Deutsche Rohstoff

SEMI-ANNUAL REPORT 2019

SEMI-ANNUAL REPORT 2019

COMMODITIES ARE THE FUTURE

CORPORATE **BODIES** (AS OF 30/06/2019)

EXECUTIVE BOARD

DR. THOMAS GUTSCHLAG
JAN-PHILIPP WEITZ

SUPERVISORY BOARD

MARTIN BILLHARDT (Head of Supervisory Board)
PROF. DR. GREGOR BORG
WOLFGANG SEYBOLD

DEUTSCHE ROHSTOFF GROUP AT A **GLANCE** (IN 1,000 EUR)

↘ 24,157 **Sales Revenue**	↘ 15,181 **EBITDA**	↘ 3,533 **Net Income**
↗ 77,367 **Equity**	↘ 35,362 **Cash and Cash equivalents**	↗ 37.11 **Equity ratio in %**

HIGHLIGHTS FIRST HALF 2019 DEUTSCHE ROHSTOFF GROUP

February 2019

Salt Creek acquires around 300 royalty acres in the core area of the Williston Basins and increases production to 200 barrels per day

April 2019

Bright Rock Energy acquires additional areas in the Uinta Basin and has a Position of over 1,000 net acres in the core area of the field

June 2019

Almonty is driving the development of the Sang-dong mine in South Korea continues to make progress and announces the signing of the contract on the construction of a power line

June 2019

Cub Creek to commence 11 2 mile horizontal wells from Olander pad

July 2019

Rhein Petroleum has made a significant oil discovery in the Upper Rhine Valley as part of its Steig 1 well

Ladies & Gentlemen,

The first half of 2019 went well for our company. The outlook for the year as a whole is also positive. Our major US investments Cub Creek and Elster, like all companies in the DJ Basin, are struggling with operational and infrastructural problems, but produced in line with expectations. Salt Creek and Bright Rock have completed some good acquisitions and are on their way to becoming new growth drivers for the Group. We have been able to reduce debt by EUR 18.5 million since the end of 2018. Equity rose to a solid 37.1%.

In the first half of 2019, our subsidiaries in the USA produced an average of 5,346 BOE per day, corresponding to a total production of 975,671 BOE. Crude oil accounted for 415,927 barrels and natural gas and condensates for the remainder. All figures correspond to the Group's net share.

For **Cub Creek Energy** the first half of the year was characterized by further optimization of the already existing production of 45 horizontal wells and the planning of eleven wells with a horizontal length of two miles.

In June 2019, the gross production of the 44 wells operated by Cub Creek Energy was 1,313 barrels of oil per day, and thus above the average gross production of 1,293 barrels of oil per day in the first half of the year. This shows that the production of Cub Creek Energy could be stabilized. The Litzenberger and Haley well pads will not be equipped with so-called „gas lifts" until the second half of 2019. We therefore expect an additional positive effect on production in the second half of the year.

Putting the Olander well pad into operation will result in a massive increase of production. The drilling program with an investment volume of around USD 60 million began in mid-June. Production is scheduled to start at the beginning of 2020. The exact time of production essentially depends on the progress of the drilling work and the availability of service companies. As of today, drilling is proceeding according to plan and is expected to be completed by mid-September.

Elster Oil & Gas produced 3,969 (net 1,149) barrels of oil per day, or 472,074 BOE, in the first half of the year, slightly below the original planning assumption. Elster thus continued the very positive trend of the previous year in the first half of this year.

At the end of June, a competitor completed several wells on a neighboring well pad, which significantly impaired production at two Elster well pads at the beginning of July. This is not an unusual procedure and can normally be remedied within a few weeks. In addition, however, Anadarko Midstream began work on a gas processing plant that prevented the two well pad and numerous other well pad in the region from feeding into the pipeline network in July and the first half of August. According to Anadarko, there will still be restrictions in September as well, so that Elster production in the third quarter will fall short of expectations.

The important investment in Almonty Industries reported good results again for the first nine months of its fiscal year 2018/2019 as of June 30, 2019. Net income rose to CAD 11.5 million (previous year: CAD 8.1 million) or CAD 0.06 per share. Sales decreased to CAD 41.7 million (previous year: CAD 50.5 million) due to lower prices and weaker production in the third quarter. In July, Almonty reported that the technical audit report which KfW had commissioned as the financing bank for Sangdong had been accepted. On the same day, the pilot plant, financed by the South Korean government, was put into operation.

Rhein Petroleum reported at the beginning of July that the Steig-1 well, which was drilled near the town of Weingarten in Baden-Württemberg, had recorded a significant oil discovery. After the production tests in July and August 2019, the size and development potential will be determined more precisely. Deutsche Rohstoff AG currently holds a 10% stake in Rhein Petroleum.

The US oil price WTI ranged between USD 46 and USD 66 per barrel in the first half of the year. On average we achieved a selling price after transport costs of approx. 52.45 USD per barrel. For the remainder of the year, we expect the oil price to continue to develop moderately positively. Industrial metals suffered from the trade conflict between the USA and China. Wolfram APT, which is important for our important investment in Almonty Industries, lost around 9% in the first half of the year.

SHARES AND BONDS

Our share has performed disappointingly in recent months. We see the reason not so much in the development of the company, which is proceeding relatively according to plan, but rather in a generally poor market sentiment, especially for oil and gas stocks in the USA. At present, the market values our share below the equity value of EUR 77 million.

In contrast to the share, our bonds have remained very stable. Bond 16/21 was listed at between 100 and 105% in the first half of the year, while the convertible bond was listed at around 100%.

AGAIN RISING DIVIDEND

Around one month after the Annual General Meeting on 4 July in Mannheim, the shareholders received a dividend of 70 cents for 2018. In total, the dividends since 2013 amount to EUR 3.10. It is our goal to continue paying attractive dividends in the coming years.

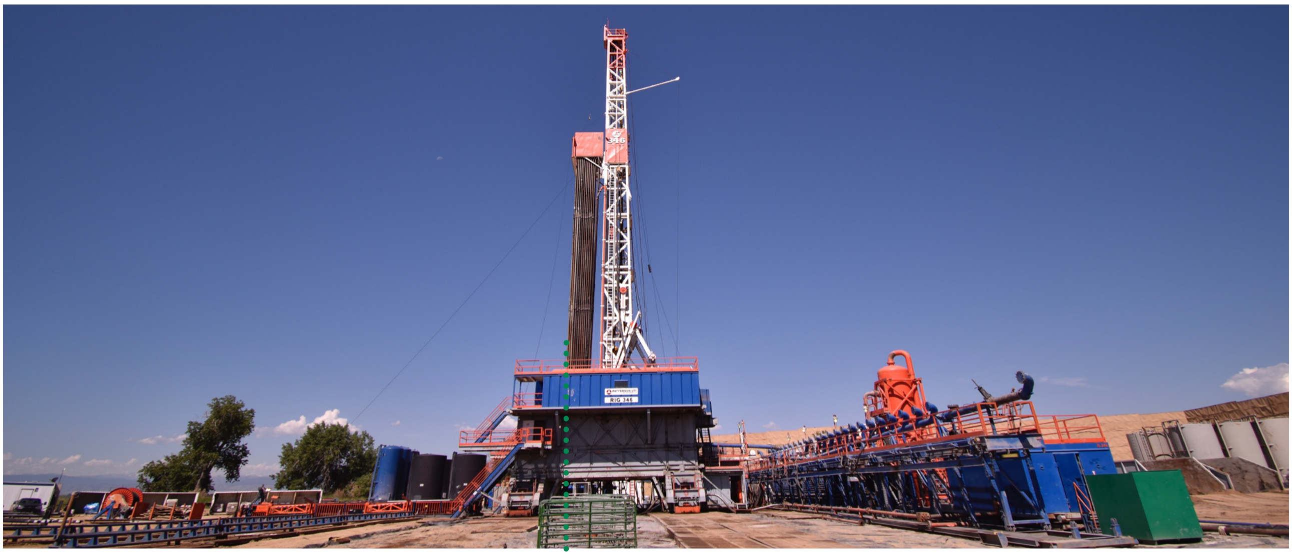
For the first time, shareholders were able to have the (net) dividend paid out in the form of shares. Shareholders made use of this option for around 17% of the eligible shares and subscribed to the new shares at a price of EUR 15.90.

The further development of the share will certainly depend not insignificantly on the oil price. For the coming months, however, we also expect a positive news flow from our US subsidiaries and from our mining holdings. By the beginning of 2020 at the latest, production in the USA will rise again sharply.

With best regards from Mannheim

Thomas Gutschlag — CEO

Jan-Philipp Weitz — CFO



RIG AT THE OLANDER PAD

CONSOLIDATED **BALANCE SHEET** AS OF 30 JUNE 2019 (UNAUDITED)

ASSETS		30/06/2019	30/06/2018	31/12/2018
		EUR	EUR	EUR
A.	FIXED ASSETS	**163,982,439**	**154,408,635**	**148,985,917**
I.	Intangible assets			
1.	Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	20,741,652	14,011,200	15,229,295
2.	Goodwill	1,635,551	1,718,549	1,702,959
		22,377,203	15,729,749	16,932,254
II.	Property, plant and equipment			
1.	Petroleum extraction equipment	103,898,129	113,199,035	107,877,586
2.	Exploration and evaluation	3,126,854	2,745,634	2,048,170
3.	Plant and machinery	47,188	99,429	36,014
4.	Other equipment, furniture and fixtures	211,673	95,759	91,266
		107,283,844	116,139,857	110,053,036
III.	Financial assets			
1.	Equity investments	14,383,651	15,568,635	14,385,151
2.	Loans to other investees and investors	1,902,145	1,724,138	1,724,138
3.	Securities classified as fixed assets	18,035,596	5,246,256	5,891,338
		34,321,392	22,539,029	22,000,627
B.	CURRENT ASSETS	**42,763,804**	**74,998,148**	**73,924,618**
I.	Inventories	175,079	154,237	155,519
	Finished goods and merchandise	175,079	154,237	155,519
II.	Receivables and other assets			
1.	Trade receivables	4,900,994	15,635,344	11,646,063
2.	Receivables from other investees and investors	2,054,323	384,681	1,796,881
3.	Other assets	271,866	478,241	336,929
		7,227,183	16,498,266	13,779,873
III.	Securities classified as current assets	6,390,392	15,473,096	14,343,704
IV.	Bank balances	28,971,150	42,872,549	45,645,522
C.	PREPAID EXPENSES	**451,017**	718,404	710,549
D.	DEFERRED TAX ASSETS	**1,285,162**	1,153,649	1,223,470
	TOTAL ASSETS	**208,482,422**	**231,278,836**	**224,844,554**

	LIABILITIES		30/06/2019		30/06/2018		31/12/2018
			EUR		EUR		
A.	EQUITY		**77,366,595**		**69,833,110**		**73,837,164**
I.	Subscribed capital	5,063,072		5,063,072		5,063,072	
	./. less nominal value of treasury shares	-127,810	4,935,262	-127,810	4,935,262	-127,810	4,935,262
	Conditional capital: EUR 2,200,000 (prior year: EUR 2,000,000)						
II.	Capital reserves		29,741,076		29,827,395		29,741,076
III.	Equity differences from currency translation		2,721,524		1,347,498		2,417,573
IV.	Consolidated net retained profit		31,672,666		26,099,934		28,656,568
V.	Non-controlling interests		8,296,067		7,623,021		8,086,685
B.	DIFFERENCE FROM CAPITAL CONSOLIDATION		**0**		**0**		**0**
C.	PROVISIONS		**16,430,534**		**9,503,867**		**19,311,678**
1.	Tax provisions		0		0		0
2.	Other provisions		16,430,534		9,503,867		19,311,678
D.	LIABILITIES		**97,753,628**		**141,435,082**		**116,210,744**
1.	Bonds, thereof convertible: EUR 10,700,000 (prior year : EUR 10,700,000)		77,299,000		93,040,000		77,299,000
2.	Liabilities to banks		10,230,738		24,525,341		16,085,646
3.	Trade payables		2,095,439		13,495,207		6,839,639
4.	Other liabilities		8,128,451		10,374,534		15,986,459
E.	DEFFERED TAX LIABILITIES		**16,931,665**		**10,506,777**		**15,484,968**
	TOTAL EQUITY AND LIABILITIES		**208,482,422**		**231,278,836**		**224,844,554**

CONSOLIDATED **INCOME STATEMENT**
FROM 1 JANUARY TO 30 JUNE 2019 (UNAUDITED)

		01/01–30/06/2019	01/01–30/06/2018	01/01–31/12/2018
		EUR	EUR	EUR
1.	REVENUE	24,156,714	54,118,638	109,052,362
2.	INCREASE OR DECREASE IN FINISHED GOODS AND WORK IN PROCESS	19,560	-15,905	-14,623
3.	OTHER OWN WORK CAPITALIZED	0	1,102,723	1,231,237
4.	OTHER OPERATING INCOME	1,153,529	12,898,601	19,060,335
5.	COST OF MATERIALS	5,955,094	8,177,251	19,019,289
	Cost of purchased services	5,955,094	8,177,251	19,019,289
6.	PERSONNEL EXPENSES	2,066,633	1,841,310	3,918,520
	a) Wages and salaries	2,004,757	1,764,214	3,569,660
	b) Social security, pensions and other benefit costs	61,876	77,096	348,860
7.	OTHER OPERATING EXPENSES	2,127,363	6,066,271	8,458,536
	EBITDA	**15,180,713**	**52,019,225**	**97,932,966**
8.	AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	7,329,847	35,004,566	58,036,928
	a) of intangible assets and property, plant and equipment	7,329,847	35,004,566	58,036,928
	b) of current assets	0	0	0
9.	AMORTIZATION OF FINANCIAL ASSETS AND SECURITIES CLASSIFIED AS CURRENT ASSETS	380,350	28,502	7,205,167
	EBIT	**7,470,516**	**16,986,157**	**32,690,871**
10.	OTHER INTEREST AND SIMILAR INCOME	268,093	401,767	458,300
11.	INTEREST AND SIMILAR EXPENSES	2,893,541	3,461,040	6,685,233
12.	INCOME TAXES	-1,311,819	3,872,911	8,519,169
	– thereof income (prior year: expenses) from changes in recognized deferred taxes EUR 46,348 (prior year: EUR 189,232)			
13.	EARNINGS AFTER TAXES	3,533,249	10,053,973	17,944,769
14.	OTHER TAXES	188	540	761
15.	**NET INCOME FOR THE GROUP**	**3,533,061**	**10,053,433**	**17,944,009**
16	PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (-)	-516,963	-1,945,355	-4,072,044
17.	PROFIT CARRYFORWARD (+)	28,656,568	17,991,856	14,784,603
18.	CONSOLIDATED NET RETAINED PROFIT	31,672,666	26,099,934	28,656,568

GROUP MANAGEMENT REPORT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GROUP **MANAGEMENT REPORT**

The following is a condensed management report, which essentially deals with deviations from the 2018 consolidated financial statements. In this respect, we refer for a detailed presentation to the 2018 Annual Report and the extensive management report contained therein.

I. FUNDAMENTAL INFORMATION ABOUT THE GROUP

1. BUSINESS MODEL

There have been no changes to the business model described in the 2018 Annual Report. As of 30 June 2019, the Deutsche Rohstoff Group consisted of the Group companies showed on the following page.

There were only minor changes compared to the 2018 Annual Report.

- -At Tin International, the share rose from 73.98% to 74.14% due to share purchases.

- -The stake in Bright Rock Energy increased from 95.18% to 97.57%.

Deutsche Rohstoff AG shares have been traded in the Entry Standard since May 2010 and in the Scale Segment of the Frankfurt Stock Exchange since March 2017. The number of shares as of 30 June 2019 amounted to 5,063,072. Market capitalization as of 30 June 2019 was approximately EUR 87 million (30 June 2018: EUR 125 million).

2. OBJECTIVES AND STRATEGIES

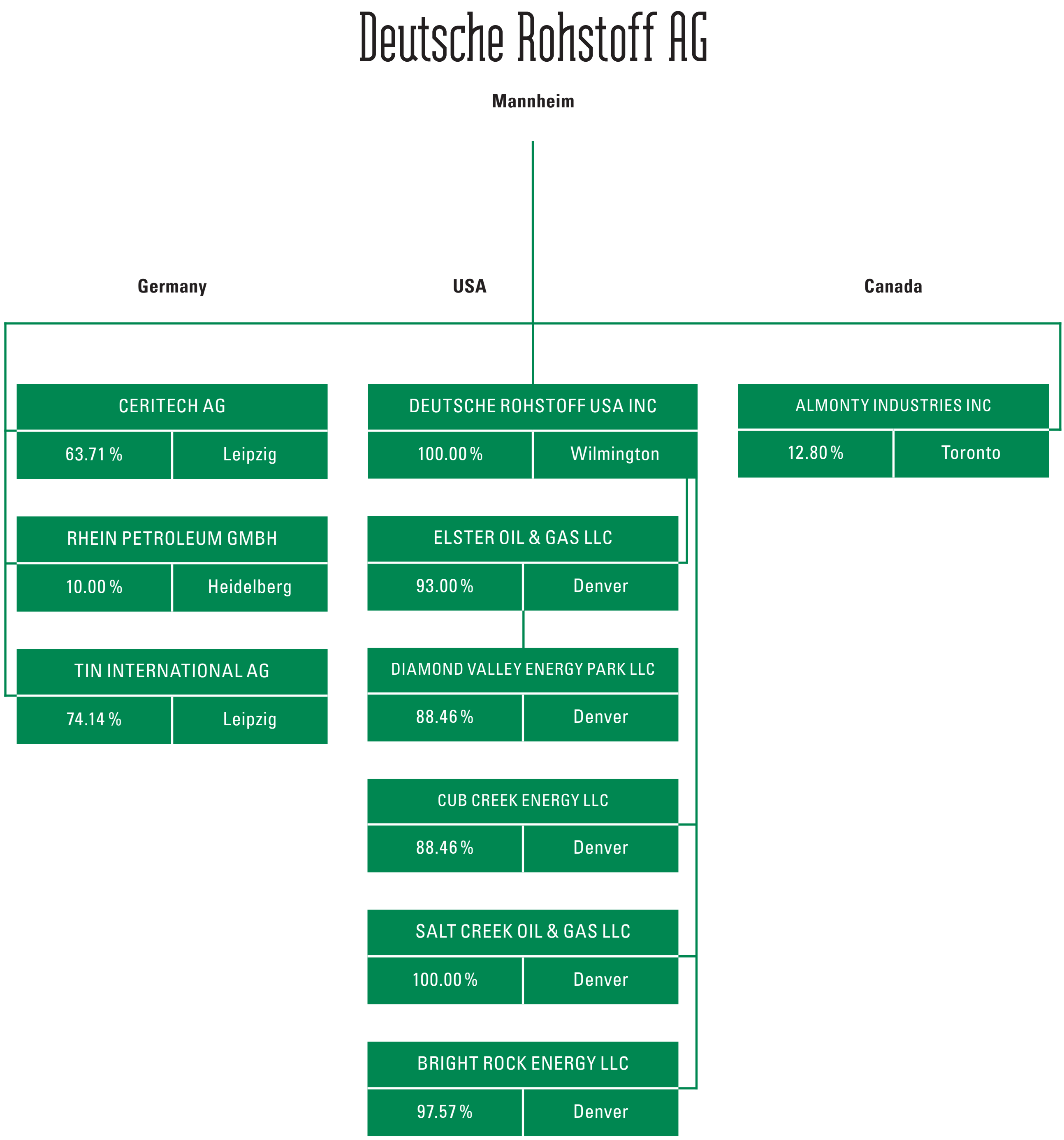
No changes.

3. RESEARCH AND DEVELOPMENT

No changes.

WELL STEIG 1 OF RHEIN PETROLEUM

STRUCTURE OF THE CORPORATION AS OF 30 JUNE 2019



GROUP **MANAGEMENT REPORT**

II. REPORT ON ECONOMIC POSITION

1. MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

The price of US oil (WTI) ranged between USD 46 and USD 66 per barrel in the first half of the year, in line with the expectations of the Executive Board. The EUR/USD exchange rate ranged between 1.11 and 1.15 in the first half of 2019, reaching 1.1380 EUR/USD on 30 June 2019. For further information on the development of raw material prices, please refer to the comments in the letter to shareholders in this half-year report.

2. CORPORATE DEVELOPMENT

In the first half of 2019, average daily production was 5,346 BOE. The Group's oil and gas sales totaled 975,671 million BOE in the first half of the year. Crude oil accounted for 415,927 barrels and natural gas and condensates for the remainder. All quantities correspond to the Group's net share. Minority interests have already been deducted. Production resulted in USD 27.3 million in sales in the first half of the year, of which USD 19.2 million related to oil and USD 8.1 million to natural gas and condensates. Translation into EUR was carried out at an average exchange rate of 1.1311, resulting in euro sales of 24.2 million.

The four companies accounted for the following quantities:
Cub Creek Energy: 453,571 BOE (170,867 barrels of oil)
Elster Oil & Gas: 472,074 BOE (209,008 barrels of oil)
Salt Creek Oil & Gas: 32,467 BOE (22,700 barrels of oil)
Bright Rock Energy: 17,560 BOE (13,352 barrels of oil)

For **Cub Creek Energy** the first half of the year was characterized by the further optimization of the already existing production of 45 horizontal wells and the planning of eleven of the company's wells with a horizontal length of two miles. Oil production in the first half of the year was around 1% lower than expected.

In June, the gross production of the 44 wells operated by Cub Creek Energy was 1,313 barrels of oil per day, above the average gross production of 1,293 barrels of oil per day in the first half of the year. This figure shows that the production of Cub Creek Energy continued to stabilize. Although the declining trend, which is typical for unconventional oil wells, will continue, the Company believes that this will be much slower due to the successful technical revisions. The Litzenberger and Haley well pads will only be equipped with so-called „gas lifts" in the second half of 2019, which should then also have a positive effect.

An initial massive increase in production will result from the production start of the wells from the Olander well pad. The drilling program with an investment volume of around USD 60 million began in mid-June. Production is scheduled to start at the beginning of 2020. The time of commencement essentially depends on the progress of the drilling work and the availability of service companies.

Elster Oil & Gas also produced in line with expectations in the first half of the year. Gross production from drilling was 3,969 (net 1,149) barrels of oil per day, 1.5% below the original planning assumption. It thus continued the very positive trend of the previous year.

At the end of June, a competitor completed several wells on a neighboring well pad, which significantly impaired production at two Elster production sites at the beginning of July. This is not an unusual procedure and can normally be remedied within a few weeks. In addition, however, Anadarko Midstream began work on a gas processing plant that prevented the two well pads and many other well pads in the region connected to Anadarko Midstream's pipeline network from feeding into the pipeline network in July and the first half of August. In the meantime, the feed-in restrictions have been lifted again.

Instead of the originally planned production of Elster of around 155,000 BOE in the third quarter, the company now expects to produce only around 66,000 BOE. The interruption should not have a negative impact on the total quantity that can be extracted, so that the final effect is only a postponement of production.

After **Salt Creek Oil & Gas** completed the sale of the company's main areas to Northern Oil & Gas in 2018, only a few areas with a production of around 20 barrels of oil a day in the Williston Basin in North Dakota remained in the company after the sale.

At the end of 2018, the company decided to further expand its portfolio of acreage and make further investments focusing on the Williston Basin in North Dakota. The company's strategy is to participate as a non-operator in the wells and development activities of other oil & gas companies. Already in February, the company announced two initial acquisitions for a total of USD 5.4 million. This enabled the company to increase its production to an average of 178 BOE per day in the first half of the year.

Bright Rock Energy, which was founded in 2018, also continued to grow in the first half of 2019. The focus of all previous acquisitions is on the Uinta Basin in Utah, USA. The company now holds around 1,500 acres of space in the core area of the field and a further 3,300 acres from a package purchase last year.

Bright Rock's production in the first half of the year was around 100 BOE per day. For the second half of the year, production is expected to double to around 200 BOE due to the operator's activities. The objective of the management team is to establish a significant area position that will either allow the operator to drill itself or to participate in highly profitable wells by existing operators. The Uinta Basin has a large number of oil-bearing layers that are eligible for production. Recent drill results show that the Uinta Basin can compete with the best fields in the US.

The important investment **Almonty Industries** reported good results again for the first nine months of fiscal 2018/2019 as of 30 June 2019. Net income rose to CAD 11.5 million (previous year: CAD 8.1 million) or CAD 0.06 per share. Sales decreased to CAD 41.7 million (previous year: CAD 50.5 million) due to lower prices and weaker production in the third quarter.

In July, Almonty reported that the technical audit report that KfW had commissioned as the financing bank for Sangdong had been accepted. On the same day, the pilot plant financed by the South Korean government was put into operation.

In the beginning of July, **Rhein Petroleum** reported that the Steig-1 well, which was drilled near Weingarten, had recorded a significant oil discovery. After the funding tests in July and August 2019, the size and development potential will be determined more precisely. Deutsche Rohstoff AG currently holds a 10% stake in Rhein Petroleum.

With regards to other activities, we refer to the 2018 Annual Report and the comments in this interim report.

OLANDER PAD, COLORADO

3. FINANCIAL PERFORMANCE, FINANCIAL POSITION AND ASSETS AND LIABILITIES

FINANCIAL PERFORMANCE

In the first half of the year, the Group generated sales of EUR 24.2 million. The vast majority came from oil and gas production in the USA.

The individual subsidiaries accounted for the following sales:

Cub Creek Energy: EUR 10.5 million
Elster Oil & Gas: EUR 12.1 million
Salt Creek Oil & Gas: EUR 0.9 million
Bright Rock Energy: EUR 0.6 million

EUR 0.8 million of the other operating income of EUR 1.2 million was mainly attributable to currency gains, which were, however, offset by currency losses of EUR 0.9 million, which were booked under other operating expenses. At EUR 2.0 million, personnel expenses were at the previous year's level.
At EUR 7.3 million (previous year: EUR 35.0 million), depreciation and amortization were well below the level of the previous year, as depreciation and amortization relate to the quantities of oil & gas produced, which were also well below the levels of the previous year. In addition, a positive effect of EUR 6.8 million resulted from the partial reversal of an impairment loss on the oil production facilities of Cub Creek Energy. The impairment loss was recognized at the end of 2018 on the basis of an internal reserve calculation. Based on the recent positive development of production at Cub Creek Energy, the calculation of reserves on which the write-down was based was partially adjusted, thus leading to a partial reversal of the extraordinary write-down.

The scheduled depreciation, which relates to the current operating activities at Cub Creek, Elster, Salt Creek and Bright Rock, amounts to EUR 14.5 million and thus to EUR 14.8 per barrel of oil equivalent produced.

Other operating expenses amounted to EUR 2.1 million in the first half of the year. Currency losses of EUR 0.9 million (previous year: EUR 3.1 million) made a significant contribution. Further expenses arose from the valuation of securities held as current assets in the amount of EUR 0.3 million, as well as expenses for general administration in all Group companies in the amount of EUR 1.0 million.

At EUR -3.0 million, the financial result was slightly better than in the same period of the previous year (EUR -3.1 million). Interest expenses of EUR 0.7 million were incurred by the US subsidiaries and EUR 2.1 million by Deutsche Rohstoff AG.

The tax result was EUR -1.3 million (previous year: EUR -3.9 million). This result essentially reflects the profits associated with the US subsidiaries, which are offset by special tax write-downs and for which deferred tax liabilities must be recognized.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 15.2 million in the first half of the year (previous year: EUR 52.0 million). Adjusted for depreciation and amortization, earnings before interest and taxes (EBIT) amounted to EUR 7.5 million. (previous year: EUR 17.0 million). Earnings before taxes amounted to EUR 4.8 million (previous year: EUR 14.0 million).

Consolidated net income for the first half of 2018 amounted to EUR 3.5 million (previous year: EUR 10.1 million). Minority interests accounted for a profit of EUR 0.5 million.

FINANCIAL POSITION

As of 30 June 2019, cash and cash equivalents (bank balances and securities held as current assets) amounted to EUR 35.4 million (previous year: EUR 58.3 million). Compared to 31 December 2018 (EUR 65.9 million), this represents a decrease of EUR 24.6 million. The decline is mainly attributable to the EUR 18.5 million reduction in liabilities, transfer of securities to fixed assets and capital expenditure of around EUR 10.2 million on fixed assets, mainly at Salt Creek Oil & Gas and Bright Rock Energy.

ASSET AND LIABILITIES

The consolidated balance sheet total of EUR 208.5 million decreased compared to the previous year (EUR 231.3 million) mainly due to lower liabilities and lower current assets.

On the assets side, there was a slight decline in property, plant and equipment, which amounted to EUR 107.3 million as of 30 June 2019 (previous year: EUR 116.1 million). This reflects the depreciation of oil production equipment in the USA, which was offset by the acquisition of oil production equipment.

Liabilities were significantly reduced by EUR 43.7 million compared with the previous year and amounted to EUR 97.8 million as of 30 June 2019 (previous year: EUR 141.4 million). Compared with 31 December 2018 (EUR 116.2 million), liabilities also declined significantly by EUR 18.5 million.

At EUR 77.4 million, equity increased by almost 10% compared with the previous year (EUR 69.8 million). The equity ratio increased significantly from 30.2% to 37.1%. Compared with the end of 2018 (32.8%), it also increased significantly.

OVERALL CONCLUSION

In the opinion of the Management Board, nothing has changed in the overall statement of the Annual Report that the economic and financial situation of the Group is excellent. The Group was able to close the half-year with a positive result. Earnings before interest, taxes, depreciation and amortization (EBITDA), the key performance indicator, was EUR 15.2 million, well below the previous year's level (EUR 52.0 million), but in line with the forecast. After the very high sales in 2018, 2019 will initially be marked again by high investments, which will lead to a significant increase in sales and earnings in 2020.

III. FORECAST, OPPORTUNITIES AND RISK REPORT

For 2019 as a whole, the Management Board continues to expect to generate sales and earnings in line with the forecast. This range represents sales of EUR 40-50 million and EBITDA of EUR 25-35 million. In addition, the company assumes that it will be able to generate a positive consolidated result.

For 2020, the company continues to expect sales of EUR 75-85 million, EBITDA of EUR 55-65 million and a positive consolidated result.

The production of Elster Oil & Gas, which has recently been severely impaired by maintenance and repair work carried out by pipeline and refinery operators, represents a risk to compliance with the 2019 forecast. The company currently expects production to normalize from September 2019. Should this not occur, this could have a negative effect on the forecast.

A positive effect on the 2019 forecast may be possible from the start of production of drilling from the Olander drill site before the end of 2019.

The forecast assumes an annual average US oil price of USD 58 per barrel, a reduced Henry Hub gas price of 2.25 USD/MMBtu (previously: 2.75 USD/MMBtu) and a EUR/USD exchange rate of 1.12 (previously: 1.14). A lower oil price would have a negative effect, but for the second half of 2019 around 64% of oil production is hedged at an average price of around USD 54.

With regard to the opportunities and risks report, we refer to the 2018 Annual Report.

Mannheim, 23 August 2019

The Executive Board

Dr. Thomas Gutschlag Jan-Philipp Weitz

NOTES TO THE **CONSOLIDATED FINANCIAL STATEMENTS**

1. GENERAL

The parent company Deutsche Rohstoff AG is headquartered in Mannheim. The company is registered under the number HRB 702881 in the register of the Local Court of Mannheim.

The half-year consolidated financial statement of Deutsche Rohstoff as of 30 June 2019 were prepared in accordance with the accounting provisions of the Handelsgesetzbuch (HGB - German Commercial Code) (Sections 290 et seq. HGB). The half-year consolidated financial statements do not include all the disclosures and notes required for the consolidated financial statements and should be read in conjunction with the consolidated financial statements as of 31 December 2018.

The consolidated income statement for the reporting period was prepared using the nature of expense method. The accounting policies used in the preparation of the interim consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2018. Please refer to the notes to the consolidated financial statements for the financial year from 1 January 2018 to 31 December 2018, printed in the 2018 Annual Report, page 52 et seqq. (hereinafter referred to as the „Annual Report"). The half-year consolidated financial statements are presented in euros (EUR). Unless otherwise indicated, all values are rounded up or down to one Euro (EUR) in accordance with commercial rounding. Please note that differences may arise in the use of rounded amounts and percentages. These interim consolidated financial statements have not been audited, but the preparation of the consolidated balance sheet and the consolidated income statement as of 30 June 2019 has been reviewed by an auditor.

2. BASIS OF CONSOLIDATION

As of 30 June 2019, the scope of consolidation had not changed since 31 December 2018.

3. CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currencies were translated at the mean spot exchange rate on the balance sheet date. With a remaining term of more than one year, the realization principle and the acquisition cost principle were observed. With the exception of equity, the assets and liabilities of the financial statements prepared in foreign currencies were translated into Euro at the mean spot exchange rate on the balance sheet date. Equity was translated using historical exchange rates. Income statement items are translated into euros at the average exchange rate. The resulting translation difference is reported under „Equity difference from currency translation" within consolidated equity.

4. NOTES TO THE CONSOLIDATED BALANCE SHEET

In the following, only items are listed for which significant changes were recorded in the half-year from 1 January to 30 June 2019 compared with the previous year (31 December 2018). Otherwise, reference is also made here to the comments in the Annual Report.

4.1. FIXED ASSETS

Due to the purchase of licenses by the companies Salt Creek Oil & Gas and Bright Rock Energy, the item „Concessions, industrial property rights and similar rights and assets as well as licenses" increased from EUR 15.2 million as of 31 December 2018 to EUR 20.7 million.

Due to the start of the drilling program at the Olander drilling site by Cub Creek Energy in June 2019, the „Exploration and Evaluation" item increased from EUR 2.0 million as of 31 December 2018 to EUR 3.1 million.

The item „Producing oil production facilities" decreased by EUR 4.0 million compared with 31 December 2018. This reduction is based on scheduled depreciation and write-ups totaling EUR 6.5 million (see further details under Depreciation). At the same time, this item increased due to the acquisitions of Salt Creek Oil & Gas and Bright Rock Energy totaling EUR 2.5 million. As a result, the item „Producing oil production facilities" decreased from EUR 107.9 million as of 31 December 2018 to EUR 103.9 million.

Fixed asset securities increased by EUR 12.1 million compared with 31 December 2018. This increase is based on the reclassification of Northern Oil & Gas shares from current assets to fixed assets, as a holding period of at least 12 months is now intended. The shares are valued at a price of USD 2.27 per share.

4.2. CURRENT ASSETS

SECURITIES

The item „Securities held as current assets" decreased by EUR 12.1 million due to the reclassification of Northern shares as fixed assets. By contrast, share purchases at Deutsche Rohstoff AG level amounted to EUR 3.7 million. As a result, the item „Securities held as current assets" amounted to EUR 6.4 million as of 30 June 2019 (previous year: EUR 14.3 million).

BALANCES WITH BANKS

The item „Bank balances" decreased from EUR 45.6 million as of 31 December 2018 to EUR 29.0 million as of 30 June 2019. The reduction is mainly due to the investments made by Salt Creek Oil & Gas and Bright Rock Energy as well as the loan repayment by Cub Creek Energy.

4.3. EQUITY

At the balance sheet date, the capital reserve of the Group was EUR 3.8 million higher than the capital reserve of the parent company. The item „Equity differences from currency translation" mainly includes the translation differences of the currency translation of assets and liabilities items in the financial statements prepared in US Dollars as of the balance sheet date and of the income statements prepared in US Dollars as of the average exchange rate As a result of the higher US dollar exchange rate, this item increased by EUR 0.3 million compared with 31 December 2018 and now amounts to EUR 2.7 million as of 30 June 2019.

4.4. LIABILITIES

The item „Bonds, non-convertible" includes liabilities from the issue of a corporate bond in the unchanged amount of EUR 66,599,000.00. The non-convertible bond is due at maturity, has a term until 20 July 2021 and bears interest at 5.625 %.

The item „Bonds, convertible" includes liabilities from the issue of a convertible bond in March 2018. The nominal amount of the convertible bond remains unchanged at EUR 10.7 million as of 30 June 2019, has a five-year term until 29 March 2023 and bears interest at 3.625%. The convertible bonds are initially convertible into 357,143 new or registered ordinary shares of Deutsche Rohstoff AG. Shareholders' subscription rights were excluded.

A loan is reported under liabilities to banks as of 30 June 2019. This is a bank loan of EUR 7.9 million relating to Cub Creek Energy. This is a loan on the oil and gas reserves of Cub Creek Energy.

The item „Other liabilities" amounted to EUR 8.1 million as of 30 June 2019 (previous year: EUR 16.0 million) and mainly comprises liabilities of the companies Cub Creek Energy and Elster Oil & Gas from license obligations to landowners and interest liabilities of Deutsche Rohstoff AG in connection with corporate bonds as of 30 June 2019. Other liabilities relate exclusively to liabilities with a remaining term of up to one year.

4.5. CONTINGENT LIABILITIES

There are contingent liabilities from guarantees in the amount of EUR 805 thousand in favor of an associated company.

5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

In the following, only items are listed for which significant changes have occurred in the half-year from 1 January to 30 June 2019 compared with the previous year (1 January to 30 June 2018). Otherwise, reference is also made here to the comments in the Annual Report.

5.1. REVENUES

Revenue mainly relate to 45 wells in the Wattenberg Field at Cub Creek Energy with an average share of 82.0% and revenues of EUR 10.5 million and to Elster Oil & Gas with an average share of 35.4% of 39 wells in the Wattenberg Field and revenues of EUR 12.1 million. Revenues from wells are subject to production taxes, which are to be deducted directly from revenues in accordance with the provisions of BilRUG. Production taxes of EUR 1.6 million were incurred in the first half of 2019.

5.2. OTHER OPERATING INCOME

This item mainly includes currency gains of EUR 0.8 million (previous year: EUR 0.7 million) at the level of Deutsche Rohstoff AG, offset by currency losses of EUR 0.9 million, which are reported under other operating expenses.

5.3. COST OF MATERIALS

As of 30 June 2019, expenses for purchased services amounting to EUR 6.0 million (previous year: EUR 8.2 million) were reported, which relate to production costs incurred for the producing oil wells in the USA.

5.4. DEPRECIATION AND AMORTIZATION

Depreciation of EUR 7.3 million (previous year: EUR 35.0 million) mainly relates to depreciation of oil production equipment in property, plant and equipment (EUR 6.5 million), which is depreciated in accordance with the quantity of barrel of oil equivalent produced. These write-downs consist of scheduled depreciation of EUR 14.1 million and a write-up of EUR 6.8 million. The write-up is related to the impairment loss of EUR 13.1 million recognized as of 31 December 2018 on Cub Creek Energy's producing oil and gas facilities. This unscheduled write-down was based on internal reserve reports for the oil wells already in production. As at 30 June 2019, the valuation of the producing oil and gas plants on the basis of current internal reserve reports resulted in a higher fair value, so that a write-up of EUR 6.8 million had to be made.

5.5. OTHER OPERATING EXPENSES

Other operating expenses of EUR 0.8 million relate to currency losses incurred at the level of Deutsche Rohstoff AG. These currency losses mainly (EUR 0.7 million) relate to currency losses in connection with the hedging of the currency risk in the EUR/USD area through so-called foreign currency futures.

6. OTHER NOTES

SUBSEQUENT EVENTS

After the balance sheet date, the following events had a significant impact on the further course of business until mid-August 2019:

In July 2018, Rhein Petroleum announced that it had made a significant oil discovery with the recently drilled Steig-1 well.

18,675 new shares were issued as part of the stock dividend and the acceptance rate was thus attached 17%.

Mannheim, 23 August 2019

The Executive Board

Dr. Thomas Gutschlag Jan-Philipp Weitz

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DISCLAIMER

FORWARD-LOOKING STATESMENT

This report contains forward-looking statements that reflect the mana-ge-ment'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.

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