tax payments	0	157.563
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>	<b>13.990.524</b>	<b>13.938.273</b>
+ Cash received from disposals of intangible assets	117.278	0
- Cash paid for investments in intangible assets	-6.110.441	-6.214.064
+ Proceeds from disposals of intangible assets	1.937	50.000
- Cash paid for investments in property, plant and equipment	-30.730.688	-22.513.407
+ Cash received from disposals of fixed financial assets	415.976	97.147
- Cash paid for investments in fixed financial assets	-4.347.648	-2.900.149
+ Cash received in connection with short-term financial management of cash investments	20.013.784	8.302.605
- Cash paid in connection with short-term financial management of cash investments	-28.222.728	-11.211.986
+ Interest received	132.066	151.918
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>	<b>-48.730.465</b>	<b>-34.237.936</b>
+ Cash received from equity contributions by other shareholders	0	0
- Cash from decrease in equity	-96.555	-18.450
+ Cash received from the issue of bonds and from loans	7.321.899	62.000.443
- Cash repayments of bonds and loans	-16.658.000	-16.114.896
- Interest paid	-7.514.923	-6.637.552
- Dividends paid to shareholders of the parent company	-495.394	-3.157.751
- Dividends paid to other shareholders	-248.947	-779.352
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>	<b>-17.691.920</b>	<b>35.292.442</b>
Change in cash and cash equivalents	-52.431.861	14.992.779
+/- Changes in cash and cash equivalents due to exchange rates and valuation	-639.402	1.004.000
+ Cash and cash equivalents at the beginning of the period	61.280.782	45.284.003
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>8.209.518</b>	<b>61.280.782</b>

# GROUP MANAGEMENT REPORT

## I. FUNDAMENTAL INFORMATION ABOUT THE GROUPS

### 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 December 31, 2020, 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.

Compared to the previous year, there were some changes in the legal structure of the Group and in the level of equity investments:

- At Tin AG, the share increased from 75.40 % to 82.89 % due to the purchase of minority interests.
- Due to capital contributions, the share in Bright Rock Energy LLC increased from 98.35 % to 98.88 %.
- The shareholding in Almonty Industries increased slightly from 12.80 % to 13.69 %.

At the end of 2020, the companies Almonty Industries Inc. and Rhein Petroleum GmbH shown in the chart were listed as investments. All other companies were fully consolidated.

In 2020, **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 operates** 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** acquired acreage in the Uinta Basin in Utah, U.S., in 2018 through 2020 and currently participates as a non-operator in oil drilling activities of other companies. In 2020, Bright Rock Energy has acquired acreage in the Powder River Basin in Wyoming.

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 was previously active in the field of rare earths and worked until the beginning of 2020 with partners in Brazil and Lithuania on development projects for the construction of a production plant for the extraction of rare earths. These activities were discontinued in the course of 2020, so that Ceritech had no operating activities at the end of the year.

Tin International AG mainly holds shares in companies active in gold mining.

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.

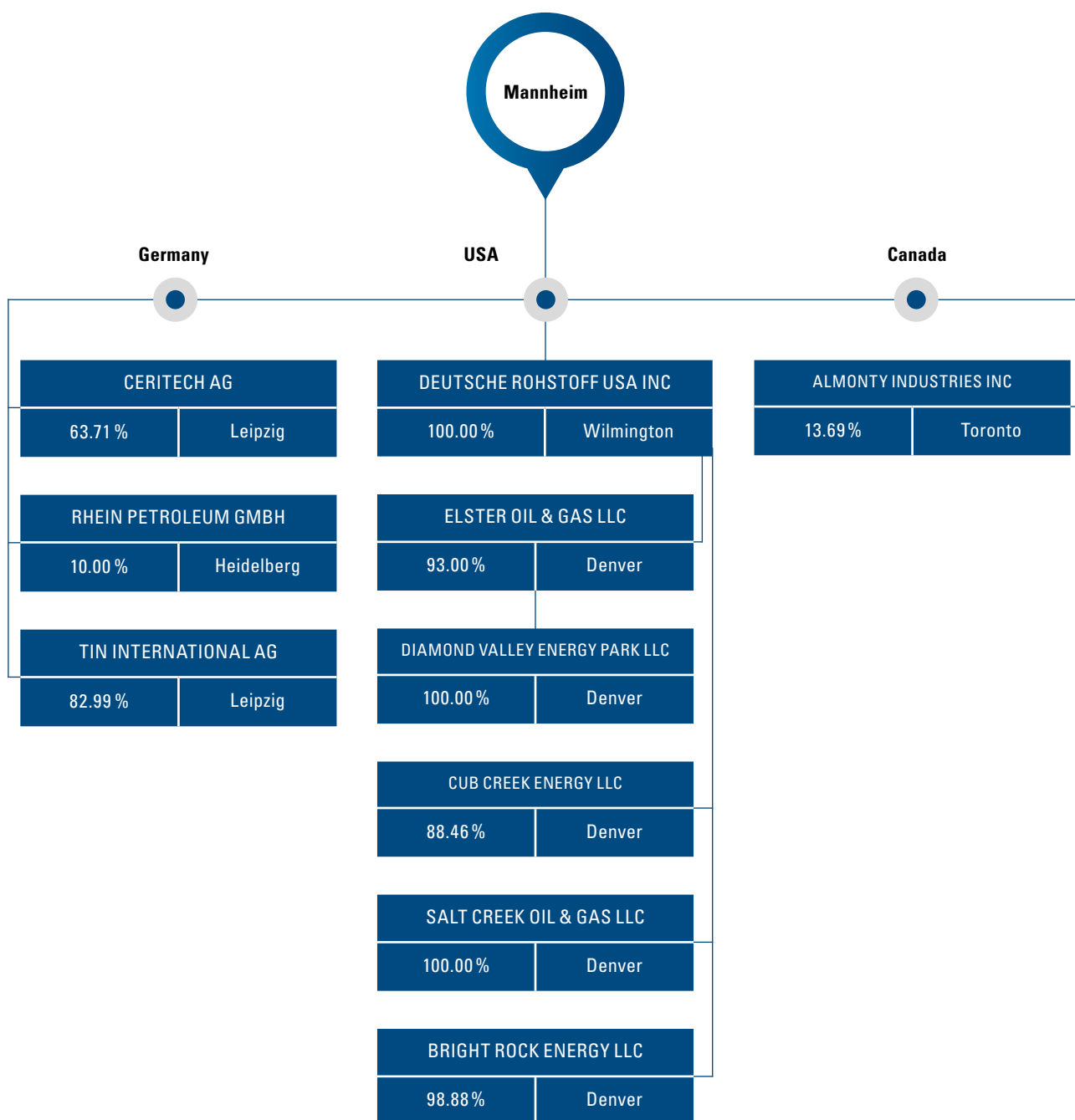
Almonty Industries, an subsidiary specializing in tungsten mining, operated the Los Santos (Spain) and Panasqueira (Portugal) mines in 2020 and is developing further tungsten projects in Spain and South Korea.

In the fiscal year 2020, 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 specifica-

**STRUCTURE OF THE CORPORATION AS OF 31 DECEMBER 2020**

# Deutsche Rohstoff AG



## GROUP MANAGEMENT REPORT

tions. 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 natural gas produced. The price for the oil or natural gas supplied is based on the American WTI and Henry Hub grades. The price actually paid depends almost exclusively on the utilization of the transport infrastructure and 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. Tarket capitalization as of December 31, 2020 amounted to EUR 43.2 (previous year: EUR 76.2 million). The share price thus fell by around 43 % during the year. From December 31, 2020 to the mid of April, the share price rose to EUR 12.35.

### 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 at the end of 2020. The Executive Board assumes that this market capitalization can be achieved in the period up to the end of 2022, provided that the negative impact of the global "COVID-19 crisis" on the world economy does not increase significantly again in the second half of 2021 and that

commodity prices, in particular oil prices, remain at the elevated level seen since the beginning of 2021. Further preconditions for this are successful drilling from the Knight pad, the achievement of planned production volumes in the USA, and a continuing recovery in the market for metals and mining products.

Activities continue to focus on oil and gas production in the USA. The company had to adapt to the very weak oil price environment in the reporting year. Contrary to the original objective, oil and gas production was not expanded during the year but, on the contrary, curtailed so as not to have to sell at very low prices. Since the beginning of 2021, the Group has been producing at full capacity again. At the end of 2020, the Group had interests in a total of 60 independently operated horizontal wells in the US Wattenberg oil field, in the Denver-Julesberg Basin, Colorado (55) as well as in the Powder River Basin, Wyoming (5) and 258 wells operated by partners, also in the Wattenberg oil field (40), in the Williston Basin in North Dakota (102), in the Uinta Basin, Utah (116). In total, this represents approximately 86.5 one-mile net wells, i.e., Group-operated wells with one mile of horizontal distance and a 100 % interest.

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 financ-



ing were to be sought and possibly individual holdings were to be sold.

The search for partners and the sale of projects and shares in companies in the metals sector have now been successfully completed. Tin International was able to sell the Sadisdorf project and the Gottesberg license. The shares in Devonian Metals and the loans extended were taken over by the US company Battery Grade Materials (BGM). In return, Deutsche Rohstoff AG received a bond with a three-year term.

The Executive Board's objective remains to increase the value of the remaining assets in the metals business segment and to dispose of them in the medium term. In addition, it is selectively examining new investments in metals that are considered promising based on fundamental analysis. At present, these are mainly gold, copper and lithium.

### 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.

## II. REPORT ON ECONOMIC POSITION

### 1. MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

The global economy is expected to contract by 3.5% in 2020 (source: IMF), more than ever before in peacetime years.

Commodity prices recorded a significant increase at the beginning of 2020. WTI (Western Texas Intermediate) crude oil rose to almost USD 63 per barrel. However, prices then plummeted, initially due to disputes within OPEC, and then from March onwards as a result of the COVID-19 pandemic. On April 20, WTI was trading at -39 USD/barrel, its lowest level ever. However, prices recovered steadily thereafter. On December 30, the next due contract was trading at USD 48.27, still below the level at the beginning of the year, but still recovering strongly. The authoritative U.S. gas price (Henry Hub) fell to below USD 2 in the spring, but rallied in the rest of the year's selling, closing at USD 2.44. The major industrial metals also fell to lows in March, but then made significant gains through the end of the year: copper, for example, bottomed out at USD 4,614/ton in mid-March, but

closed at USD 7,830/ton on December 30, some 70% above its low for the year. Gold had another strong year. The gold price started the year at 1,520 USD/ounce. In August, it reached a new all-time high of 2,063 USD/ounce, which it was subsequently unable to maintain. At the end of the year, gold was trading at 1,893 USD/ounce, around 25% above the start of the year. In the second half of the year, tungsten APT almost made up for the declining prices in the first half of the year and ended the year around 3% below the start of the year.

Currency exchange rates have a significant impact on the Group's business performance. The EUR/US dollar exchange rate is of particular importance. All major 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.

Over the course of the year, the euro strengthened significantly against the dollar. After a year-end level of just under 1.12 in 2019, almost USD 1.23 was paid for one euro at the end of 2020.

### 2. CORPORATE DEVELOPMENT

In line with the corporate strategy, the Group focused on the oil and gas business area in fiscal 2020 and again mainly on activities in the USA. As the parent company, Deutsche Rohstoff AG distributed a dividend for the seventh time in the company's history. However, due to the extraordinary crisis situation in spring 2020, the Executive Board and Supervisory Board proposed to the Annual General Meeting a sharply reduced dividend of 10 cents per share compared with previous years.

#### OIL & GAS DIVISION

During 2020, oil and gas companies in the U.S. were affected by the pandemic to varying degrees:

**Cub Creek Energy** had begun production from the Olander well pad in December 2019. The Company had drilled eleven two-mile horizontal wells there in the third quarter of 2019 and completed them in the fourth quarter of 2019. Cub Creek began production as planned in late 2019 and produced increasing volumes through March 2020. At peak, production exceeded 5,000 barrels of oil per day. Due to the sharp drop in oil prices, management and Deutsche Rohstoff decided to curtail production in March 2020. It was completely shut down at the end of April. Production at older well pads were also scaled back. However, for technical and legal reasons, it was necessary to produce some of the possible volumes. From September, Cub Creek began to ramp up the

## GROUP MANAGEMENT REPORT

older well pads due to the renewed rise in prices and was producing at full capacity again from October at the latest. The Olander well site, on the other hand, remained shut-in until the end of the year.

Most of Cub Creek's annual production occurred in Q1, when the Olander well site was still producing at full capacity. In total, Cub Creek produced 807,470 barrels of oil equivalent (BOE) in 2020 (previous year 806,555 BOE), of which 392,221 barrels were oil (BO) (previous year 301,533 BO). For the purpose of reporting BOE, the volume of crude oil is totaled with natural gas. In accordance with industry standards, natural gas is converted into BOE by a factor of 6,000.

**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 2020, the wells in which Elster is involved produced at full capacity throughout the year, although prices were very low at times. The operator had decided not to curtail production. Elster could not influence this decision due to its minority position. In total, Elster produced 592,187 BOE in 2020, of which 198,342 barrels were oil.

**Salt Creek Oil & Gas**, a subsidiary formed in June 2015, manages acreage remaining after the 2018 transaction with Northern Oil & Gas and began acquiring new acreage in North Dakota in early 2019. In February 2019, the company announced the purchase of royalties for \$ 5.4 million. This purchase increased production to approximately 200 barrels per day initially. Smaller acquisitions were completed during 2019. In 2020, a few acquisitions were initially considered before few transactions took place due to low prices. Salt Creek produced 21,688 BOE in 2020, of which 16,682 barrels were oil. Numerous wells in which Salt

Creek has an interest had been temporarily shut-in by operators.

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 2020, management had secured a total of approximately 3,000 acres in the core area of the field. Some of these were royalties, which secure a share of production but do not require co-investment.

In June 2020, Bright Rock completed an acquisition in the Powder River Basin/Wyoming, USA. It involved approximately 28,000 net acres (11,300 hectares or 111 square kilometers) with five producing wells that produced 300 barrels of oil in April 2020. Unlike in Utah, Bright Rock can act as operator in Wyoming because it has majority ownership of most of the acreage. Bright Rock announced that the purchase price reflects almost entirely the value of current production based on the current forward curve. The large number of potential additional wells was not significantly factored into the purchase price. The parties have agreed not to disclose the exact purchase price.

Bright Rock produced a combined 120,729 BOE of oil last year in Utah and Wyoming (previous year: 57,024 BOE), of which 96,774 barrels of oil were produced (previous year: 54,588 barrels of oil).

The **Rhein Petroleum** shareholding continued to produce from the wells in Schwarzbach and Lauben and, at times, in Steig during 2020. Rhein Petroleum's production share amounted to approximately 10,000 barrels of oil. In June 2019, the company drilled the Steig 1 well near Weingarten, Baden-Württemberg. In July, majority shareholder Tulip Oil reported that a significant discovery had been made at the well. In January 2020, Tulip published an initial estimate for the so-called Oil in Place, which amounts to at least 114 million barrels. In 2021, Rhein Petroleum plans to have additional wells approved to advance field development.

In February 2021, Deutsche Rohstoff published the results of a recalculation of the reserves of the US companies. The barrel oil

equivalent (BOE) amount of the companies' proven reserves decreased from 26.6 million BOE to 20.4 million BOE as of Dec. 31, 2020, compared to the previous year. The present value of proven reserves decreased from \$ 186.7 million to \$ 129 million due to low prices at the end of the year. In contrast, the value of probable reserves increased from \$ 9.4 million to \$ 14.6 million. The average NYMEX forward curve oil prices over the next 10 years used to calculate the present value was 45.66 USD/barrel on December 31, 2020, significantly lower than on December 31, 2019 (53.11 USD/barrel).

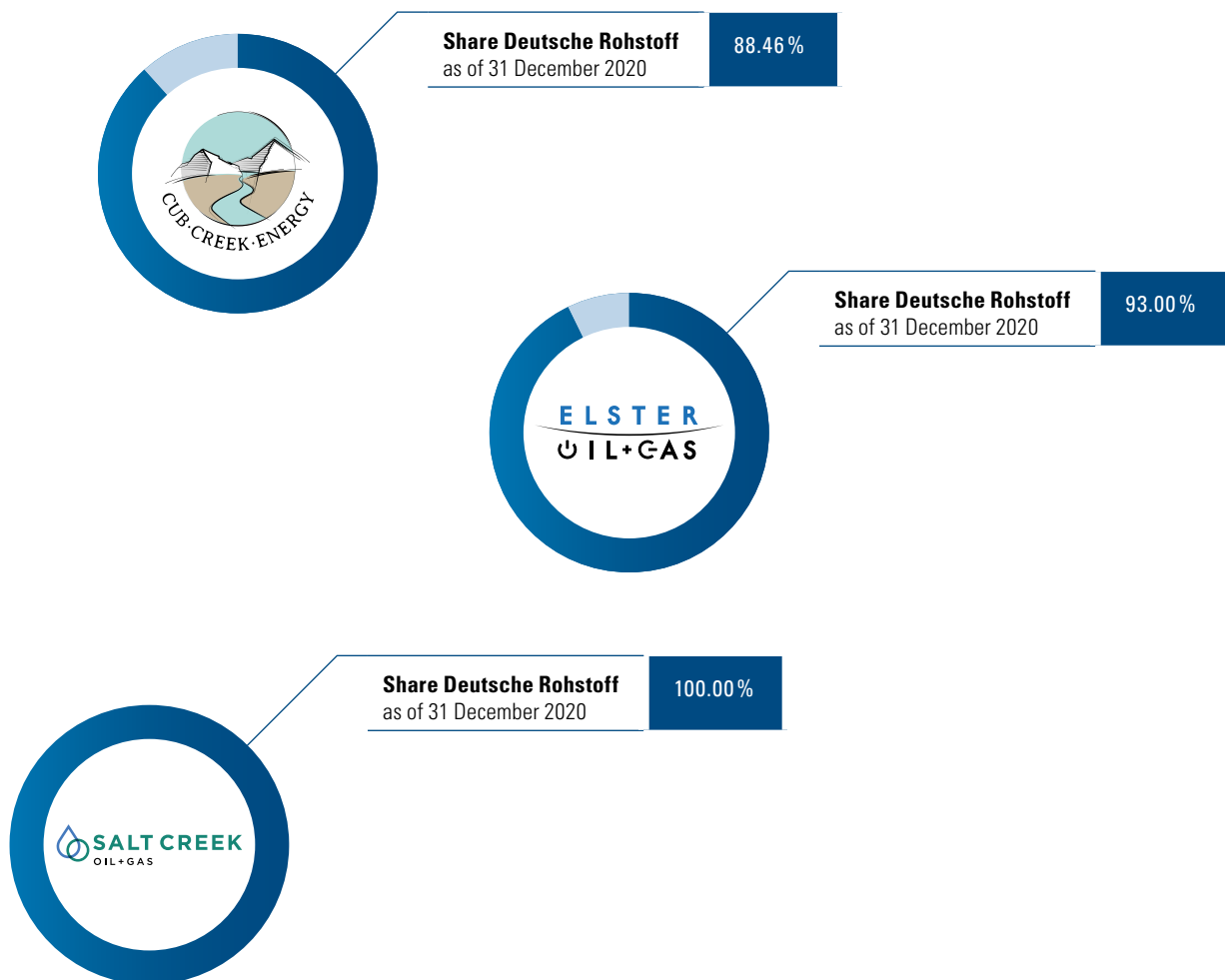
As of the beginning of March, on the other hand, due to higher prices, the value of safe reserves amounted to \$ 211.6 million, of which \$ 188.2 million was safe reserves and \$ 23.4 million was probable reserves.

## METALS DIVISION

The **Almonty Industries** investment continued to develop positively during 2020. During the Corona crisis, tungsten APT fell to around 210 USD/mtu, but then recovered and closed the year at 232.50 USD/mtu. In the first quarter of 2021, the quotation picked up significantly. By mid-April, the price increased by 17.8 % and was trading at 274.0 USD/mtu.

In December 2020, Almonty announced that project financing had been signed with KfW-IPEX Bank for \$ 76 million. Financial close of the transaction is expected in the first half of 2021.

In mid-April 2021, Almonty announced that it had financing commitments from shareholders of around \$ 9.5 million. This means that the equity required to access the KfW financing is largely in



# GROUP MANAGEMENT REPORT

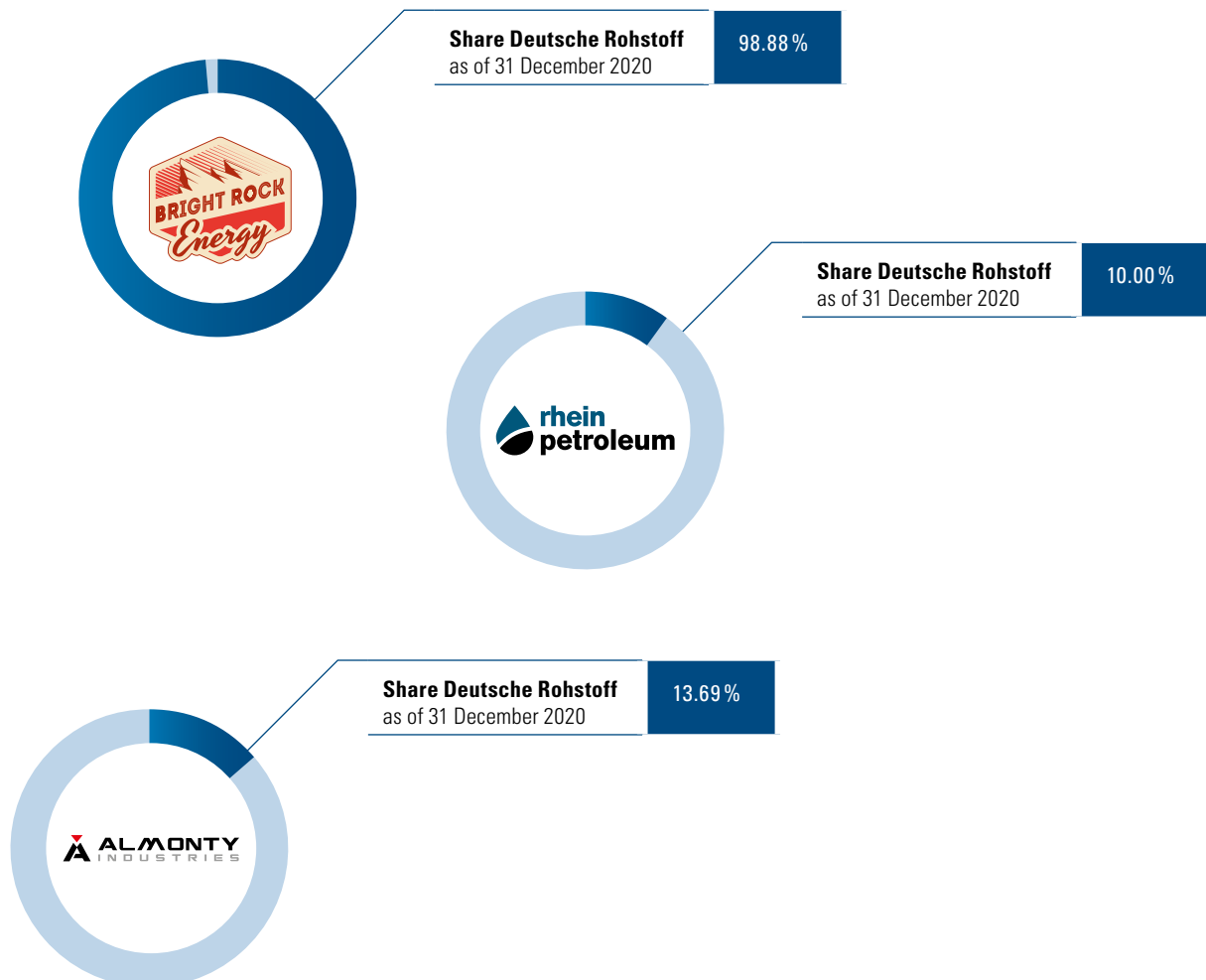
place. The company is also planning a listing in Australia before the end of the first half of 2021, which could raise further funds.

Almonty's share price rose from CAD 0.42 at the end of 2019 to CAD 0,64 at the end of 2020, and the stock made significant gains in the first quarter of 2021, reaching a high of CAD 1.26.

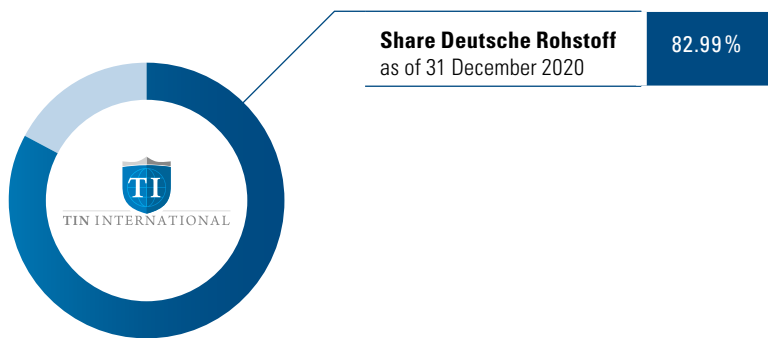
June 2017, **Ceritech AG** was able to conclude a letter of intent with one of its partners in Brazil, Copebrás Indústria Ltda. Copebrás belongs to the international commodity group China Molybdenum. With the letter of intent, both parties agreed to carry out further treatment and processing tests as 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.

The Management Board and Supervisory Board of Ceritech then decided to discontinue the project to extract rare earths from gypsum. As a result (already in the context of the consolidated financial statements for the fiscal year 2019) the work capitalized in this connection was largely written off. In November 2020, the Annual General Meeting of Ceritech resolved a capital cut and a







subsequent capital increase as well as the relocation of the registered office to Mannheim. These measures were registered in March 2021. Ceritech thus currently has no operating business or development project.

**Tin International AG** (TIN) sold the last license it still held in the Saxon Vogtland in February 2019. The buyer, the British company ASM, paid EUR 50,000 in cash and 2 million ASM shares. This corresponded to a share of around 3.5% in ASM. ASM continued to develop its main Tellerhäuser-Hemmerlein project in the central Erzgebirge region towards production in the course of 2019 and 2020.

By the end of 2020, Tin sold all of its shares in LIT, raising about 561 TAUD. Tin invests the cash partly in shares of commodity companies, mainly gold producers and exploration companies. In order to make this possible, the General Meeting of Shareholders

held on October 11, 2019 had adopted a resolution to amend the business purpose as follows:

“The object of the Company is the exploration, extraction and marketing of industrially used metals, technology metals and precious metals, as well as the participation in companies that explore for, extract and market such metals.”

In July 2020, **Deutsche Rohstoff AG** distributed a dividend of EUR 0.10 per share. Compared to previous years (2019: 70 cents), this represented a sharp decline. The reason was the very difficult situation in which the oil industry found itself in spring 2020. As it was not possible to foresee how the oil market would develop further, the Management Board and Supervisory Board proposed the significantly reduced dividend to the Annual General Meeting in order to keep liquid funds in the company.

# GROUP MANAGEMENT REPORT

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

### FINANCIAL PERFORMANCE

Selected data from the income statement

Fiscal year ended December 31, 2020

IN MILLION EUR	2020	2019
Revenue	38.7	41.2
Total operating performance <sup>1</sup>	46.4	45.6
Gross profit <sup>2</sup>	34.7	34.3
EBITDA <sup>3</sup>	23.9	22.7
Operating result (EBIT) <sup>4</sup>	-16.1	5.6
Earnings before taxes	-22.5	0.3
Net loss / income for the year	-16.1	0.2

<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.

<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 loss for the year amounted to EUR 16.1 million (previous year: net income: EUR 0.2 million) with total operating performance of EUR 46.4 million (previous year: EUR 45.6 million). Total output includes sales revenue of EUR 38.7 million from the oil and gas production of the US subsidiaries, of which EUR 12.0 million resulted from hedging transactions on oil and gas (hedging). In addition, there was other operating income of EUR 7.7 million (previous year: EUR 4.3 million).

The main component of other operating income is income from the sale of shares in mining companies in the amount of EUR 5.3 million held by Deutsche Rohstoff AG, as well as currency gains of EUR 0.6 million.

The cost of materials increased slightly to EUR 11.6 million in 2020 (previous year: EUR 11.3 million). Since January 2017, the operating costs of oil and gas wells have been reported under

this item. Overall, gross profit amounted to EUR 34.7 million (previous year: EUR 34.3 million).

Personnel expenses decreased to EUR 3.6 million (previous year: EUR 4.5 million). At the level of Deutsche Rohstoff AG, personnel expenses amount to EUR 1.4 million. The reduction in personnel expenses is based on the 25 % salary cut for the management of all Group companies for six months from April 2020 as a consequence of the COVID-19 pandemic. No further personnel expenses had to be accrued for the stock option program. Other operating expenses increased slightly to EUR 7.2 million (previous year: EUR 7.1 million). Other operating expenses include losses from the sale of shares in mining companies held by Deutsche Rohstoff AG in the amount of EUR 1.5 million and currency losses in the amount of EUR 2.3 million. The currency losses are offset by currency gains as part of other operating income in the amount of EUR 0.6 million.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased slightly to EUR 23.9 million (previous year: EUR 22.7 million).

Depreciation and amortization amounting to EUR 31.5 million (previous year: EUR 16.3 million) were almost exclusively attributable to depreciation and amortization of the fixed assets of the producing oil and gas plants in the USA. Of this amount, EUR 12.0 million was attributable to Cub Creek Energy, EUR 1.0 million to Bright Rock and EUR 0.2 million to Salt Creek. Elster Oil & Gas accounted for EUR 5.0 million of depreciation and amortization and EUR 10.8 million of impairment losses. These impairment losses were recognized due to the production of reserves in a very low oil and gas price environment, as well as lower oil & gas price guidances, and cover accounting risks that may arise at Elster Oil & Gas.

Thus, total depreciation per BOE was \$ 16.42/BOE for Cub Creek in 2020 and \$ 10.49/BOE for Elster Oil & Gas.

Earnings before interest and taxes (EBIT) amounted to EUR -16.1 million (previous year: EUR 5.6 million).

The financial result of EUR -15.0 million (previous year: EUR -6.2 million) includes interest payments on the outstanding bonds at Deutsche Rohstoff AG and interest payments to US banks in connection with the lending of reserves totaling EUR -7.0 million (previous year: EUR -5.9 million). The expense was offset by interest income and income from investments amounting to EUR 0.6 million. However, the financial result was mainly impacted by



unscheduled write-downs on the shares in Northern Oil & Gas Inc. amounting to EUR 6.5 million.

The tax result amounted to EUR 6.4 million. This result reflects, on the one hand, deferred tax income of EUR 2.7 million related to the US tax refund of USD 7.5 million expected in fiscal year 2021 and, on the other hand, deferred tax income of EUR 2.5 million related to the impairment losses recognized at Elster Oil & Gas.

The guidance for 2020 was adjusted several times during the year. Initially, based on a US oil price of USD 58, a gas price of USD 2.75, and an exchange rate of EUR/USD 1.14, it assumed sales of EUR 75-85 million, EBITDA of EUR 55-65 million, and a positive net result. On average for the year, these figures were USD 39.3 for US oil, USD 2.02 for gas, and EUR/USD 1.1422.

Due to the massive distortions on the oil market and the developments of the COVID-19 pandemic in March and April 2020, the guidance was initially suspended. In April, a revised guidance was issued with consolidated sales of EUR 33 to 37 million (previous year: EUR 41.2 million) and EBITDA of around EUR 15 million

(previous year: EUR 22.7 million). A negative consolidated result in the mid single-digit million euro range was expected (previous year: EUR 0.2 million). On the basis of the half-year results and the impairment losses recognized, the guidance was initially increased in August to EBITDA of around EUR 15-18 million and reduced to a loss of around EUR 20 million with regard to the consolidated result. Due to the subsequent faster than expected recovery of prices, the guidance was adjusted for the last time in November to the following figures:

- Sales: EUR 37 to 40 million (previous guidance EUR 33 to 37 million)
- EBITDA: EUR 23 to 26 million (previous guidance EUR 15 to 18 million)
- Group loss: EUR 15 to 18 million (previous guidance EUR -20 million)

The final figures were thus in line with the expectations of the November guidance.

# GROUP MANAGEMENT REPORT

## FINANCIAL POSITION

Selected notes on the cash flow statement

Fiscal year ended December 31, 2020

IN MILLION EUR	2020	2019
Cash flow from operating activities <sup>1</sup>	14.0	13.9
Net cash used in investing activities <sup>1</sup>	-48.7	-34.2
Cash flow from financing activities	-17.7	35.3
Increase / decrease in cash and cash equivalents	-53.1	16.0
Cash and cash equivalents at the beginning of the fiscal year	61.3	45.3
Cash and cash equivalents at the end of the fiscal year	8.2	61.3

<sup>1</sup> From the 2020 financial year, cash flow from operating activities and cash flow from investing activities are shown adjusted for non-cash investment costs; the previous year's figures have been adjusted accordingly. For further details, please refer to Note 7.1. in the Notes to the Consolidated Financial Statements.

In 2020, cash flow from operating activities amounted to EUR 14.0 million (previous year: EUR 13.9 million). This positive cash flow was mainly the result of sales revenues generated by the US subsidiaries Cub Creek Energy (EUR 25.2 million), Elster Oil & Gas (EUR 10.1 million) Salt Creek Oil & Gas (EUR 0.5 million) and Bright Rock Energy (EUR 2.9 million). Cash income was offset by cash expenses from operating activities, primarily for operating costs of the wells (EUR 11.7 million), personnel expenses (EUR 3.6 million) as well as cash outflows from outstanding invoices.

The cash flow from investing activities in 2020 is mainly characterized by investments in the US oil and gas activities and the investment in the equity and bond portfolio. Investments at Cub Creek Energy amounted to EUR 29.8 million and at Bright Rock Energy to EUR 7.0 million. In addition, around EUR 4.3 million was invested in investments and securities held as fixed assets. Around EUR 28.2 million was paid into the share and bond portfolio, offset by sales of around EUR 20.0 million.

Cash flow from financing activities amounted to EUR -17.7 million (EUR 35.3 million). This was mainly due to the partial repayment of the 16/21 bond in the amount of EUR 16.7 million and the rais-

ing of a USD credit line from Cub Creek Energy in the amount of EUR 29.8 million.

In addition, a dividend of EUR 0.5 million and interest of EUR 7.5 million were paid to the shareholders of Deutsche Rohstoff AG.

As of December 31, 2020, cash and cash equivalents including marketable securities in the Group amounted to EUR 22.8 million (previous year: EUR 66.7 million). Cash and cash equivalents correspond to 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 at all times and to make investments on the basis of a very good equity and liquidity position.

## ASSETS AND LIABILITIES

Selected balance sheet data

Fiscal year ended December 31, 2020

IN MILLION EUR	2020	2019
Fixed assets	170.4	198.0
Current assets	33.8	77.9
Equity	45.6	71.5
Liabilities	138.6	166.0
Provisions	7.3	25.2
Total assets	206.7	278.9

The consolidated balance sheet total fell from EUR 278.9 million to EUR 206.7 million in the reporting year. Due to the high level of impairment losses and the low level of capital expenditure, property, plant and equipment decreased from EUR 139.6 million to EUR 112.8 million. Intangible assets decreased slightly from EUR 22.1 million to EUR 21.9 million. The increase due to new investments was offset here by scheduled and unscheduled depreciation. As of December 31, 2020, intangible assets consist of subsidy rights in the amount of EUR 20.6 million (previous year: EUR 20.5 million) and goodwill in the amount of EUR 1.3 million (previous year: EUR 1.6 million). Property, plant and equipment mainly comprises the producing oil production facilities in the amount of EUR 110.2 million (previous year: EUR 138.4 million).

Financial assets decreased slightly to EUR 35.7 million (previous year: EUR 36.8 million). The impairment loss of EUR 6.5 million on

the shares in Northern Oil and Gas was offset by increases of EUR 5.6 million in loans and share purchases.

The shares in Almonty Industries are a significant component of financial assets. In the 2020 financial year, the valuation increased from EUR 11.0 million to EUR 12.1 million due to share purchases in connection with capital increases.

Loans to companies in which equity interests are held amounted to EUR 4.5 million to Almonty Industries. A further loan of EUR 2.2 million was granted here in the 2020 financial year. In addition, loans and interest receivables previously reported under current assets were reclassified in the amount of EUR 0.6 million.

Long-term securities reported under financial assets decreased to EUR 13.2 million (previous year: EUR 18.2 million). The decrease is mainly due to the aforementioned write-down on the shares in Northern Oil and Gas.

Receivables with a term of up to one year and other assets amounted to EUR 10.4 million as of December 31, 2020 (previous year: EUR 10.4 million). As of December 31, 2020, this item mainly consisted of trade receivables (EUR 3.5 million) and receivables from U.S. tax refunds (EUR 6.1 million). Marketable securities amounted to EUR 14.6 million (previous year: EUR 5.4 million). The increase is due to the build-up of the equity and bond portfolio, which was established at the level of Deutsche Rohstoff AG in response to the COVID-19 crisis.

At EUR 8.2 million, bank balances were significantly below the previous year's level of EUR 61.3 million. The reason for the decrease was mainly due to the repayment of the 16/21 bond, the investment in the equity and bond portfolios, the settlement of outstanding drilling costs in the USA, and interest payments on the bonds.

Deferred taxes break down as follows:

Deferred tax assets (esp. loss carryforwards)	1,474 TEUR
Deferred tax liabilities	21,772 TEUR
less	
Deferred tax assets from temporary differences	-1,796 TEUR
less	
Deferred tax assets on loss carryforwards (total)	-4,789 TEUR
Net deferred tax liabilities	15,187 TEUR

The deferred tax liabilities result from the tax treatment of oil and gas wells in the USA, for which US tax law partly allows early depreciation, which is associated with the formation of deferred tax liabilities.

Equity amounted to EUR 45.6 million as of December 31, 2020 (previous year: EUR 71.5 million). The decrease is primarily due to the impairment losses of EUR 17.3 million, less the related de-



## GROUP MANAGEMENT REPORT

ferred tax income of EUR 2.5 million. Furthermore, equity decreased by EUR 8.9 million due to currency translations in the statement of financial position. The main reason for this is the increase in the exchange rate from 1.1234 USD/EUR on December 31, 2019 to 1.2271 USD/EUR on December 31, 2020. The equity ratio therefore amounts to 22.05 % in the financial year (previous year: 25.63 %).

Provisions amounted to EUR 7.3 million as of December 31, 2020 (previous year: EUR 25.2 million). The decrease is mainly due to the invoicing of drilling costs for 2019. Provisions mainly relate to local taxes not yet due for US oil & gas companies, unbilled services from oilfield service companies, and provisions for dismantling obligations of US subsidiaries. Of this amount, EUR 2.9 million relates to Elster Oil & Gas, EUR 3.7 million to Cub Creek Energy, EUR 0.5 million to Bright Rock Energy and EUR 0.2 million to other companies included in the scope of consolidation.

In addition to the three bonds (EUR 114.4 million), liabilities of EUR 138.6 million (previous year: EUR 166.0 million) mainly consisted of bank loans from Cub Creek Energy (EUR 13.8 million), interest liabilities from the bonds (EUR 1.1 million), trade payables (EUR 2.9 million) and other liabilities at Cub Creek Energy (EUR 4.0 million) and Elster Oil & Gas (EUR 2.1 million).

The bonds with a volume of EUR 114.4 million consist of two non-convertible bonds and one convertible bond. The first non-convertible bond still has a volume of EUR 16.7 million and a term until July 20, 2021, and bears interest at 5.625 %. With the issuance of the second bond in December 2019, bonds from the first bond in the amount of EUR 33.3 million were exchanged and EUR 16.7 million of the first bond was repaid in January 2020. The second bond matures on December 6, 2024 and bears interest at 5.25 %. As of December 31, 2020, this bond still has a volume of EUR 87.1 million. The convertible bond still has a volume of EUR 10.7 million, an interest rate of 3.625 %, a conversion price of EUR 28 and a term until 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 USD 16.9 million (EUR 13.8 million) as of December 31, 2020.

Other liabilities mainly result from sales payments at Elster Oil & Gas and Cub Creek Energy, which are still due to royalty owners and partner companies 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 debt servicing. The figures are based on the reporting date of December 31, 2020.

### ADDITIONAL SELECTED FINANCIAL INFORMATION

Fiscal year ended December 31, 2020

	2020	2019
EBIT Interest Coverage Ratio <sup>1</sup>	-2.3	1.0
EBITDA Interest Coverage Ratio <sup>2</sup>	3.4	3.9
Total DEBT/EBITDA <sup>3</sup>	5.4	6.1
Total net Debt/EBITDA <sup>4</sup>	3.9	2.4
Risk Bearing Capital <sup>5</sup>	0.2	0.3
Total Debt/Capital <sup>6</sup>	0.7	0.7

<sup>1</sup> Ratio of EBIT (EBIT is defined as earnings for the period before interest and taxes.) to interest expenses and similar expenses.

<sup>2</sup> Ratio of EBITDA (EBITDA is defined as earnings for the period before interest, taxes, depreciation and amortization on property, plant and equipment and intangible assets) 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

The fiscal year 2020 was a very challenging year for the Deutsche Rohstoff Group. In March and April, oil prices fell to 20-year lows. On April 20 and 21, NYMEX futures for May even traded negative, meaning producers had to pay to take their oil.

The Deutsche Rohstoff Group was able to defy this price collapse due to its ability to manage production very flexibly, the Group had very good liquidity and production was hedged to a significant extent. This hedge book generated income of around EUR 12 million for the year as a whole and was thus able to replace part of the revenue that had been missing due to the curtailment of production.

Nevertheless, a longer-term price weakness at a very low level could have posed a threat to the Group's business model. However, the Executive Board was convinced that oil prices like those in March and April 2020 could not last, as they would drag down the oil industry worldwide. It therefore decided to take action at various levels to take advantage of the tense situation:

- Scale back existing production to conserve reserves
- Search for favorable areas to secure additional potential at low prices
- Leverage strong liquidity position to build a portfolio of undervalued stocks and bonds in the range of up to \$ 25 million.

In June, the Bright Rock subsidiary successfully completed the purchase of very large acreage in the Powder River Basin in Wyoming. The purchase price was very low and only represented the discounted value of existing production. The acreage represents a large potential for future drilling. A first well could be drilled as early as this year.

In the core oil and gas business, daily production fell 6.4 percent year-on-year to 4,213 BOE. More than half of this was attributable to Cub Creek, where the Olander well was commissioned at the end of 2019. This produced at near full capacity until mid-March 2020, before shutting down completely in April. Elster production ran without curtailment throughout the year, contributing 1,618 BOE to daily production. Salt Creek and Bright Rock had relatively small contributions, as expected, at 46 and 264 BOE per day, respectively. Oil and gas reserves were valued at approximately \$ 134 million combined at year-end. However, by March 8, 2021, the value had already increased to \$ 212 million due to higher oil and gas prices.

Group revenue amounted to EUR 38.7 million, only 6 % below the previous year. EBITDA (earnings before interest, taxes, depreciation and amortization) was even slightly higher than the previous year at EUR 23.9 million. This was due to special write-downs of EUR 10.8 million on the property, plant and equipment of Elster Oil & Gas and EUR 6.5 million on the shares of Northern Oil & Gas (NOG).

Oil prices recovered from the April lows over the year. WTI closed at almost \$ 50, significantly higher than most observers had thought possible at mid-year. It continued to move higher in the first quarter of 2021. Some analysts already believe in \$ 70–80 for the rest of the year.

In the Metals division, Almonty Industries was able to take a very important step towards the development of the Sangdong mine in South Korea in December with the signing of the project financing with KfW-IPEX Bank. The financing should be released in the first half of 2021 and construction of the mine should then proceed rapidly.

We were able to reduce liabilities to EUR 139 million at the end of the year (end of 2019: EUR 166 million). In balance sheet terms, the Group remains on a sound footing. Equity shrank to EUR 46 million at the end of the year due to the consolidated loss and also as a result of currency effects. With total assets of EUR 207 million, the equity ratio thus fell to 22 %. However, it will be above 25 % again by the end of the first quarter. At the end of the year, cash and cash equivalents remained at a very comfortable level of around EUR 36 million.

The Group is again planning to invest heavily in oil and gas production in the current year. The Knight drilling program at Cub Creek, originally planned for 2020, was initially postponed due to the sharp drop in prices. However, in January 2021 up to twelve wells began with an investment volume of around USD 60 million. Together with investments at the other companies, up to USD 75 million will be invested again this year to build up additional production.

Deutsche Rohstoff AG bonds fell to lows of 38 % in March 2020. However, with the recovery of the overall market and the oil price, they steadily gained over the course of the year. In the first quarter of 2021, both outstanding bonds rose above 100 % again.

#### 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 main non-financial performance indicator. There were no such incidents in the Group last year. In this respect the target was 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 April 2021:

In early January, Deutsche Rohstoff AG announced that it expected net production of 5,700 to 6,300 barrels of oil equivalent per

## GROUP MANAGEMENT REPORT

day (BOEPD) and 2,300 to 2,600 barrels of oil per day (BOPD) from existing wells during 2021. Wells under development and planned wells were not part of this volume guidance. For 2021, hedging contracts for approximately 45 % of expected oil production had been entered into at the time of this publication. The hedged price was around 45 USD/barrel.

Cub Creek Energy said it had restarted oil and gas production from the Olander well pad at the start of the year. It had been completely shut-in in 2020 in the wake of the price decline. For 2021, Cub Creek management is projecting average gross daily production from Olander of about 2,200 barrels of oil.

Furthermore, Deutsche Rohstoff AG announced that the profitability of the Wyoming acreage acquired by its subsidiary Bright Rock in June 2020 was already significantly above the budgeted figure at the time of acquisition due to the increase in the oil price. Bright Rock plans a drilling program and numerous additional drilling permits to further develop the acreage. The drilling program is expected to begin with a well in 2021, he said. The purpose of the drilling is to secure a majority of the acquired acreage for the long term, with no further drilling commitments at that time. In total, the acquired areas would offer potential for up to 100 wells, the economic potential of which is to be confirmed by the first drilling program.

Cub Creek Energy reported in February that it had begun drilling from the Knight well pad, which is immediately west of the Olander well pad. Plans call for drilling up to 12 horizontal wells with 2.25 miles of horizontal length. The wells are expected to begin production in the fourth quarter of 2021.

Due to the tightness of the U.S. oil market in recent months and the associated low drilling activity, Cub Creek expected to complete the Knight wells at or below the cost of the Olander wells, despite the increased horizontal length. In the case of Olander, the cost was just under \$ 5.0 million per well. The total investment is therefore up to USD 60 million. Cub Creek's share in the drilling is around 90 %. Financing will come from the high current cash flows from existing production, the credit line at Cub Creek and existing funds in the Group. The positive development of oil prices in the first quarter meant that the forward curve allowed for a hedge of prices above USD 50 into October 2022. As a result, the first hedges for production expected to commence in Q4 2021 are expected to be made during the drilling program.

Bright Rock Energy announced in February 2021 that it further expanded its acreage in the prolific Uinta Basin in Utah to ap-

proximately 3,000 acres (12 km<sup>2</sup>) in 2020 through strategic acquisitions and the company's leasing program. The growth in land position along with increased well yield and drilling density resulted in proved reserves of 1.9 million barrels of oil equivalent (MMBOE) as of December 31, 2020 (December 31, 2019: 1.3 MMBOE). The 10 % discounted net present value (NPV10) of these reserves was \$ 12 million based on the WTI forward curve at December 31, 2020, increasing to \$ 18 million based on a long-term price assumption of constant \$ 55. In addition, Bright Rock reported potential reserves of 8.8 MMBOE worth \$ 32 million for the Utah acreage (\$ 54 million based on \$ 55 WTI).

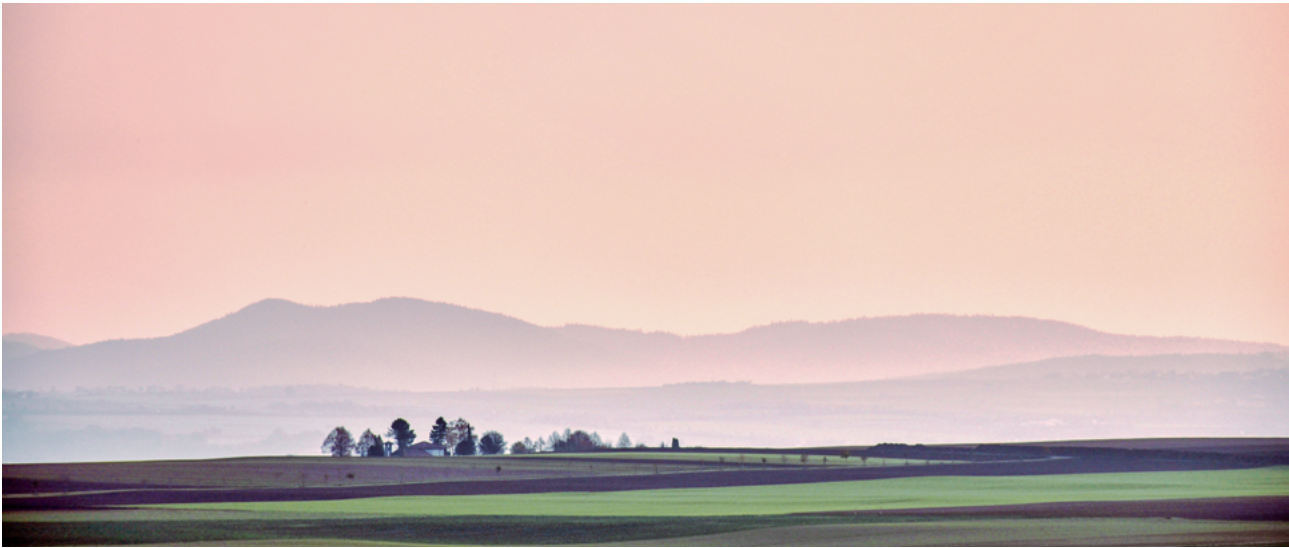
Bright Rock further stated that it expects to be involved in 10 to 15 new wells this year. As a result, Bright Rock's net production is expected to nearly double to 700 barrels of oil per day (BOPD). The investment volume for participation in drilling in Utah will amount to around USD 3 to 5 million.

In March 2021, Deutsche Rohstoff AG published the results of the reserve calculation of its US subsidiaries. The present value of the reserves (future cash flow discounted at 10 %, so-called PV 10) amounted to USD 211.6 million based on the forward curve of March 8, 2021. Of this amount, \$ 188.2 million related to certain reserves and \$ 23.4 million related to probable reserves. In contrast, at December 31, 2020, the value was still USD 128.8 million for the safe reserves and USD 14.6 million (previous year: USD 9.4 million) for the probable reserves due to significantly lower prices. At the end of the year, safe reserves were calculated at 20.4 million barrels of oil equivalent (BOE) (previous year: 26.6 million BOE), while probable reserves were calculated at 3.8 million BOE (previous year: 2.4 million BOE).

Cub Creek and Elster reserves were below the previous year's level due to production last year and also due to an assumed reduced drilling density at the Knight well site. Bright Rock, on the other hand, significantly increased reserves through acquisitions and higher drilling density in the Uinta Basin in Utah. At Salt Creek and Bright Rock, proved reserves climbed over 34 % to now 4.7 million BOE (previous year: 3.5 million BOE), while probable reserves rose by as much as 60 % to 3.8 million BOE.

In mid-March, Deutsche Rohstoff AG reported that the equity and bond portfolio it had built up in oil and gold stocks and bonds in 2020 in response to the COVID crisis continued to deliver very good results. In the first quarter of 2021 (reporting date March 15), realized gains amounted to EUR 8.2 million. Unrealized gains still existed in the amount of EUR 3.8 million.





## IV. GUIDANCE, OPPORTUNITIES AND RISK REPORT

### 1. GUIDANCE

The Group's business activities are focused on the production of oil and gas in the USA. At the end of 2020, 55 wells operated by the Group as operator and around 230 wells in which the Group has a minority interest produced oil and gas.

The basis for the 2021 guidance are the wells currently already producing and 12 wells from the Knight well site at Cub Creek Energy, which are expected to start production in Q4 2021. In addition, wells at the Bright Rock Energy subsidiary are included. Additional new production may result from acquisitions and participation in new wells. However, such acquisitions are not included in the guidance.

The Group currently has no ongoing production in the metals division. Income can therefore only be generated through the sale of assets or investments. As such income is by nature difficult to forecast, it is not included in the guidance. The same applies to impairment losses. Already included in the guidance is other operating income from the sale of marketable securities amounting to EUR 7.7 million.

Assuming an annual average US oil price of USD 60 per barrel in 2021 and 2022, a Henry Hub gas price of USD 2.5, and a EUR/

USD exchange rate of 1.20, the Executive Board assumes the following results for the current year:

- Group sales in 2021 in a range of EUR 57–62 million
- Group sales in 2022 in a range of EUR 60–65 million
- Earnings before interest, taxes, depreciation and amortization (EBITDA) of around EUR 42–47 million in 2021
- Earnings before interest, taxes, depreciation and amortization (EBITDA) 2022 of around EUR 40 to 45.0 million

The Executive Board expects to be able to achieve a clearly positive Group result in both years.

### 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

# GROUP MANAGEMENT REPORT

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 is prepared for the holding company as well as for the subsidiaries 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 immediately or to adjust the planning 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 therefore 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**

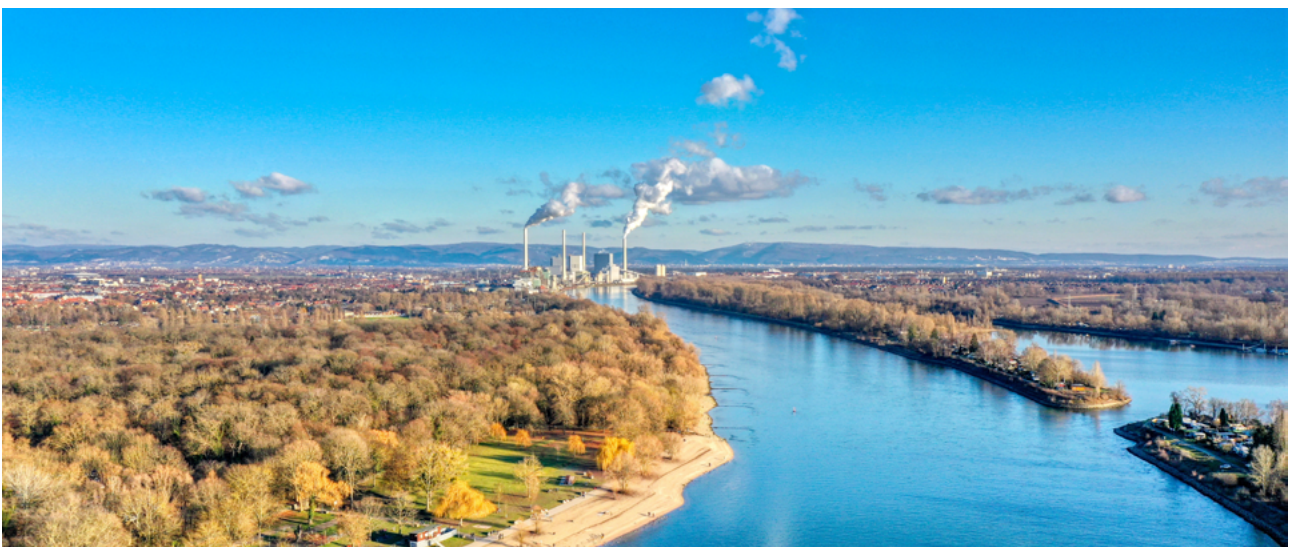
### **Industry opportunities and risks**

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

### **Financial opportunities and risks**

### **Other opportunities and risks**

The management of the individual companies focuses on the main opportunities and risks. Such significant opportunities and risks are discussed on an ongoing basis with the Group's Board of Management. They are the subject of regular telephone calls, reports, minutes and discussions during on-site



visits. It is generally the responsibility of the subsidiary's top management to assess significant opportunities and risks and to report regularly to the Group's management. Together with those responsible, the Group's management defines measures to limit the 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 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. 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 2020, the Group exercised the option under section 254 of the German Commercial Code (HGB) to reconstruct the economic

hedging relationship in transactions hedging the WTI oil price and the Henry Hub gas price by forming a valuation unit. The effective portion of the hedge is accounted for using the net hedge presentation method. The hedging transactions are derivative financial transactions (portfolio hedges) to hedge the price risk of the commodities natural gas and crude oil.

The derivative financial instruments hedge a total production volume (underlying transaction) of 324,000 BO and 1.44 million cubic feet of gas (mcf). The transactions entered into hedge against a decline in the price of crude oil below approximately \$ 44 and the price of gas below approximately \$ 2.29. As of March 31, 2021, the Group had hedged 455,000 BO for the remaining year and 199,000 BO for 2022 at approximately \$ 48.50 and \$ 54.90, respectively. The hedges for gas at March 31 are 2.47 million mcf for 2021, and 946,000 mcf for 2022, hedging prices below \$ 2.45/MMBtu and \$ 2.54/MMBtu, respectively. For the corresponding forward contracts, a return is generated if the price of the commodity is below this corridor at the respective maturity date. If the price is above this corridor, a loss results from the individual valuation of the unrealized forward transaction at market prices. 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 December 31, 2020.

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 also a price risk in the production of tungsten concentrates. Should the price for the concentrates fall permanently below the production costs, this could result in a going concern risk for the investment Almonty Industries. Unlike oil production, the company has to cover relatively high operating costs, most of which are also fixed and can

## GROUP MANAGEMENT REPORT

only be reduced with some advance notice. With the Corona crisis, prices for tungsten APT initially fell to around USD 210/mtu, before recovering slightly over the course of the year to close at USD 232.50/mtu.

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 operates. Furthermore, there is a risk that Almonty will not be able to implement the financing, construction or commercially 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.

Overall, the Management Board of Deutsche Rohstoff continues to see the Almonty Industries investment on a good 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 improved significantly in 2020 and Q1 2021. The stock market value of the investment was slightly below the book value of Deutsche Rohstoff at the end of 2020, before rising significantly in the first quarter. Currently, the value of the company's investment in Almonty Industries is around EUR 21.7 million. In an extreme case, a large part or the entire investment could become worthless if many of the risks mentioned above occur. However, the Executive Board currently considers the risk of a permanent impairment of the shareholding or the convertible bonds to be average. Conversely, a rising price has a positive impact on the earnings, financial and asset situation of all Group companies and investments. It therefore represents a significant opportunity. The Executive Board expects to see moderately rising prices for crude oil and the metals important to the Group in the further course of 2021. 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 re-

sulted in a currency loss of EUR 1.7 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.

The investments Rhein Petroleum and Hammer Metals are both active in the exploration of oil & gas and metals, respectively. Exploration in the raw materials sector involves high risks in that the capital invested in the drilling of exploration wells may be completely lost in the event of uneconomic results, meaning that the investment values may be worthless. Rhein Petroleum is currently planning to develop the Steig field in Baden-Württemberg. If oil prices remain low, development may be delayed or not economically viable.

### 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 individually 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 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 raw material extraction. At the end of 2020, Deutsche Rohstoff had a 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 expected 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 oil price and the tungsten price, the currency risk, the value of other investments and the risks in the further development of the exploration companies. However, all risks are manageable in the opinion of the Executive Board. The Executive Board is therefore of the opinion that the overall corporate risk is relatively low. The main risks are also offset by opportunities arising from continued 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.

Mannheim, April 26, 2021

The 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	Total	Equity differences from currency translation	Consolidated profit/ loss carried forward
<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>
Change through capital increase with participation of minority shareholders	18,675	278,257	<b>278,257</b>	0	0
Capital repayment and distribution to minority shareholders	0	0	<b>0</b>	0	0
Dividend 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 01/01/2020</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>
Capital increase Parent company	0	0	<b>0</b>	0	0
Capital repayment and distribution to minority shareholders	0	0	<b>0</b>	0	0
Dividend distribution	0	0	<b>0</b>	0	-495,393
Currency translation	0	0	<b>0</b>	-8,891,942	0
Other changes	0	0	<b>0</b>	0	308,076
Consolidated net profit/ loss for the year	0	0	<b>0</b>	0	0
<b>AS OF 31/01/2020</b>	<b>4,953,937</b>	<b>30,019,333</b>	<b>30,019,333</b>	<b>-5,058,738</b>	<b>25,014,568</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	
<b>13,871,965</b>	<b>65,750,479</b>	<b>4,018,077</b>	<b>-3,436</b>	<b>4,072,044</b>	<b>8,086,685</b>	<b>73,837,164</b>
0	<b>296,932</b>	0	0	0	<b>0</b>	296,932
0	<b>0</b>	-779,352	0	0	<b>-779,352</b>	-779,352
0	<b>-3,454,683</b>	0	0	0	<b>0</b>	-3,454,683
0	<b>1,415,631</b>	0	17,882	0	<b>17,882</b>	1,433,513
-13,871,965	<b>0</b>	<b>-18,450</b>	0	0	<b>-18,450</b>	<b>-18,450</b>
308,076	<b>308,076</b>	0	0	<b>-122,271</b>	<b>-122,271</b>	<b>185,805</b>
<b>308,076</b>	<b>64,316,435</b>	<b>3,220,275</b>	<b>14,446</b>	<b>3,949,773</b>	<b>7,184,494</b>	<b>71,500,929</b>
0	<b>0</b>	0	0	0	0	0
0	<b>0</b>	-248,947	0	0	<b>-248,947</b>	-248,947
0	<b>-495,393</b>	0	0	0	<b>0</b>	-495,393
0	<b>-8,891,942</b>	0	<b>-80,109</b>	0	<b>-80,109</b>	<b>-8,972,051</b>
<b>-308,076</b>	<b>0</b>	<b>-96,555</b>	0	0	<b>-96,555</b>	<b>-96,555</b>
<b>-15,509,375</b>	<b>-15,509,375</b>	0	0	<b>-589,268</b>	<b>-589,268</b>	<b>-16,098,643</b>
<b>-15,509,375</b>	<b>39,419,725</b>	<b>2,874,773</b>	<b>-65,663</b>	<b>3,360,505</b>	<b>6,169,615</b>	<b>45,589,340</b>

# CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS

## ACQUISITION AND PRODUCTION COST

IN EUR	01/01/2020	ADDITIONS	DISPOSALS
<b>I. INTANGIBLE ASSETS</b>			
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	29,666,295	6,110,441	-117,278
2. Goodwill	4,183,805	0	0
	<b>33,850,100</b>	<b>6,110,441</b>	<b>-117,278</b>
<b>II. PROPERTY, PLANT AND EQUIPMENT</b>			
1. Producing oil production facilities	235,642,506	943,841	0
2. Exploration and evaluation	2,554,916	9,803,834	0
3. Technical equipment and machinery	475,637	26,739	0
4. Other equipment, operating and office equipment	651,307	51,849	0
	<b>239,324,366</b>	<b>10,826,263</b>	<b>0</b>
<b>III. FINANCIAL ASSETS</b>			
1. Equity investments	18,811,720	1,446,127	-574,957
2. Loans to other investees and investors	2,030,204	2,808,691 <sup>1</sup>	0
3. Securities classified as fixed assets	18,949,218	1,483,407 <sup>2</sup>	-1,190
	<b>39,791,142</b>	<b>5,738,225</b>	<b>-576,147</b>
	<b>312,965,608</b>	<b>22,674,929</b>	<b>-693,425</b>

<sup>1</sup> This item includes reclassifications from current to non-current assets totaling TEUR 620 relating to Almonty Industries loans.

<sup>2</sup> This item includes reclassifications from current to non-current assets totaling TEUR 771 relating to Almonty Industries convertible bond.



CHANGES IN BASIN OF CONSOLIDATION	RECLASSIFICATIONS	FOREIGN CURRENCY TRANSLATION	31/12/2020
0	92,986	-2,243,574	33,508,870
0	0	-197,845	3,985,960
0	92,986	-2,441,419	37,494,830
0	8,010,819	-21,183,043	223,414,123
0	-8,103,805	-121,591	4,133,354
0	0	-90,481	411,895
0	0	-42,832	660,324
0	-92,986	-21,437,947	228,619,696
0	0	0	19,682,890
0	0	0	4,838,895
0	0	0	20,431,435
0	0	0	44,953,220
<b>0</b>	<b>0</b>	<b>-23,879,366</b>	<b>311,067,746</b>

## CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS

### ACCUMULATED AMORTIZATION, DEPRECIATION AND WRITE-DOWNS

IN EUR	01/01/2020	ADDITIONS	DISPOSALS
<b>I. INTANGIBLE ASSETS</b>			
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	9,107,912	4,339,884	-117,278
2. Goodwill	2,605,893	155,543	0
	<b>11,713,805</b>	<b>4,495,427</b>	<b>-117,278</b>
<b>II. PROPERTY, PLANT AND EQUIPMENT</b>			
1. Producing oil production facilities	97,209,764	26,785,052	0
2. Exploration and evaluation	1,906,840	0	0
3. Technical equipment and machinery	333,048	35,062	0
4. Other equipment, operating and office equipment	320,642	141,998	0
	<b>99,770,294</b>	<b>26,962,112</b>	<b>0</b>
<b>III. FINANCIAL ASSETS</b>			
1. Equity investments	2,123,074	-212,713 <sup>3</sup>	0
2. Loans to other investees and investors	128,059	0	0
3. Securities classified as fixed assets	760,092	6,457,517	0
	<b>3,011,225</b>	<b>6,244,804</b>	<b>0</b>
	<b>114,495,324</b>	<b>37,702,343</b>	<b>-117,278</b>

<sup>3</sup> This item includes write-ups on investments amounting to EUR 212,713, which are shown in the income statement under other operating income.

CHANGES IN BASIN OF CONSOLIDATION	RECLASSI- FICATIONS	FOREIGN CURRENCY TRANSLATION	NET BOOK VALUES		
			31/12/2020	31/12/2020	31/12/2019
0	0	-413,930	12,916,588	20,592,282	20,558,383
0	0	-75,585	2,685,851	1,300,109	1,577,912
0	0	-489,515	15,602,439	21,892,391	22,136,295
0	0	-10,784,506	113,210,310	110,203,813	138,432,742
0	0	0	1,906,840	2,226,514	648,076
0	0	-79,613	288,497	123,398	142,588
0	0	-26,846	435,794	224,530	330,665
0	0	-10,890,965	115,841,441	112,778,255	139,554,071
0	0	0	1,910,361	17,772,529	16,688,646
0	0	0	128,059	4,710,836	1,902,145
0	0	0	7,217,609	13,213,826	18,189,126
0	0	0	9,256,029	35,697,191	36,779,917
<b>0</b>	<b>0</b>	<b>-11,380,480</b>	<b>140,699,909</b>	<b>170,367,837</b>	<b>198,470,283</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 refer to 5.2. information on shareholdings.

Due to share purchases from co-shareholders, the shareholding in Tin International AG increased from 75.40 % to 82.89 %.

Due to capital contributions, the shareholding in Bright Rock Energy LLC also increased from 98.35 % to 98.88 %.

## 3. CONSOLIDATION PRINCIPLES

Capital consolidation for companies consolidated for the first time as a result of an acquisition is carried out using the purchase method as 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 have been 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 (straightline 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 straightline basis from the date of acquisition over the expected total exploration period. In contrast, mining licenses are amortized on a straightline basis over the expected remaining useful life of the deposit. An exception to the straightline 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 firsttime consolidation of shares prior to January 1, 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 selfconstructed assets.

**Property, plant and equipment** includes the item producing oil production facilities due to the specifics of a commodity producing company. The producing oil production facilities relate to production facilities operated by Cub Creek Energy LLC in the Wattenberg field in Colorado (USA). This item also includes 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. Specifically, these are investments in producing oil production facilities in the Wattenberg field in Colorado (USA) held by Elster Oil & Gas LLC, in the Williston Basin-Bakken oil field in North Dakota (USA) held by Salt Creek Oil & Gas LLC, and in the Uinta Basin in Utah (USA) and in the Powder River Basin in Wyoming (USA) held by 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 in the income unless they are included in a valuation unit and the unrealized losses are not off-set by opposite changes in the value of the underlying transaction. The Company has exercised the option under § 254 of the German Commercial Code (HGB) to reconstruct the economic hedging relationship in the context of transactions to hedge the WTI oil price and the CIG natural gas price in the balance sheet by forming a valuation unit. The freezing method is used for this purpose. The offsetting positive and negative changes in value are recognized 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 average spot exchange rate on the balance sheet date. Where the remaining term to maturity is more than one year, the realization principle and the acquisition cost principle have been applied.

## CASH FLOW STATEMENT

In the 2020 financial year, changes were made to the presentation of cash flow from operating activities and cash flow from investing activities. These are explained in more detail under Note 7.1.

With the exception of equity, the asset and liability items in the financial statements prepared in foreign currencies have been

translated into euros at the mean spot exchange rate on the balance sheet date. Equity has been translated using historical exchange rates. Income statement items have been translated into euros at the average exchange rates. The resulting translation difference is shown within 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 2013 and 2014 financial years, 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 the 2020 financial year, an impairment loss of EUR 10,800 thousand was recognized on the non-current assets of Elster Oil & Gas LLC (for further details, please refer to Note 6.4. Depreciation and amortization), of which EUR 1,430 thousand is attributable to the item concessions acquired for valuable consideration, industrial property rights and similar rights.

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

In June 2020, Bright Rock acquired new funding rights totaling EUR 4,601 thousand.

The item concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets acquired for valuable consideration breaks down as follows, see Table 5.1.1.

Exploration and evaluation includes drilling projects in the oil and gas sector that are under development at the relevant time but have not yet started production.

Goodwill of EUR 1,300 thousand relating to Cub Creek Energy is still recognized as of December 31, 2020. This goodwill is amortized on a straight-line basis over a useful life of 15 years. The useful life was estimated based on the average production periods of the oil wells of Cub Creek Energy.

For Cub Creek Energy, investments for the preparation of new wells in the amount of EUR 1,797 thousand are still reported under the item "Exploration and evaluation". For Bright Rock Energy, investments in new wells amount to EUR 211 thousand due to acquisitions made in fiscal years 2019 and 2020.

The Exploration and Evaluation position is comprised 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 assets of Elster Oil & Gas relate to 39 wells in the Wattenberg field in Colorado/USA, an average of 35.23% of which are economically attributable to Elster Oil & Gas. An impairment loss of EUR 9,322 thousand was recognized on the producing oil production assets of Elster Oil & Gas in fiscal year 2020 in order for the carrying amount to reflect the fair value (for more details, see Note 6.4. Depreciation and amortization).

The producing oil production assets of Cub Creek Energy relate to 56 wells in the Wattenberg field in Colorado, USA, of which 55 wells are operated by Cub Creek as operator. Economically, these wells are on average of 77.45% attributable to Cub Creek Energy.

## 5.2. INFORMATION ON SHAREHOLDINGS

The shares in Devonian Metals Inc. were sold. The selling price amounts to EUR 327 thousand (USD 401 thousand), whereby the payment of the purchase price is subject to conditions precedent. The recoverability of the purchase price receivable is reviewed annually.

The shares in Hammer Metals Ltd. amounted to 4.81% or EUR 725 thousand as of December 31, 2020, compared to 6.29% or EUR 320 thousand as of December 31, 2019. The increase in value is based on the one hand on share purchases during the year and minor share sales, which resulted in a book value increase from EUR 192 thousand to EUR 512 thousand. Furthermore, a write-up of EUR 213 thousand was recognized in order to present the carrying amount at fair value. In previous financial years, impairment losses totaling EUR 1,212 thousand were recognized as a result of permanent impairment. These write-downs are based on a share price of AUD 0.02. As the share price increased continuously in 2020 and up to the present, a write-up to the share price of AUD 0.03 as of December 31, 2020 was recognized. The

reduction in the shareholding is based on dilution effects attributable to non-participating capital increases. Despite the share purchases and sales, the Management Board considers the investment to be a long-term commitment, so that it continues to be reported under non-current assets.

The investment in Almonty Industries Inc. was reported at the book value of EUR 11,052 thousand in exercise of the valuation option pursuant to Section 253 (3) sentence 6 HGB. As a result of share purchases in the 2020 financial year, the carrying amount increased to EUR 12,131 thousand.

The carrying amount of the investment as at December 31, 2020 is based on an average market value of CAD 0.69 (EUR 0.48) per share at acquisition.

The share price as of December 31, 2020 was CAD 0.64/share (EUR 0.41/share), with a range of CAD 0.64/share (EUR 0.41/share) and CAD 1.26 share (EUR 0.81/share) in the first three months of 2021. The Executive Board therefore currently considers the risk of a permanent impairment below the carrying amount of the shareholding or the convertible bonds to be low.

Loans to companies in which an investment is held increased from EUR 1,902 thousand to EUR 4,711 thousand in the 2020 financial year. This increase is based, on the one hand, on the granting of a further loan to Almonty Industries Inc in the amount of EUR 2,189 thousand (USD 2,500 thousand) and, on the other hand, on the reclassification of loan and interest receivables previously reported under current assets in the amount of EUR 620 thousand. The reclassification was made because the maturity of all existing receivables from Almonty Industries Inc. was extended uniformly until October 22, 2023. See Table 5.2.

## 5.3. INVESTMENT SECURITIES

Non-current securities increased due to reclassifications of interest receivables from Almonty Industries Inc. previously reported under current assets totaling EUR 771 thousand. The reclassification was made because the maturity of all existing receivables from Almonty Industries Inc. was extended uniformly until October 22, 2023.

In the 2020 financial year, an impairment loss of EUR 6,458 thousand was recognized on the shares in Northern Oil and Gas Inc. to reflect their fair value. Assuming an expected permanent impairment, the shares were measured at a value of USD 1.04 (after share consolidation: USD 10.4) per share.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**TAB 5.1.1. CONCESSIONS, INDUSTRIAL PROPERTY RIGHTS AND SIMILAR RIGHTS AND ASSETS  
AS WELL AS LICENSES TO SUCH RIGHTS AND ASSETS**

PROJECT/COMPANY	RESOURCE	2020	2019
Elster Oil & Gas LLC	Oil and gas	4,542,520	8,560,075
Salt Creek Oil & Gas LLC	Oil and gas	1,618,824	1,763,793
Cub Creek Energy LLC	Oil and gas	2,710,137	3,114,218
Bright Rock Energy LLC	Oil and gas	11,715,771	7,114,730
Other	Other	5,030	5,567
IN EUR		20,592,282	20,558,383

**TAB 5.1.2. EXPLORATION AND EVALUATION**

PROJECT/COMPANY	RESOURCE	2020	2019
Cub Creek Energy LLC	Oil and gas	1,796,560	511,405
Elster Oil & Gas LLC	Oil and gas	219,306	51,629
Bright Rock Energy LLC	Oil and gas	210,648	85,042
IN EUR		2,226,514	648,076

**TAB 5.1.3. PRODUCING OIL PRODUCTION FACILITIES**

PROJECT/COMPANY	RESOURCE	2020	2019
Elster Oil & Gas LLC	Oil and gas	19,297,215	35,512,290
Cub Creek Energy LLC	Oil and gas	83,924,916	95,468,265
Salt Creek Oil & Gas LLC	Oil and gas	4,590,294	5,125,247
Bright Rock Energy LLC	Oil and gas	2,391,388	2,326,940
IN EUR		110,203,813	138,432,742



TAB. 5.2. INFORMATION ON SHAREHOLDINGS

	CURRENCY	SHARE- HOLDING IN %	EQUITY IN NATIO- NAL CURRENCY	RESULT IN NATIO- NAL CURENCY
<b>DOMESTIC</b>				
Tin International AG	EUR	82,89	1,442,621	-135,667
Ceritech AG	EUR	63,71	-3,223	-1,078,881
Jutland Petroleum GmbH	EUR	100,00	7,744	-611
<b>FOREIGN</b>				
Deutsche Rohstoff USA Inc., USA	USD	100,00	47,362,558	8,443,320
Elster Oil & Gas LLC, USA <sup>1</sup>	USD	92,99	16,055,149	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	49,674,931	2,211,496
Salt Creek Oil & Gas LLC, USA <sup>1</sup>	USD	100,00	4,875,450	-647,073
Bright Rock Energy LLC, USA <sup>1</sup>	USD	98,88	18,168,251	240,639
<b>OTHER (INVESTMENTS)</b>				
Almonty Industries Inc., Canada *	CAD	13,69	48,229,000	9,063,000
Hammer Metals Ltd., Australia **	AUD	4,81	16,849,296	-1,978,610

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

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

\* as of the reporting date December 31, 2019

\*\* as of the reporting date June 30, 2020

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5.4. INVENTORIES

Inventories relate to gold in the finished goods area.

## 5.5. RECEIVABLES AND OTHER ASSETS

The breakdown of receivables and other assets by residual term is as follows, see Table 5.5.

The decrease in receivables due from other investees and investors of more than one year results from reclassifications of loans and interest receivables due from Almonty Industries Inc. to financial assets. The reclassification was made because the maturity of all existing receivables from Almonty Industries Inc. was extended uniformly to October 22, 2023.

Other assets mainly comprise the expected tax refund from the USA in the amount of EUR 6.1 million (USD 7.5 million) and accessories for oil production in the USA.

## 5.6. DERIVATIVE FINANCIAL INSTRUMENTS

There are transactions of a derivative nature. The 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. Secondly, to hedge the currency risk in the EUR/USD area, transactions are carried out with so-called foreign currency futures. There were no foreign currency futures as of 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 provid-

TAB 5.5. RECEIVABLES AND OTHER ASSETS

IN EUR	< 1 YEAR	> 1 YEAR	31/12/2020
			TOTAL
Trade receivables	3,479,338	0	3,479,338
Receivables from other investees and investors	14,241	11,938	26,179
Other assets	6,857,245	469,258	7,326,503
			10,832,020

IN EUR	< 1 YEAR	> 1 YEAR	31/12/2019
			TOTAL
Trade receivables	8,853,988	0	8,853,988
Receivables from other investees and investors	554,815	525,904	1,080,719
Other assets	993,429	167,894	1,161,323
			11,096,030

ed 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 under section 254 of the German Commercial Code (HGB) to reconstruct the economic hedging relationship in the context of transactions to hedge the WTI oil price and the CIG gas price by forming a valuation unit. The disclosures required under Art. 314 par. 1 No. 15 of the German Commercial Code (HGB) 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 mainly prepaid insurance and rental amounts and deferred interest expenses.

## 5.8. DEFERRED TAXES

For the calculation of deferred taxes, a tax rate of 24 % to 30 % was applied depending on local tax law. Deferred tax assets were capitalized on tax loss carryforwards at the local tax rate of 30 % or 24.20 %. The theoretical Group tax rate is 24.59 %. Deferred tax assets are only recognized for tax loss carryforwards that are expected to be utilized within the next five years. The deferred tax assets and liabilities determined separately at the level of the individual countries are 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 December 31, 2020, the subscribed capital of EUR 5,081,747 (previous year: EUR 5,082 thousand) corresponds to the balance sheet item reported at the parent company.

As of December 31, 2020, the number of treasury shares acquired in 2015 and 2016 remained unchanged at 127,810, representing a notional share of the capital stock of EUR 127,810 (2.51 %).

The treasury shares were acquired for the purpose of flexibly managing 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 985,051.13) for the separate financial statements of Deutsche Rohstoff AG as of December 31, 2020, as the capitalized 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 liabilities can be seen in the following table, see Table 5.11.

The item "Bonds, non-convertible" includes liabilities from the issue of two corporate bonds totaling EUR 103,719,000.

The first bond was issued on July 20, 2016. This non-convertible bond has a final maturity date of July 20, 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. Furthermore, the call right was exercised and half of the remaining volume (EUR 16,658,000) was repaid in January 2020 at 102 % of the agreed nominal amount. As of December 31, 2020, the first bond thus still has an outstanding volume of EUR 16,658,000 (previous year: EUR 33,316,000).

The second bond, likewise non-convertible, was issued on December 6, 2019 and has a five-year term until December 6, 2024. It also has a final maturity and bears interest at 5.25 % p.a. As of December 31, 2020, the bond has an outstanding volume of EUR 87,061,000.00.

The item "Bonds, convertible" includes liabilities from the issuance of a convertible bond as of March 29, 2018 in the amount

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of EUR 10,700,000.00. The convertible bond has a five-year term until March 29, 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.

Liabilities as of December 31, 2020 with a term of up to five years include a loan to banks in the amount of EUR 13,772,309 relating to the company Cub Creek Energy. The loan serves to finance the ongoing oil and gas wells and was concluded with BOKF N.A. As

of December 31, 2020, the credit line, which is recalculated every six months, amounts to USD 23.0 million, of which USD 16.9 million or EUR 13,772,309 had been drawn down. The interest rate is variable, with a weighted average interest rate of 4.5 % at December 31, 2020. The loan has a term until May 31, 2024.

The item other liabilities amounts to EUR 7,327,937 and mainly comprises license obligations to landowners of the companies Cub Creek Energy and Elster Oil & Gas as well as interest liabilities in connection with the corporate bond.

**TAB. 5.8. DEFERRED TAXES**

IN EUR	31/12/2020	31/12/2019
<b>DEFERRED TAX ASSETS ON DIFFERENCES IN CARRYING AMOUNTS FOR</b>		
Property, plant and equipment	237,932	607,981
Receivables and other assets	0	0
Securities classified as current assets	0	0
Balances balances	0	0
Other provisions	489,144	415,867
Liabilities	1,557,798	546,441
<b>TOTAL</b>	<b>2,284,874</b>	<b>1,570,289</b>
Deferred taxes on loss carryforwards	5,773,817	11,713,899
<b>TOTAL DEFERRED TAX ASSETS</b>	<b>8,058,691</b>	<b>13,284,188</b>
<b>DEFERRED TAX LIABILITIES ON DIFFERENCES IN CARRYING AMOUNTS FOR</b>		
Intangible assets	575,806	1,355,460
Property, plant and equipment	26,950,046	20,280,062
Receivables and other assets	0	0
Securities classified as current assets	0	0
Bank balances	0	0
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>21,771,855</b>	<b>28,069,079</b>
<b>TOTAL DEFERRED TAXES, NET</b>	<b>-13,713,164</b>	<b>-14,784,891</b>

TAB. 5.10. PROVISIONS

IN EUR	01/01/2020	UTILIZATION	CLOSING	ALLOCATION	CURRENCY	31/12/2020
Tax provisions	691	-691	0	0	0	0
Other provisions	25,221,545	-23,828,738	-40,000	6,406,880	-424,278	7,335,409
<b>TOTAL</b>	<b>25,222,236</b>	<b>-23,829,429</b>	<b>-40,000</b>	<b>6,406,880</b>	<b>-424,278</b>	<b>7,335,409</b>

TAB. 5.11. LIABILITIES

DUE (IN YEARS)			31/12/2020			
IN EUR	< 1 YEAR	1–5 YEARS	> 5 YEARS	TOTAL	THEREOF SECURED	
Bonds, not convertible	16,658,000	87,061,000	0	103,719,000	0	
Bonds, convertible	0	10,700,000	0	10,700,000	0	
Liabilities to banks	190,093	13,772,309	0	13,962,402	13,772,309	
Trade payables	2,900,515	0	0	2,900,515	0	
Other liabilities	7,327,937	0	0	7,327,937	0	
– thereof for social security	17,326	0	0	17,326	0	
– thereof for taxes	57,692	0	0	57,692	0	
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	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6. NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 6.1. REVENUE

The revenues mainly 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. Production taxes are incurred on sales revenues from oil wells, which are to be deducted directly from sales revenues in accordance with the requirements of BilRUG. Production taxes of EUR 1.7 million were incurred in the 2020 financial year. Proceeds from hedging transactions are also reported as revenue and amounted to EUR 12.0 million in the 2020 financial year.

Revenue by segment and region breaks down as follows:

IN EUR	2020	2019
Gold	14,402	13,926
Oil	28,817,333	30,175,217
Gas and condensates	9,851,566	11,014,601
	<b>38,683,301</b>	<b>41,203,744</b>

IN EUR	2020	2019
Germany	14,402	13,926
USA	38,668,899	41,189,818
	<b>38,683,301</b>	<b>41,203,744</b>

### 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 the level of Deutsche Rohstoff AG.

### 6.3. COST OF MATERIAL

As of December 31, 2020, expenses for purchased services amounting to EUR 11.6 million are reported. They mainly relate to current operating costs incurred for the 39 wells at Elster Oil & Gas and the 56 wells at Cub Creek Energy in 2020.

### 6.4. AMORTIZATION AND DEPRECIATION

This depreciation and amortization comprise scheduled depreciation and amortization amounting to EUR 20,706 thousand.

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

TAB. 6.2. OTHER OPERATING INCOME

IN EUR	2020	2019
Income from the disposal of intangible fixed assets	117,278	0
Income from the disposal of tangible fixed assets	1,935	1,573
Income from the disposal of financial assets	409,324	184,105
Income from the write-up of financial assets	212,713	400,000
Sale of items of the current assets	5,312,636	2,137,123
Exchange rate gains	633,503	1,129,028
Remaining other income	1,004,933	460,605
	<b>7,692,322</b>	<b>4,312,434</b>

## 6.5. EXTRAORDINARY WRITE-DOWNS

Due to the low oil and gas price forecasts, an impairment loss of EUR 10,800 thousand was recognized on the non-current assets of Elster Oil & Gas to reflect the carrying amounts at fair value.

Depreciation and amortization is reported under the item "Depreciation and amortization of intangible and tangible fixed assets".

Further impairment losses of EUR 8,613 thousand are presented under the item "Write-downs of financial assets and securities held as current assets". Of this amount, EUR 6,458 thousand relates to the impairment of shares in Northern Oil and Gas to reflect their fair value. Assuming an expected permanent impairment, the shares were measured at a value of USD 1.04 (after share consolidation: USD 10.4) per share.

The remaining EUR 2,155 thousand relates to reporting date valuations of securities held as current assets at the companies Deutsche Rohstoff AG, Tin International AG and Salt Creek Oil & Gas LLC.

## 6.6. OTHER OPERATING EXPENSES

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

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

TAB. 6.6. OTHER OPERATING EXPENSES

IN EUR	2020	2019
Expenses for exchange losses	2,300,024	2,150,374
Bond financing costs (previous year convertible bond)	150,457	1,521,301
Legal and consulting fees	518,696	621,837
Financial statement and audit costs	155,793	177,412
Rents and leasing	268,338	270,182
Insurance premiums	271,729	221,697
Losses from the sale of current assets	1,849,750	348,968
Remaining expenses	1,670,514	1,758,296
	<b>7,185,301</b>	<b>7,070,067</b>

TAB. 6.7. INCOME TAXES

IN EUR	2020	2019
Current tax	0	-6,928
Refund withholding tax	0	-71,449
Income (-)/expense (+) from the change in deferred taxes	-6,425,452	154,449
	<b>-6,425,452</b>	<b>76,072</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6.7. INCOME TAXES

The item "Taxes on income" is composed as follows, see Table 6.7.

## 7. OTHER NOTES

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

Cash and cash equivalents comprise the balance sheet item "Bank balances". In the 2020 financial year, cash outflows resulted mainly from the partial repayment of the 16/21 bond in the amount of EUR 16.7 million. Cash inflows mainly resulted from taking up a USD credit line in the amount of USD 7.9 million.

Changes have been made to the presentation of cash flows from operating activities and cash flows from investing activities. In the cash flow from investing activities, the item "Cash outflows for investments in property, plant and equipment" previously comprised all cash and non-cash investments in the US oil wells (analogous to the additions to property, plant and equipment according to the statement of changes in non-current assets) in the respective fiscal year. From fiscal 2020 onwards, this item will be presented adjusted for non-cash investment costs, resulting in a corresponding change in cash flow from operating

activities. The prior-year figures have therefore been adjusted as follows. Cash flow from operating activities decreased from EUR 34,934,765 to EUR 13,938,273. Changes were made to the items "Increase / decrease in provisions from EUR 23,807,088 to EUR 17,379,872" and "Increase / decrease in trade accounts payable and other liabilities not attributable to investing or financing activities" from EUR 2,932,359 to EUR -11,636,917. Cash flow from investing activities changed from EUR -55,234,428 to EUR -34,237,936. Here, the item "Payments for investments in property, plant and equipment" was reduced from EUR -43,509,899 to EUR -22,513,407.

### 7.2. RELATED PARTY TRANSACTIONS

No material transactions were conducted with related parties on non-arm's length terms during the fiscal year.

### 7.3. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

#### CONTINGENT LIABILITIES

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

TAB. 7.3.1. OFF-BALANCE SHEET TRANSACTIONS

	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	2020	DUE IN < 1 YEAR	DUE IN > 1 YEAR	2019
Rent for office space	197,672	123,965	321,636	218,704	321,675	540,378
Vehicle leasing	2,715	0	2,715	8,145	2,715	10,859
Other	2,171	181	2,351	2,171	181	2,351
			326,703			553,589



## **OFF-BALANCE SHEET TRANSACTIONS**

See Table 7.3.1.

## **OTHER FINANCIAL OBLIGATIONS**

In addition to contingent liabilities, there are other financial obligations., see Table 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 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 October 2, 2018, the executive board made use of the authorization for the first time and issued 34,500 stock options to employees of Deutsche Rohstoff AG. By resolution of December 19, 2019, the executive board issued a further 21,000 stock options to employees.

The Company will only grant subscription shares to the option holders if the conditions of the 2018 stock option program are met; in this context, cash settlement has been expressly excluded. The stock option program had no impact on the present annual financial statements.

At the grant date, the stock options had a value of EUR 0 thousand. As of the balance sheet date, this value amounts to EUR 0 thousand.

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 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 issuance of these stock options, 8,000 options remained for employees and no further options for members of the management boards. 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 reverted to the Company. Together with the 8,000 options which had not been issued under the first two tranches, a total of 36,000 options were available for re-issue.

On June 14, 2013, the Management Board made use of the authorization granted by 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 program 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 exercised. There were 11,416 unexercised stock options remaining as of December 31, 2019. The stock option program expired in September 2020. The 11,416 stock options not yet redeemed by then will have expired at that time.

## 7.4. EMPLOYEES

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

The average number of employees shall be the fourth part of the sum of the numbers of employees employed on March 31, June 30, September 30 and December 31 respectively.

TAB. 7.4. EMPLOYEES

NUMBER OF EMPLOYEES	2020	2019
Wage earners	0	0
Salaried employees	25	24
Trainees	0	0
TOTAL	25	24

## 7.5. CORPORATE BODIES

### MANAGEMENT BOARD

**Dr. Thomas Gutschlag** · Mannheim

**Jan-Philipp Weitz** · Mannheim

### SUPERVISORY BOARD

**Martin Billhardt** (Chairman) · Pfäffikon (SZ)/Switzerland  
Managing Director 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 Board of Management of Deutsche Rohstoff AG for the performance of their duties in the parent company and the subsidiaries amounted to EUR 685 thousand (previous year: EUR 849 thousand).

## 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 EUR 185 thousand (previous year: EUR 159 thousand).

## 7.8. AUDITOR'S FEE

The total fee charged for the fiscal year by the Group's auditor for audit services amounts to EUR 75 thousand.

## 7.9. SUBSEQUENT EVENTS

After the balance sheet date, the following events had a significant impact on the further course of business until mid-April 2021:

In early January, Deutsche Rohstoff AG announced that it expected net production of 5,700 to 6,300 barrels of oil equivalent per day (BOEPD) and 2,300 to 2,600 barrels of oil per day (BOPD) from existing wells during 2021. Wells under development and planned wells were not part of this volume forecast. For 2021, hedging contracts for approximately 45 % of expected oil production had been entered into at the time of this publication. The hedged price was around 45 USD /barrel.

Cub Creek Energy said it had restarted oil and gas production from the Olander well pad at the start of the year. It had been completely shut-in in 2020 in the wake of the price decline. For 2021, Cub Creek management is projecting average gross daily production from Olander of about 2,200 barrels of oil.

Furthermore, Deutsche Rohstoff AG announced that the profitability of the Wyoming acreage acquired by its subsidiary Bright

Rock in June 2020 was already significantly above the budgeted figure at the time of acquisition due to the increase in the oil price. Bright Rock plans a drilling program and numerous additional drilling permits to further develop the acreage. The drilling program is expected to begin with one well in 2021, he said. The purpose of the drilling is to secure a majority of the acquired acreage for the long term, with no further drilling commitments at that time. In total, the acquired areas would offer potential for up to 100 wells, the economic potential of which is to be confirmed by the first drilling program.

Cub Creek Energy reported in February that it had begun drilling from the Knight well site, which is immediately west of the Olander well pad. Plans call for drilling up to 12 horizontal wells with 2.25 miles of horizontal length. The wells are expected to begin production in the fourth quarter of 2021.

Due to the tightness of the U.S. oil market in recent months and the associated low drilling activity, Cub Creek expected to complete the Knight wells at or below the cost of the Olander wells, despite the increased horizontal length. In the case of Olander, the cost was just under \$ 5.0 million per well. The total investment is therefore up to USD 60 million. Cub Creek's share in the drilling is around 90 %. Financing will come from the high current cash flows from existing production, the credit line at Cub Creek and existing funds in the Group. The positive development of oil prices in the first quarter meant that the forward curve allowed for a hedge of prices above USD 50 into October 2022. As a result, the first hedges for production expected to commence in Q4 2021 are expected to be made during the drilling program.

Bright Rock Energy announced in February 2021 that it further expanded its acreage in the prolific Uinta Basin in Utah to approximately 3,000 acres (12 km<sup>2</sup>) in 2020 through strategic acquisitions and the company's leasing program. The growth in land position along with increased well yield and drilling density resulted in proved reserves of 1.9 million barrels of oil equivalent (MMBOE) as of December 31, 2020 (December 31, 2019: 1.3 MMBOE). The 10 % discounted net present value (NPV10) of these reserves was \$ 12 million based on the WTI forward curve at December 31, 2020, increasing to \$ 18 million based on a long-term price assumption of constant \$ 55. In addition, Bright Rock reported potential reserves of 8.8 MMBOE worth \$ 32 million for the Utah acreage (\$ 54 million based on \$ 55 WTI).

Bright Rock further stated that it expects to be involved in 10 to 15 new wells this year. As a result, Bright Rock's net production is expected to nearly double to 700 barrels of oil per day (BOPD).

The investment volume for participation in drilling in Utah will amount to around USD 3 to 5 million.

In March 2021, Deutsche Rohstoff AG published the results of the reserve calculation of its US subsidiaries. The present value of the reserves (future cash flow discounted at 10 %, so-called PV 10) amounted to USD 211.6 million based on the forward curve of March 8, 2021. Of this amount, \$ 188.2 million related to certain reserves and \$ 23.4 million related to probable reserves. In contrast, at December 31, 2020, the value was still USD 128.8 million for the safe reserves and USD 14.6 million (previous year: USD 9.4 million) for the probable reserves due to significantly lower prices. At the end of the year, safe reserves were calculated at 20.4 million barrels of oil equivalent (BOE) (previous year: 26.6 million BOE), while probable reserves were calculated at 3.8 million BOE (previous year: 2.4 million BOE).

Cub Creek and Elster reserves were below the previous year's level due to production last year and also due to an assumed reduced drilling density at the Knight well site. Bright Rock, on the other hand, significantly increased reserves through acquisitions and higher drilling density in the Uinta Basin in Utah. At Salt Creek and Bright Rock, proved reserves climbed over 34 % to now 4.7 million BOE (previous year: 3.5 million BOE), while probable reserves rose by as much as 60 % to 3.8 million BOE.

In mid-March, Deutsche Rohstoff AG reported that the equity and bond portfolio it had built up in oil and gold stocks and bonds in 2020 in response to the COVID crisis continued to deliver very good results. In the first quarter of 2021 (reporting date March 15), realized gains amounted to EUR 8.2 million. Unrealized gains still existed in the amount of EUR 3.8 million.

Mannheim, April 26, 2021

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 equity and bond portfolio, and the liquidity and financing of the Group.

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

A total of ten Supervisory Board meetings were held in the 2020 financial year. All members of the Supervisory Board attended all meetings. No committees were formed. The meetings of the Supervisory Board in the 2020 financial year focused in particular on the following topics:

- the possible acquisition of a large acreage portfolio in the USA;
- the impact on the Group of the drop in oil prices in Q1 2020;
- Development of the production of the subsidiaries Cub Creek Energy LLC and Elster Oil & Gas LLC;
- building a portfolio of stocks and bonds of up to USD 25 million;

- the acquisition of an acreage position by Bright Rock Energy LLC in Wyoming;
- the granting of a loan to Cub Creek Energy in the amount of USD 13 million;
- impairment losses on property, plant and equipment of Elster Oil & Gas LLC and the shareholding in Northern Oil & Gas;
- the approval of the annual financial statements and the consolidated financial statements of Deutsche Rohstoff AG for fiscal year 2019 in the annual accounts meeting on 11 May 2020, after extensive discussion with the external auditor for fiscal year 2019
- the business development and financial situation of Almonty Industries Inc. and the extension of the existing loans or convertible bonds by Deutsche Rohstoff AG;
- the results of the Company’s interim financial statements as of 30 June 2020, and the quarterly report for the first nine months of 2020;
- price hedging of expected oil production in 2020 and 2021;
- the investment of the Company’s cash and cash equivalents;
- the development of raw material prices, in particular the oil price in the USA and the European tungsten APT (ammonium paratungstate);
- the assessment of the currency development of EUR/USD in particular;
- the closing of the project financing of Almonty Industries with KfW-IPEX Bank and the granting of two loans to Almonty as well as an equity financing;
- the investment and budget planning of the Company and the Group for fiscal year 2021;

The budget planning for the 2021 financial year prepared by the Executive Board was reviewed and approved by the Supervisory Board. The strategic alignment of the Company and the Group was discussed, reviewed and adjusted on the basis of medium-

and long-term corporate plans and scenarios. The Supervisory Board analyzed and reviewed the information received from the Executive Board in detail and discussed it with the Executive Board. Particular attention was paid to the risk situation and risk management.

The Board of Management regularly informed the Supervisory Board about the net assets, financial position and results of operations of Deutsche Rohstoff AG and its subsidiaries and associated companies.

In addition, at various meetings and by means of resolutions outside meetings, the Supervisory Board gave its approval to transactions requiring approval under the law, the Company's Articles of Association or the Rules of Procedure for the Executive Board. These were in particular

- authorizing the Board of Directors to build up a portfolio of oil and gas stocks and bonds and gold stocks in addition to existing investments in an amount of up to \$ 25 million;
- the consents to make a secured loan to Almonty dated 2 November 2020;
- consent to participate in a capital increase of Almonty dated 28 December 2020;

#### **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 by the Annual General Meeting on 4 July 2019 as auditor and group auditor for the 2020 financial year and subsequently commissioned by the Supervisory Board to audit the separate and consolidated financial statements of the Company. Falk audited the separate and consolidated financial statements (including the Group management report) for the 2020 financial year prepared by the Management Board and issued an unqualified audit opinion in each case.

All members of the Supervisory Board received the special documentation relevant to the financial statements, in particular the

annual financial statements and consolidated financial statements, the associated audit reports by Falk, and the Executive Board's proposal for the appropriation of net income, in good time prior to the Supervisory Board's meeting to approve the financial statements on 26 April 2021. In preparation for this meeting, all members of the Supervisory Board dealt in detail with the aforementioned documents. At the financial statements meeting, the annual financial statements, the consolidated financial statements, the Group management report and the proposal for the appropriation of net income were discussed in detail with the Executive Board. The Supervisory Board independently examined the annual financial statements prepared by the Management Board as well as the consolidated financial statements and the Group management report for legality, correctness, expediency and economic efficiency, as well as the Management Board's proposal for the appropriation of net retained profits. The partner responsible at Falk and the audit manager also attended the balance sheet meeting on 26 April 2021. They reported on the audit, commented on the main points of the audit and were available to the Supervisory Board to answer additional questions and provide information.

Following a detailed examination of the annual financial statements and the consolidated financial statements as well as the Group management report for the 2020 financial year, the Supervisory Board raised no objections to this, nor to the Executive Board's proposal for the appropriation of net income. The supervisory board concurred with 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 2020.

Mannheim, April, 2021

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 2020, 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 2020 to 31 December 2020, 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 2020 to 31 December 2020.

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 2020, and of its financial performance for the financial year from 1 January 2020 to 31 December 2020 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.

## AUDITOR'S REPORT

- Obtain an understanding of internal control relevant to the audit 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

within 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, April 26, 2021

FALK GmbH & Co KG  
Wirtschaftsprüfungsgesellschaft · Steuerberatungsgesellschaft

Steffen Ahrens  
Wirtschaftsprüfer  
[German Public Auditor]

Bastian Wenk  
Wirtschaftsprüfer  
[German Public Auditor]





## 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



@deurohstoffag



<https://tinyurl.com/DRAGLinkedIn>

## 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.

This Annual Report was published on April 26, 2021.



# Deutsche Rohstoff



Q7, 24  
68161 Mannheim

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

info@rohstoff.de  
www.rohstoff.de

