



Deutsche Rohstoff



SEMI-ANNUAL REPORT 2016

# LETTER TO THE SHAREHOLDERS

## DEAR SHAREHOLDERS OF DEUTSCHE ROHSTOFF AG, DEAR LADIES AND GENTLEMEN,

The commodity prices have been on a roller-coaster ride in the first six months. In February, many commodities were quoted at their lowest prices for several years. A recovery then set in, which catapulted the US oil price WTI up from its low on 11 February of USD 26.70 per barrel to USD 49.60 on 30 June, an increase of no less than 86 percent. US natural gas, precious and industrial metals also increased significantly. The price for tungsten APT in Europe also recovered from its low in February.

For the rest of the year we still expect a moderately positive trend in the oil price and for metals that are important to us, like tungsten, tin, copper and gold. In the opinion of most analysts, WTI



DR. THOMAS GUTSCHLAG,  
CEO DEUTSCHE ROHSTOFF AG

will rise by year-end to approximately USD 50 per barrel. The market cleansing is so far advanced that a floor should be found in any event. In the medium-term perspective, supply shortages loom for various commodities, so higher prices will be necessary sooner or later in order to trigger enough new investments. We are therefore confident that the drought in the commodity sector over several years will slowly come to an end and our cautious investments in recent years will soon pay off.

### INVESTMENTS IN THE USA

Our activities in the USA ran more or less to plan in the first six months of the year. Because of the price weakness in the first quarter, Cub Creek Energy had postponed the start of a drilling program by around two months, but then began relatively quickly working with a second drill in parallel. In total we are currently drilling 19 wells with two rigs. That represents a substantial investment for us. By way of comparison: in 2013/2014, Tekton Energy put 22 horizontal wells into production, before the main assets were sold. We expect production from all 19 wells to start in the fall.

In the beginning of August, Cub Creek was able to announce a further land acquisition. The company secured 1,500 net acres (6,07 km<sup>2</sup>) in which it expects to be able to drill up to 50

wells with presumably each two miles horizontal length each. If that planning is confirmed, the number of potential wells would about double. A great success, especially as the contract provides for no cash payment on closing.

In spring, our second US subsidiary, Elster Oil & Gas, participated with around 50 % in six wells from the same pad, from which five wells have been producing since September 2015. The new wells began production at the end of July. At the end of August we were able to announce that around 2,700 barrels of oil-equivalent had been produced on average of the first 30 days of production. The wells are thus in line with our expectations.

### HIGHER RESERVES

In May, Ryder Scott recalculated our oil and gas reserves in the USA. They rose in comparison to December 2015 by over 80 % to now around 22.5 million barrels of oil equivalent in the two categories of proved and probable reserves. The cash value of the reserves, discounted by 10 %, ran to USD 54.5 million for proved and USD 62.1 million for probable reserves. We are expecting the next update in December. It will then include the production results of all new wells.

In the Mining division, the most outstanding event was the release, that Almonty

Industries had succeeded in closing a binding external financing of over CAD 56 million with the Korean Development Bank. The financing has put the development of the, for Almonty very important, Sangdong Mine in arms' reach. Apart from that, Almonty also reported that it had been able to increase the Sangdong reserves by 78 %. That makes Sandong one of the biggest tungsten resource outside China.

#### REFINANCING THE BOND 13/18

We issued the second Deutsche Rohstoff bond in June and July. The goal was to completely replace the old Bond 13/18 in order to significantly reduce financing costs and prolong the term of the financing to five years. By way of a public offering as well as a swap offer for existing bond holders we were able to place a total of EUR 40.6 million. Since this initial placement we succeeded in finding buyers for a further nominal EUR 2.1 million, which allowed us to repay half of the old bond. From the coming year onwards, the interest saving amounts to around EUR 1.2 million per year.

The new bond was very well accepted on the market. From the very outset, it traded above 100 % of its nominal value. It continues the successful performance of the old bond. At the end of May, Creditreform again confirmed our BB+ rating.

#### RISING DIVIDENDS

One day after the Annual General Meeting on 5 July in Wiesloch, our shareholders received the dividend for 2015 in an amount of 55 cents. It was 10 % higher than the dividend for 2014. In total, the dividends since 2013 add up to EUR 1.15 per share. Our goal is to pay rising dividends in the coming years as well.

The consolidated financial statements for the first six months show only moderate revenues of EUR 1.2 million. This involves the oil and gas sales of Elster Oil & Gas in the USA. For operational reasons, Elster's five wells had been shut in at the beginning of May and only run up again in August. At group level this produces an EBITDA of EUR -2.9 million and a group loss of EUR 3.9 million.

We are nonetheless confident that we can achieve our forecast, which we published in December 2015 and confirmed in the management report for 2015. It provides for a group profit for 2015 of roughly EUR 10 million. Because of commencement of production in the second half of the year from 25 wells at Cub Creek and Elster, as well as the expected tax refunds in the USA, we are still convinced that the profit forecast is realistic.

By the end of 2016, we expect to have completed the biggest investment program in the company's history. For



DR. JÖRG REICHERT,  
CTO DEUTSCHE ROHSTOFF AG

2017 and 2018, our strategy provides for further investments in oil and gas production. We have developed a major inventory of potential wells and, if the conditions are right, we will realise them. Finally, we are confident that we can also create value for the shareholders in the Mining division.

#### COMMODITIES ARE THE FUTURE. COME WITH US.

Glückauf – as the German miners' good luck call goes – from Mannheim.

Dr. Thomas Gutschlag  
CEO

Dr. Jörg Reichert  
CTO

# INVESTOR & CREDITOR RELATIONS

## ANALYST COVERAGE

Analyst reports are a key instrument for investors and media in order to provide them with impartial information on the business developments of a listed company. They work on news about the company and the commodity markets, draw up their own estimates on profit developments and publish a target price for the share. In the first half of 2016, First Berlin, a company independent of banks based in Berlin, analysed the share of Deutsche Rohstoff. At the beginning of July, First Berlin raised the target price for our share to EUR 24 from EUR 23 previously. In the second half of 2016, two

further analysts are expected to take up the coverage of our share.

## SHARE

Since trading began on 27 May 2010, the DRAG share has been listed in the Entry Standard Segment of the Frankfurt Stock Exchange with the security ID WKN A0XYG7 and ISIN DE000A0XYG76. The stock exchange code is "DR0". Since the beginning of 2011, the share belongs to the Entry Standard Performance Index TOP 30 and meanwhile also to DAX International Mid-100 and the local Rhein-Neckar-Index. In the first half of the year, the Deutsche Rohstoff share rose by just

under 12 % from EUR 14.74 to EUR 16.49 with an average trading volume of 5,050 each per day. The market capitalisation at the end of June 2016 was at EUR 83.5 million.

A dividend payment of 55 cents per share was approved at the Annual General Meeting on 5 July 2016 and subsequently transferred to the shareholders' accounts on the following day. This was the third dividend following the payment of 10 cents in 2013 and 50 cents in 2015.

During the course of the first half year, the Executive Board presented Deutsche



ANNUAL GENERAL MEETING ON 5 JULY 2016 IN WIESLOCH

## DEUTSCHE ROHSTOFF SHARE PRICE

Share price in €



SHARE PRICE SINCE SEPTEMBER 2015

Rohstoff AG at three conferences in Frankfurt, Warsaw and Madrid. An extensive roadshow took place in June/ July for marketing purposes of the new bond.

### BONDS

In July 2013, Deutsche Rohstoff placed a Bond 13/18 (WKN A1R07G, ISIN DE000A1R07G4) in the amount of EUR 62.5 million with an annual interest rate of 8%. It matures in July 2018 and could be called in prematurely for the first time in July 2016. The total outstanding bond volume at the end of June 2016 amounts to around EUR 51 million.

In June and July 2016, Deutsche Rohstoff placed a new Bond 16/21 (WKN A2AA05, ISIN DE000A2AA055) with a coupon of

5.625 % p.a. Creditors of the old bond had the option to switch at 104 % into the new bond. In total, including smaller subsequent placements, EUR 42.7 million could be raised in total for the new bond. Immediately after the end of the placement, the Executive Board called in half of the still outstanding volume of the old bond. After the repayment there will remain an outstanding volume of EUR 15.8 million.

The BB+ rating was again confirmed by Creditreform Rating AG in May 2016.

### SHAREHOLDER STRUCTURE

The share capital of currently EUR 5,063,072 is divided into the same number of registered shares. Of that, the Executive Board held 9.9 % at the

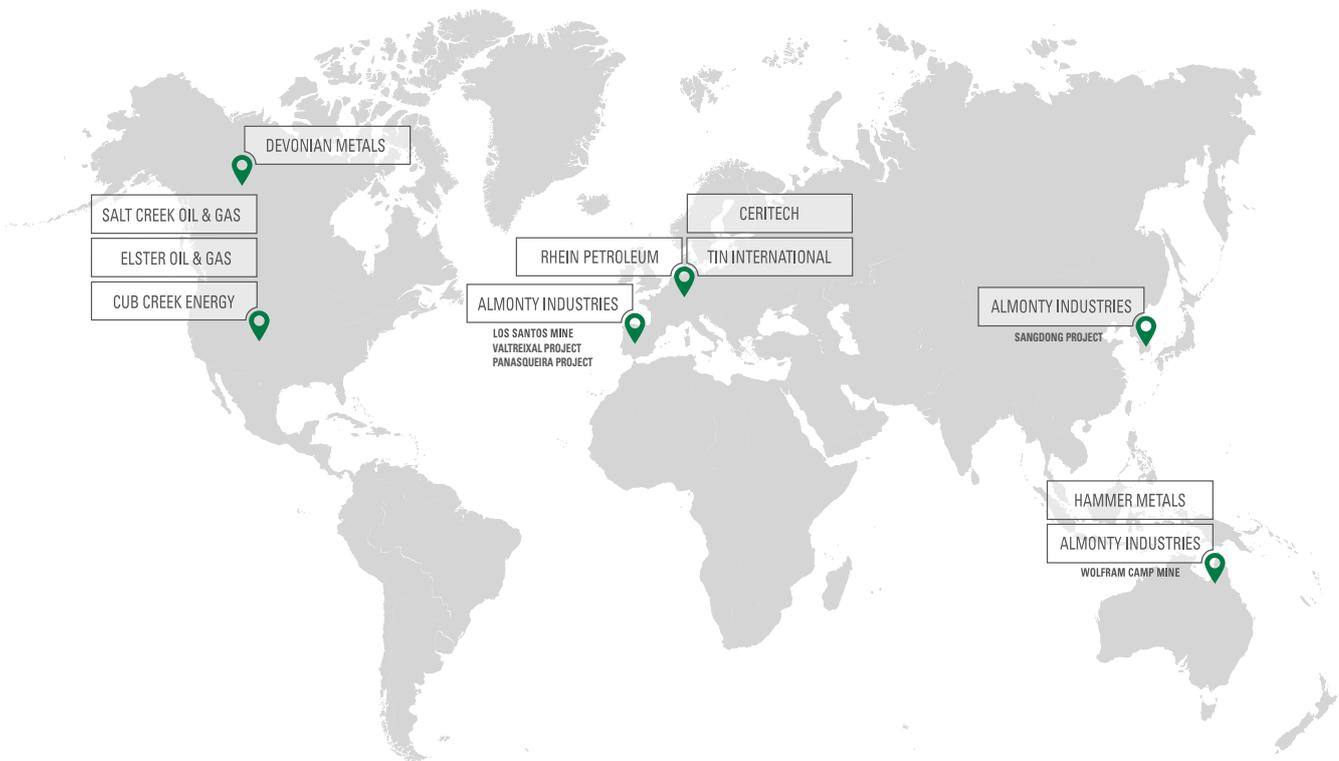
end of June 2016, BASF-VC 6.3 % and other institutional and private investors 83.8 %. The total number of shareholders amounted to around 4,450 and has thus grown again for the first time in two years.

The shares repurchased in 2015 have not yet been called in. Therefore the company continues to use an unchanged number of total issued shares in its publications.

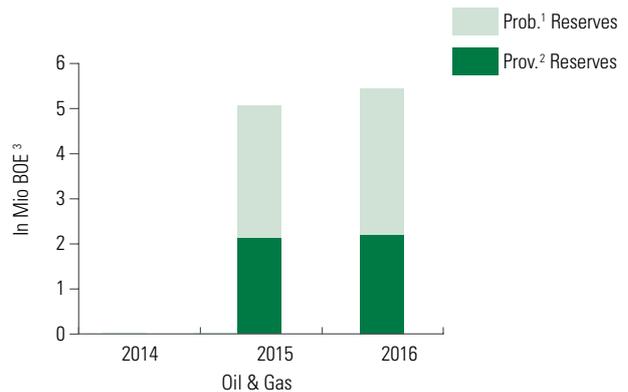
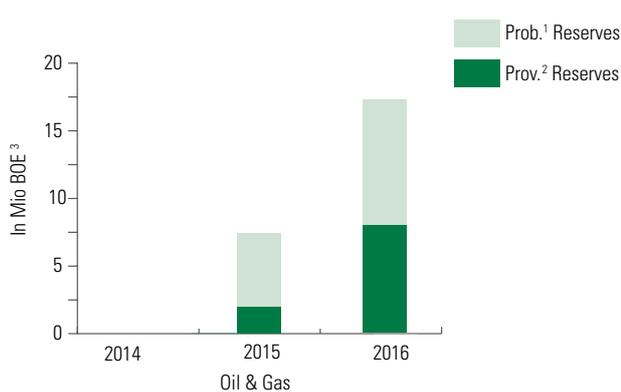
### LENDERS

The bank loan, which had been granted by a major European bank in February 2013, amounts to EUR 6.4 million and has a term until the end of 2018. The interest rate is variable and during the reporting period stood at 0.33 % p.a. The loan can be repaid at any time.

# RESOURCES OVERVIEW



During the reporting period the US oil & gas subsidiaries of Deutsche Rohstoff, above all, were able to increase their resource base significantly. This happened both through successful permit procedures and through the higher oil prices. The Sangdong tungsten mine of Almonty was also able to report exploration successes. No resource estimates for the reporting period were available for the holdings Rhein Petroleum, Jutland Petroleum and Ceritech.



## CUB CREEK ENERGY (SPE-PRMS<sup>4</sup>)

In May 2016, Cub Creek was able to announce a reserves estimate for the total surface area of its properties by the renowned US company, Ryder Scott, for the second time. The reserves shown include only the shares attributable to CCE.

## ELSTER OIL & GAS (SPE-PRMS<sup>4</sup>)

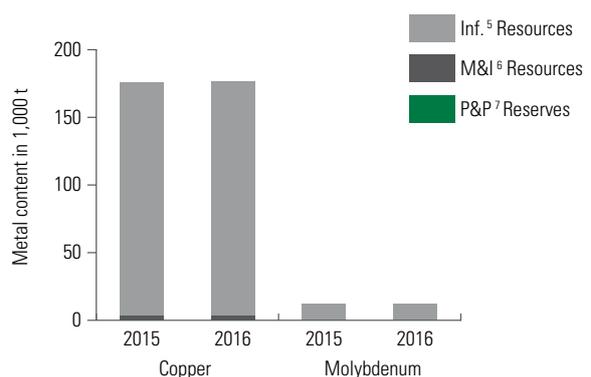
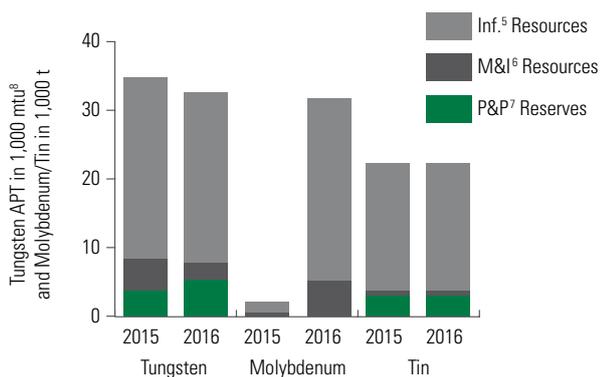
Likewise in May 2016, Ryder Scott announced an updated reserves estimate for EOG areas. Here, too, the reserves shown include only the shares attributable to EOG.

<sup>1</sup> Prob. = probable

<sup>2</sup> Prov. = proved

<sup>3</sup> BOE = barrel of oil equivalent („BOE“). Gas (in cubic feet) has been converted according to industry standards with the factor 5,600 to BOE

<sup>4</sup> SPE-PRMS: Petroleum Resource Management System of the Society of Petroleum Engineers

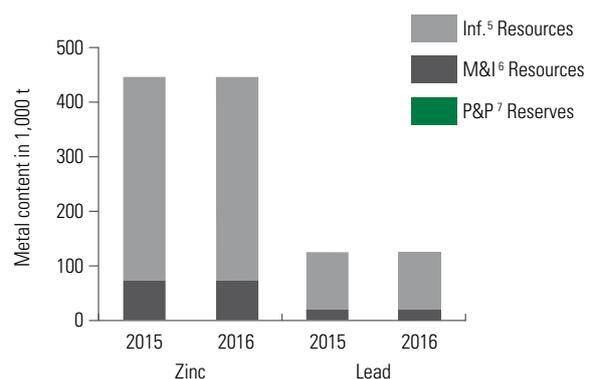
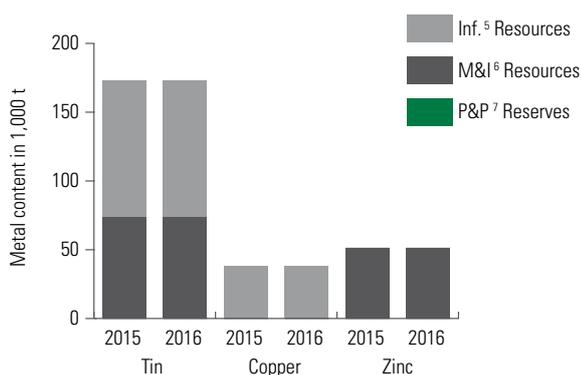


#### ALMONTY INDUSTRIES (NI43-101<sup>9</sup>)

The greatest change was the result of the new resources estimate of the Sangdong Mine, which was able to increase its reserves through exploration by over 78 % to 7.9 million tonnes of ore with contents of 0.45 % WO<sub>3</sub>.

#### HAMMER METALS (JORC<sup>10</sup> 2012)

Hammer holds the two resources Kalman (copper/molybdenum) and Overlander (copper). There were no changes in the resource estimate during the reporting period. Further drilling should take place in the second half of 2016.



#### TIN INTERNATIONAL (JORC<sup>10</sup> 2004/2012)

The exploration work was continued in the reporting period, but no new resource estimates were published. The resources shown therefore remained unchanged.

#### DEVONIAN METALS (NI43-101<sup>9</sup>)

No activities took place at the subsidiary, Devonian Metals. The resources remained unchanged.

<sup>5</sup> Inf. = inferred

<sup>6</sup> M&I = measured and indicated

<sup>7</sup> P&P = proven and probable

<sup>8</sup> mtu = metric tonne unit, corresponding with 10 kg

<sup>9</sup> NI43-101 = National Instrument: Canadian Standard for classification of resources

<sup>10</sup> JORC = Joint Ore reserves Committee: Australian Standard for classification of resources



# OIL AND GAS



### SHARE DEUTSCHE ROHSTOFF

30. June 2016: 79.93 %

#### STATUS

19 horizontal wells in Q3/Q4 2016

#### STRATEGY

Development of an oil production in the USA



### SHARE DEUTSCHE ROHSTOFF

30. June 2016: 93.04 %

#### STATUS

Working interest in 11 producing wells,  
planning on further drilling

#### STRATEGY

Expansion of oil production in the USA



### SHARE DEUTSCHE ROHSTOFF

30. June 2016: 60.00 %

#### STATUS

Land evaluation and acquisition

#### STRATEGY

Development of an oil producing company  
outside of the Wattenbergfield Colorado, USA



### SHARE DEUTSCHE ROHSTOFF

30. June 2016: 10.00 %

#### STATUS

Test production and further development

#### STRATEGY

Exploration and development of oil and  
gas fields in Southern Germany

# OIL AND GAS

## DEUTSCHE ROHSTOFF USA

Deutsche Rohstoff USA (DRUSA) is a 100 % US subsidiary of Deutsche Rohstoff AG. DRAG holds all shares in the US gas & oil companies via DRUSA.

Following the successful sale of Tekton Energy, Deutsche Rohstoff founded three companies that pursue a similar business model. These are Cub Creek Energy, Elster Oil & Gas and Salt Creek Oil & Gas. The management of all three companies was largely involved in the success of Tekton Energy and gathered extensive experience

in the US oil & gas business for decades. The companies represent the core activities of Deutsche Rohstoff AG and are a significant element of the corporate strategy.

In June 2016, Cub Creek Energy and Elster Oil & Gas were both able to publish an

updated expert reserves report for their properties. Together, the expert opinions report a proved reserve of 10.07 million BOE and a probable reserve of 12.55 million BOE. Based on the NYMEX futures curve (NYMEX Strip Pricing) of 30 April 2016, the combined reserves produce the following values:

| RESERVES CATEGORY | REVENUES (USD MILLION) | NET INCOME (USD MILLION) | DISCOUNTED NET INCOME 10% (USD MILLION) |
|-------------------|------------------------|--------------------------|---|
| Proved            | 324.64                 | 127.03                   | 54.51                                   |
| Probable          | 410.13                 | 154.93                   | 62.13                                   |



NEWLY ESTABLISHED OIL SEPARATION UNITS ON THE WIND PAD, USA

## CUB CREEK ENERGY

The focus of Cub Creek Energy (CCE) is developing the company's tenements in the Wattenberg Oilfield in Colorado, USA. Cub Creek Energy was founded in May 2014 jointly by Deutsche Rohstoff AG and an experienced management team, which holds the remaining shares in the company.

Since 2014, the management has been working intensively on the acquisition of 2,500 acres of land (10.1 km<sup>2</sup>), on permits for drilling, the identification of drilling sites and the contractual agreement with landowners. In addition, a 3D seismic measurements were taken in March 2016 on a part of the land, which confirmed the feasibility of the drilling.

In June 2016 the planned drilling program totalling 19 wells finally began on two drilling sites, which was completed in August 2016. Production is anticipated to begin in the fourth quarter. The total investment volume amounts to approx. USD 45 million. As Cub Creek holds a

share of approx. 90% of the wells, Cub Creek accounts for approx. USD 40.5 million of that.

For all 19 wells, the management of Cub Creek is assuming a reserve in each case of approx. 300,000–350,000 barrels oil-equivalent ("BOE"). Even based on the current low price level, revenues of approx. USD 0.5 million per well are expected in the first three months. As the wells, however, will be connected to the production only in the fourth quarter, the main profit contribution can be expected in 2017.

For the properties of Cub Creek Energy, Ryder Scott has calculated a proved reserve of 7.83 million BOE and a probable reserve of 9.33 million BOE, which is attributable only to the shares of Cub Creek. These figures represent a significant increase versus the proved reserve of 2.12 million BOE and a probable reserve of 5.08 million BOE published in December 2015. Based on the NYMEX futures curve (NYMEX Strip Pricing) of 30 April 2016, the combined reserves produce the following values:

The Future Net Income (FNI) is defined as revenues less the shares of partners, royalties, development and operating costs and production taxes.

The expert opinion on reserves covers 120 potential wells, for which Cub Creek has already received 48 permits. Further permits are expected over the course of the coming months and are being continuously applied for.

In August 2016, the company was able to acquire a further 1,500 acres (6.07 km<sup>2</sup>) of land close to the areas acquired in 2015. Cub Creek now holds a total of 4,000 (16.2 km<sup>2</sup>) acres in the prospective western part of the Denver-Julesberg Basin in Colorado. The permit procedure here will shortly begin for up to 50 more horizontal wells. Cub Creek meanwhile possesses an inventory of over 150 potential wells.

Besides the production from the 19 wells of 2016, 30 further wells are expected to be planned for 2017. In total, the company has succeeded in developing an outstanding starting position for the development of its own areas and the coming years, and will share over-proportionally in any increase in the oil prices.

| RESERVES<br>CATEGORY | REVENUES<br>(USD MILLION) | NET INCOME<br>(USD MILLION) | DISCOUNTED NET<br>INCOME 10 %<br>(USD MILLION) |
|----------------------|---------------------------|-----------------------------|--|
| Proved               | 255.49                    | 91.25                       | 34.75  |
| Probable             | 303.39                    | 109.41                      | 43.22  |

# OIL AND GAS

## ELSTER OIL & GAS

Just like Cub Creek, Elster Oil & Gas (EOG) holds very high-quality land in an especially productive part of the Wattenberg Oilfield. The company is currently producing oil and gas from 11 wells on its Magpie area. On average, EOG holds a share of approx. 43 % in those wells. In contrary to Cub Creek, Elster is a company that focuses on participating in wells that, operationally, are carried out by partners.

At the moment Elster holds an area of 800 acres (3.24 km<sup>2</sup>), on which a total of 51 further wells are possible and already completely approved. On average, EOG holds a share of approx. 30 % in all wells. In summer 2015, a partner firm began drilling the first 5 wells. These were completed in August 2015 and have been producing oil & gas since September 2015. In the first 30 days, these wells produced on average 3,434 barrels of oil-equivalent per day and were thus well above the expectations.

The total revenue accounted for by EOG from these wells amounts to approximately USD 3.3 million. By the end of June 2016, the share was only around

USD 1.26 million. The reason for this was, on one hand, the low oil prices at the beginning of the year, but above all that less has been produced from the wells since the second quarter and, from May onwards, the wells were temporarily shut down, as the partner had already drilled a further six wells from the same drilling site in March 2016.

All wells were completed in June and have been producing oil & gas since the end of July. In the first 30 days, these wells produce on average of 2,700 barrels of oil-equivalent per day and with that were above the expectations. EOG assumes that all 11 wells will be producing again from September 2016 onwards as planned.

Also for Elster Oil & Gas an updated expert reserves report could be drawn up in May 2016. For the entire surface area

of Elster Oil & Gas, Ryder Scott calculated a proved reserve of 2.24 million BOE and a probable reserve of 3.22 million BOE. These reserves are accounted for solely by the shares of Elster. Based on the NYMEX futures curve (NYMEX Strip Pricing) of 30 April 2016, these reserves produce the values as listed in the table below.

The Future Net Income (FNI) is defined as revenues less the shares of partners, royalties, development and operating costs, as well as production taxes. The expert opinion on reserves covered in total 62 wells.

EOG is assuming that the other wells on the Magpie area will be drilled in the coming years and will contribute to the fact that Deutsche Rohstoff AG can expect growing production volumes and ongoing revenues.

| RESERVES CATEGORY | REVENUES (USD MILLION) | NET INCOME (USD MILLION) | DISCOUNTED NET INCOME 10% (USD MILLION) |
|-------------------|------------------------|--------------------------|---|
| Proved            | 69.15                  | 35.78                    | 19.76                                   |
| Probable          | 106.74                 | 45.52                    | 18.91                                   |



DRILLING RODS AT VAIL PAD, USA

## SALT CREEK ENERGY

During the first half of 2016 Deutsche Rohstoff's third US oil subsidiary which was founded in mid 2015 assessed several acquisition targets including both, production and development assets. Ongoing strong market competition for high quality assets has so far prevented the company from the successful closure of several envisaged deals. In the meantime, the company started to acquire smaller acreage in an oil and gas basin

with significant production growth. Salt Creek intends to continue these activities with the aim to establish an economically interesting asset portfolio.

## RHEIN PETROLEUM

In early summer 2016, Rhein Petroleum of which Deutsche Rohstoff holds 10% completed an exploration well at its Graben-Neudorf license near Karlsruhe. At the end of July the company announced that the well had been

unsuccessful and will therefore be shut in. Deutsche Rohstoff did not finance any of these activities. Rhein Petroleum currently prepares further drill programmes at its Rhein valley license areas.

## JUTLAND PETROLEUM

All efforts to successfully divest the Danish license failed during the reporting period. Consequently, Deutsche Rohstoff decided to cease all further activities and to surrender the held license.

A landscape photograph of a red rock desert. In the background, a large, flat-topped mesa rises against a clear blue sky. The foreground is filled with scattered, rounded boulders of various sizes, some resting on a reddish-brown dirt path. Sparse green shrubs are scattered throughout the scene. The overall color palette is dominated by warm, earthy tones of red, orange, and brown, contrasted with the bright blue sky.

# METALS



### SHARE DEUTSCHE ROHSTOFF

30. June 2016: 12.58 %

#### STATUS

Three producing mines, two development projects

#### STRATEGY

Establishment as the biggest tungsten producer outside of China



### SHARE DEUTSCHE ROHSTOFF

30. June 2016: 67.86 %

#### STATUS

Optimization of the processing

#### STRATEGY

Establishment of a low-cost producer for rare earths



### SHARE DEUTSCHE ROHSTOFF

30. June 2016: 47.00 %

#### STATUS

Exploration of the Wrigley Pb/Zn-deposit in JV with Glencore

#### STRATEGY

Disposition of the asset



### SHARE DEUTSCHE ROHSTOFF

30. June 2016: 15.50 %

#### STATUS

Exploration of own licensed area and under a JV with Newmont

#### STRATEGY

Identification of world class IOCG-Copper-Gold-deposits



TIN INTERNATIONAL

### SHARE DEUTSCHE ROHSTOFF

30. June 2016: 61.51 %

#### STATUS

Exploration of three Tin projects in the Erzgebirge

#### STRATEGY

Development and sale of the assets

# METALS

## ALMONTY INDUSTRIES

Since September 2014, Deutsche Rohstoff has been the second-largest shareholder of Almonty Industries (Almonty), with a current stake of 12.58%. Listed in Toronto and specialised in tungsten, the company is a significant tungsten producer with an annual production of 134,386 mtu  $WO_3$  in 2015. This represents a market share of approximately 6.7% of the non-Chinese supply. Through the acquisition of the producing Panasqueira Mine at the beginning of January, this number is expected to further increase in 2016.

Beside the shareholding, Deutsche Rohstoff holds a convertible bond with an interest rate of 4% p.a. in the amount

of CAD 6.0 million. The bond can be converted at CAD 1.45 per share and matures in March 2017. A second convertible bond in the amount of CAD 4.0 million attracts interest at 5% p.a. and can be converted until its due date in September 2017 at a price of CAD 0.81 per share. This convertible bond is secured by the South Korean tungsten project, Sangdong. Furthermore, Deutsche Rohstoff provided Almonty with a short-term loan in the amount of USD 1.0 million, attracting an interest rate of 6%. The loan is due in January 2017 and is also secured with the Sangdong project.

Almonty's long-term strategy is to become the biggest tungsten producer after China by 2019. The company intends to achieve

this through organic growth of the existing portfolio as well as through new acquisitions.

Almonty is currently operating three mines: Los Santos in Spain, Panasqueira in Portugal which was acquired in January 2016, and Wolfram Camp in Australia.

Los Santos is the most significant operating asset of the company with a total production of 104,819 mtu  $WO_3$  in 2015. In the current quarterly report of 30 June, Almonty reported slightly lower  $WO_3$  production due to lower contents. At the same time, a further 125,920 mtu  $WO_3$  resource could be added to the resource base through successful exploration activities. The management



PROCESSING PLANT OF ALMONTY IN LOS SANTOS, SPAIN

is confident that it can further extend the mine life beyond 2018 through continued exploration success and improved processing technologies that also include the re-processing older stockpiles.

In 2015, Wolfram Camp produced a total of 29,567 mtu  $WO_3$ . Given the persistently low tungsten prices and ongoing rebuilding work on the processing plant and the tailings dam, mining and processing activities were further reduced in the first quarter and completely halted in the second quarter. Resumption of operations is dependent on the further development of the tungsten price.

Panasqueira was acquired by Almonty in January for a symbolic amount of EUR 1.00 from Sojitz Tungsten Resources. It is Almonty's third producing mine. The acquisition was also associated with assumption of liabilities in the amount of EUR 1.5 million, of which Almonty immediately settled EUR 1.0 million and converted the remaining amount of EUR 0.5 million into a bond maturing on 29 December 2017 with an annual interest rate of 4 %. Panasqueira produced 59,737 mtu  $WO_3$  in 2015.

The development projects are being led by the South Korean Sangdong Mine, which is wholly owned by Almonty. Through ongoing exploration, the reserves could recently be increased by 78 % to now 7.9 million tonnes with a  $WO_3$  content of 0.45 % resulting in a metal content of 3,553,000 mtu  $WO_3$ . With these reserves, Sangdong represents one of

the largest tungsten deposits worldwide. Almonty has entered into a memorandum of understanding, which assures external financing of around CAD 57.9 million through the state-owned Korean Development Bank. Commencement of commercial production in Sangdong is envisaged for 2018.

For Valtreixal in northwest Spain, which still is in the exploration stage, Almonty increased its share to 51 % in June and intends to acquire the remaining 49 % going forward. A corresponding option is in place. A recently completed exploration campaign was able to transfer a large share of the resources into reserves. First production is also envisaged for 2018.

In addition, Almonty made an offer to take over all outstanding shares in ATC Alloys in May. The management of ATC has already committed to the sale of its shares. The ATC shareholders receive Almonty shares, which are valued at CAD 0.40 per share. The acquisition is subject to various conditions. With the acquisition of ATC, Almonty can further expand and vertically integrate its operational tungsten business. ATC holds a share of 60 % in the Vinh Bao ferrotungsten production plant in Vietnam. This is the largest of its kind outside China and has a production capacity of 4,000 tonnes of ferrotungsten per annum.

Based on the current quarterly figures that Almonty presented on 30 August, Almonty was able to generate revenues of CAD

8.2 million (six months: CAD 18.66 million) in the second quarter of 2016. Because of the persistently low tungsten prices, Almonty realised a net loss in an amount of CAD 3.13 Mio. (six months: CAD 7.60 million). The business trends are closely related to the presently low prices for tungsten, which in the last few months traded in a range of about USD 162 to 220 per mtu.

## HAMMER METALS

Since early 2015, Deutsche Rohstoff has taken advantage of the general market weakness in the commodities sector and invested a total of AUD 1.7 million in the exploration company Hammer Metals through several capital placements. Hammer Metals is listed on the Australian stock market ASX with Deutsche Rohstoff being the largest shareholder holding a total stake of 15.50 % as of 30 June 2016.

During the reporting period, Deutsche Rohstoff took part in two capital raises which amounted to AUD 340,000 at an average price of AUD 5.4 cents per share. In addition, in early September the convertible note which Deutsche Rohstoff held until then was converted at a conversion price of AUF 0.06. The note had been issued in the amount of AUD 650,000 attracting an interest of 10 % p.a. Through the conversion, Deutsche Rohstoff increased its share in Australia's explorer to 17.84 % and consolidate its position as the company's largest shareholder.

# METALS

Hammer possesses a very extensive portfolio of exploration licenses in the region of Mount Isa, Australia, with a total surface area of around 2,600 km<sup>2</sup>. These properties are geologically highly promising and are also located in strategically positive proximity to mines of major companies, such as Glencore, BHP Billiton or Chinova. Hammer's primary goal is to identify a so-called Iron-Oxide-Copper-Gold deposit, as for example represented by the nearby Ernest Henry Mine (approx. 220 million tonnes of ore with a copper content of 1.1 % and a gold content of 0.5g/t).

The search for and acquisition of promising license areas is an ongoing process, for which Hammer has developed a systematic approach. In recent months, it was able to stake out three further copper-gold targets, which were located on unlicensed territory. The company has now secured the so-called "Cathay", "Resolve" and "Questro" areas by applying for exploration licenses. In addition, Hammer has acquired five production licenses for the so-called "Millennium" properties at a purchase price of AUD 57,950 in cash and 0.5 million Hammer shares in May of this year. Historical drilling data of this area show very good results, e.g. a 19 m long drilling core section with a copper content of 1.27 %, a cobalt content of 0.38 % and a gold share of 0.7g/t. The high cobalt content, in particular, is interesting, as it is essential for the production of Li-Ion batteries. In July, Hammer began a drilling programme

on the "Millennium" and "Scalper" properties with a total 2,200m, which had been 50 % completed by mid-August. The results of the drilling analyses are expected within the next few months.

Hammer's exploration work in 2015 showed very good results, in particular for the "Overlander" zone, as a result of which it concluded a joint venture with Newmont Mining Corp. (Denver, USA) in December 2015. The joint venture covers approx. 10 % of Hammer's licence areas, in which Newmont has the right to acquire up to 75 % through investing a total of USD 10.5 million in three phases for exploration and project development. Across all phases, Newmont will provide the joint venture both technical resources and geological expertise. Similarly attractive for Hammer is the agreement that the already defined resources of "Overlander North" and "Overlander South" are excluded from the joint venture. For these, Newmont has the right of first refusal at a price of USD 2.65 million (USD 0.057/lb copper resource).

Fieldwork began in mid-January 2016. Geophysical and geochemical studies have meanwhile been completed in the meantime and drill targets of the forthcoming drilling campaign have been finalized. The programme consists of 1,500m core drilling, which are scheduled to be completed by the end of October. The aim is to test the identified gravimetric and magnetic anomalies on the "Overlander" territory license.

At the beginning of August, Hammer was able to post another success with the entry of the Resource Capital Fund VI L.P – RCF VI as a strategic investor. The private equity fund is based in Denver, USA, and manages assets worth USD 2.04 billion investing in promising commodity projects. As part of a capital raise totalling AUD 2.25 million, RCF VI invested AUD 1.75 million in Hammer Metals, becoming the second-largest shareholder after Deutsche Rohstoff.

For Hammer this opens up the opportunity to set up a third exploration and drilling programme, which will be realised in the coming 12–18 months.

## CERITECH

Ceritech AG, in which Deutsche Rohstoff holds 67.86 %, focuses on processing optimization for rare earth production from specific gypsums that are produced as waste in Brazil. In 2015, two Brazilian partners, both well-known mining corporations, each sent four tonnes of sample material to the laboratory of Ceritech in Germany, which were then examined closely in the subsequent months. The results presented in July of this year show, that the gypsums of one location should particularly good rare earths recoveries even with simple refining methods. Ceritech, for instance, succeeded in extracting concentrates with up to 35 % rare earth content, which in turn can easily be processed further. The sample from the second location in Brazil



EXPLORATION WORK FOR TIN IN SADISDORF, GERMANY

revealed a more complex composition, for which not all refining issues have so far been clarified.

In recent months, however, there have been substantial delays in the project's progression. Because of the currently low commodity prices, both Brazilian partner companies are undergoing a restructuring process at the moment, which among other things also includes the sale of the two gypsum projects. During the quite long and still ongoing sales process, Ceritech has no direct local contact partner and thus insufficient planning certainty to justify any rapid further development of the projects. For that reason, Ceritech has temporarily deferred all further activities for these projects until cooperation agreements are

in place with the new owners guarantee Ceritech with exclusive access to the gypsums resource . This is a prerequisite for the resumption further technical research and planning of the pilot plant.

## TIN INTERNATIONAL

The main focus of the work of Tin AG (DRAG share: 61.5 %) in the reporting period was on the Sadisdorf license. Underground mapping was carried out as well as samples were taken with for thin section analysis, with the aim to identify additional mineralized zones. The analysis results are expected to be released by the end of 2016 and will be used for an internal resources update. Above and beyond that, refining tests are taking place on

Sadisdorf ore as part of a research project sponsored by the Ministry for Education and Research (BMBF).

In the Gottesberg license area, the accessible historical exploration reports were examined and analyzed. Preparations are presently ongoing for a geological mapping campaign, which is planned to be carried out in the fourth quarter of 2016.

For the Geyer license area, an internal indium resources estimate is currently being produced with the aim to assess the economic potential this commodity. In addition, refining tests of Geyer ore are carried out as part of a BMBF funded research project.





# SEMI-ANNUAL ACCOUNTS

# GROUP MANAGEMENT INTERIM REPORT

(PER HGB, UNAUDITED)

The following represents an abridged management report, which essentially addresses the differences from the Consolidated Financial Statements for 2015. To that extent we refer to the 2015 Annual Report for a detailed presentation and the extensive management report it contains.

## I. BASIS OF THE GROUP

### 1. BUSINESS MODEL

There have been no changes to the business model described in the 2015 Annual Report as of 30 June 2016, the Deutsche Rohstoff Group was made up of the following group companies, see below.

There have been several changes when compared to the 2015 Annual Report:

- Deutsche Rohstoff AG disposed of the shares in Strategic Resources Development Pty Ltd (SRD), Taringa, Australia. The shares in Hammer Metals held by SRD, which the participation of Deutsche Rohstoff accounted for, were transferred to Deutsche Rohstoff AG and are now held directly. To that extent, the recognition of two participations in Hammer Metals is dropped.

- The share in Cub Creek Energy LLC rose to 79.93 % within the context of a capital increase.

- The share in Almonty Industries Inc. dropped to 12.58 % (previous year: 23.53 %). The percentage decrease is due to the merger of Almonty Industries Inc. with Woulfe Mining Corp. in September 2015 and in the connection thereof issued of new shares by Almonty Industries Inc. After issuance of the new

# Deutsche Rohstoff AG

Heidelberg

| Germany   | Australia                                     | USA  | Canada   |
|---|---|--|--|
| CERITECH AG<br>67.86 %   Leipzig                | HAMMER METALS LTD<br>15.50 %   Perth          | DEUTSCHE ROHSTOFF USA INC<br>100.00 %   Wilmington       | DEVONIAN METALS INC<br>47.00 %   New Westminster |
| RHEIN PETROLEUM GMBH<br>10.00 %   Heidelberg    | TIN INTERNATIONAL PTY LTD<br>61.51 %   Sydney | ELSTER OIL & GAS<br>93.04 %   Denver                     | ALMONTY INDUSTRIES INC<br>12.58 %   Toronto      |
| JUTLAND PETROLEUM GMBH<br>100.00 %   Heidelberg |   | TEKTON WINDSOR LLC<br>100.00 %   Denver                  |  |
| TIN INTERNATIONAL AG<br>61.51 %   Leipzig       |   | DIAMOND VALLEY ENERGY PARK LLC<br>100.00 %   Denver      |  |
|   |   | CUB CREEK ENERGY LLC<br>79.93 %   Denver                 |  |
|   |   | SALT CREEK OIL & GAS LLC<br>60.00 %   Denver             |  |
|   |   | MOUNTAIN STATES RESERVE COMPANY LLC<br>100.00 %   Denver |  |

STRUCTURE UNDER CORPORATE LAW

shares and the consequent dilution, Deutsche Rohstoff AG held 14.08 %.

At the annual general meeting in June 2016, the shareholders of Tin International Pty Ltd resolved to apply for dissolution of the company. That dissolution, however, had not yet taken place at the time of publication of this report.

Since May 2010, the shares of Deutsche Rohstoff AG have been traded in the Entry Standard of the Frankfurt Securities Exchange. As of 30 June 2016, the market capitalisation amounted to around EUR 83.5 million (31.12.2015: EUR 75 million).

## 2. GOALS AND STRATEGIES

No changes

## 3. RESEARCH AND DEVELOPMENT

No changes

# II. ECONOMIC REPORT

## 1) MACRO-ECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

With regard to the development of prices for the commodities important to the Group, we refer to the comments in the Letter to Shareholders of this semi-annual report and to the presentation of the individual business segments.

## 2) COURSE OF BUSINESS

In the first half of 2016, Elster Oil & Gas was involved in six horizontal wells, which began production in June 2016. Cub Creek Energy commenced drilling of nine horizontal wells in June 2016 and began 10 further wells in July 2016. All 19 wells are expected to begin production in October and November 2016.

Concerning the further activities, we refer to the 2015 Annual Report and the comments in this interim report.

# III. EARNINGS, FINANCIAL AND ASSETS SITUATION

## EARNINGS SITUATION

In the first six months, the Group realised revenues as planned from the five wells in which Elster Oil & Gas had participated in 2015. They ran to EUR 1.1 million. All wells were temporarily shut in at the beginning of May, as six further wells had been

accommodated and completed on the same drilling site in May and June, so no revenues were realised in that period. In the course of the summer, the operator began connecting these wells again, so revenues will be realised in the second half of the year.

Own work in the amount of around EUR 0.8 million has been recognised in connection with the preparations of oil and gas production both by Elster and Cub Creek. The Group realised other operating income of EUR 1.0 million (previous year: EUR 5.8 million) from exchange rate gains, which, however, were counteracted by exchange rate losses of 1.8 million (previous year: EUR 0.3 million). These were posted in the other operating expenses.

Personnel expense rose significantly in the first six months versus the first six months of 2015 from EUR 0.55 million to EUR 1.6 million. The reason was mainly in the reallocation of Management salaries of US subsidiaries out of other operating expenses into the personnel expenses in the second half of 2016 as well as the increased activities in the US companies.

Depreciations increased to EUR 0.9 million (previous year: EUR 0.4 million). In the first instance, this reflects the depreciation of the five new wells in the USA, which will be depreciated based on the expected production.

The other operating expenses rose significantly in the first six months. A significant share had foreign exchange losses of EUR 1.8 million. Furthermore, the position other operating expenses contains operating cost in connection to the producing wells in the US in the amount of EUR 0.6 million (previous year: EUR 0).

At EUR -1.4 million, the financial results were significantly better than in the same period last year (previous year: EUR -1.8 million). While the interest expense with EUR -2.2 million remained the same, revenues increased significantly from EUR 0.4 million in the first half of 2015 to EUR 0.8 million in the first half of 2016.

The tax result was positive at EUR 1.4 million (previous year: EUR 0.9 million). Tax refunds, that are related to the producing wells in the USA, contributed most.

The earnings before interest, taxes and depreciations (EBITDA) in the first six months ran to EUR -3.0 million (previous year: EUR 3.1 million). Corrected by the depreciations, this resulted

in earnings before interest and taxes (EBIT) of EUR -4.0 million (previous year: EUR 2.7 million). The pre-tax result was EUR -5.3 million (previous year: EUR 0.9 million).

The group deficit in the first six months of 2016 amounted to EUR -3.9 million (previous year: group profit of EUR 0.2 million). Minorities accounted for EUR -0.3 of that, so the loss accounted for by Deutsche Rohstoff Group less minorities ran to EUR -3.6 million.

### FINANCIAL SITUATION

As of 30 June 2016, the liquidity (bank credit balances and securities in fixed and current assets) amounted to EUR 74.6 million (previous year: EUR 92.4 million). When compared to 31 December 2015 (EUR 83.0 million), this represents a drop of EUR 8.4 million. This can mainly be attributed to the investments in the USA (EUR 4.8 million) and interest payments for the bond (EUR 2.2 million). The funding of the Group, however, remains outstanding.

### ASSETS SITUATION

The group balance sheet total of EUR 129.1 million (previous year: EUR 130.6 million) consisted at 43 % of fixed assets and at 56 % of current assets, of which in turn the greatest share is cash balances and securities that can easily be converted into liquidity. In the first half of 2016, property, plant and equipment rose by EUR 4.8 million, of which the greatest share was accounted for by the wells at Elster Oil & Gas.

Equity fell slightly to EUR 63.5 million versus the previous year (EUR 64.6 million), as did the equity ratio, which stood at 48.4 % (previous year: 49.5 %). However, equity as well equity ratio rose compare to year end 2015. The liabilities from the bond and versus banks amounted to EUR 57.8 million (previous year: EUR 58.0 million). In the first six months, the Group repurchased bonds in an amount of EUR 0.2 million.

### OVERALL STATEMENT

In the opinion of the Executive Board, nothing has changed in the overall statement of the Annual Report that the Group's business and financial situation is outstanding. Whilst the Group closed the six months with a loss, this was within the expected scale. For the second half of the year, the Executive Board expects a significant increase in revenues due to the many new wells in the USA that will begin production. In addition and because of the investments in the USA, the Group will accrue tax refunds on a significant scale. Together, the operating profit and the tax refunds will result in a significant Group profit for the year.

### IV. FORECAST, OPPORTUNITIES AND RISKS

The Executive Board still expects a Group profit for the full year of roughly EUR 10 million. The forecast is slightly below the one made in December 2015. The reason is the slightly later than planned commencement of the Markham well. The according income will be realized in 2017. One condition for the forecast to be met is the assumption that the wells presently running in the USA will begin production as planned in the fourth quarter, that the oil price remains in the span of USD 40 to 50 per barrel and that the EUR/USD exchange rate will move between 1.10 and 1.15 until the end of the year. In addition, the company is assuming that no unscheduled write-downs on a larger scale will be necessary.

The Executive Board is still assuming that it can propose a dividend for 2016 of at least the previous year's level.

With regard to the opportunities and risks report, we refer to the 2015 Annual Report.

Mannheim, 28 September 2016

The Executive Board

Dr. Thomas Gutschlag

Dr. Jörg Reichert



# CONSOLIDATED BALANCE SHEET

(PER HGB, UNAUDITED)

| ASSETS  | 30.06.16           | 30.06.15           | 31.12.15           |
|---|--------------------|--------------------|--------------------|
|   | EUR                | EUR                | EUR                |
| <b>A. FIXED ASSETS</b>  |                    |                    |                    |
| I. Intangible assets  |                    |                    |                    |
| 1. Purchased concessions, industrial property rights and similar rights and values, as well as licences to such rights and values | 16,387,789         | 13,918,102         | 16,158,925         |
| 2. Goodwill   | 5,443,389          | 1,667,830          | 1,342,189          |
|   | <b>21,831,178</b>  | <b>15,585,932</b>  | <b>17,501,115</b>  |
| II. Property, plant and equipment   |                    |                    |                    |
| 1. Land, similar rights and buildings, including  | 360,417            | 0                  | 0                  |
| 2. producing oil production facilities  | 4,928,650          | 0                  | 5,314,075          |
| 3. Exploration and evaluation   | 6,362,852          | 2,852,646          | 1,595,909          |
| 4. Plant and machinery  | 515,075            | 3,352              | 443,974            |
| 5. Other assets, fixtures & fittings  | 112,255            | 104,529            | 119,258            |
| 6. Advance payments made and plant under construction   | 0                  | 1,453,154          | 0                  |
|   | <b>12,279,249</b>  | <b>4,413,681</b>   | <b>7,473,215</b>   |
| III. Financial assets   |                    |                    |                    |
| 1. Investments  | 12,087,121         | 12,583,695         | 11,821,167         |
| 2. Securities in fixed assets   | 9,608,254          | 10,319,316         | 11,990,430         |
|   | <b>21,695,375</b>  | <b>22,903,011</b>  | <b>23,811,597</b>  |
| <b>B. CURRENT ASSETS</b>  |                    |                    |                    |
| I. Inventories  |                    |                    |                    |
| 1. Finished goods and merchandise   | 82,762             | 71,190             | 54,574             |
|   | <b>82,762</b>      | <b>71,190</b>      | <b>54,574</b>      |
| II. Accounts receivable and other assets  |                    |                    |                    |
| 1. Trade accounts receivable  | 441,661            | 69,097             | 1,738,465          |
| 2. Amounts owed by undertakings in which the company has a participating interest   | 1,232,972          | 0                  | 1,093,916          |
| 3. Other assets   | 6,215,288          | 916,452            | 4,530,128          |
|   | <b>7,889,921</b>   | <b>985,549</b>     | <b>7,362,509</b>   |
| III. Securities in current assets   | 9,355,543          | 25,871,487         | 22,596,717         |
| IV. Credit balances at banks  | 55,652,229         | 56,184,523         | 48,444,686         |
| <b>C. DEFERRED EXPENSES</b>   | <b>192,790</b>     | <b>165,254</b>     | <b>275,816</b>     |
| <b>D. DEFERRED TAX ASSETS</b>   | <b>165,753</b>     | <b>4,469,887</b>   | <b>533,826</b>     |
| <b>TOTAL ASSETS</b>   | <b>129,144,800</b> | <b>130,650,514</b> | <b>128,054,055</b> |

| LIABILITIES  |           | 30.06.16           | 30.06.15           | 31.12.15           |
|--|-----------|--------------------|--------------------|--------------------|
|  |           | EUR                | EUR                | EUR                |
| <b>A. EQUITY</b>                                     |           |                    |                    |                    |
| I. Subscribed capital                                | 5,063,072 |                    |                    |                    |
| ./ Nominal amount own shares                         | -127,810  | 4,935,262          | 5,063,072          | 4,943,062          |
| Conditional capital EUR 2,000,000 (PY EUR 2,000,000) |           |                    |                    |                    |
| II. Capital reserve                                  |           | 29,750,297         | 29,628,615         | 29,740,580         |
| III. Profit reserve                                  |           | 0                  | 0                  | 0                  |
| IV. Equity differences from currency translation     |           | 6,139,865          | 5,538,628          | 6,466,537          |
| V. Consolidated profit                               |           | 14,458,321         | 21,579,293         | 18,124,147         |
| VI. Shares of other shareholders                     |           | 7,240,513          | 2,800,442          | 2,566,102          |
|  |           | <b>62,524,258</b>  | <b>64,610,050</b>  | <b>61,840,428</b>  |
| <b>B. PROVISIONS</b>                                 |           |                    |                    |                    |
| 1. Provisions for taxes                              |           | 179,122            | 0                  | 179,122            |
| 2. Other provisions                                  |           | 2,691,973          | 2,161,393          | 910,311            |
|  |           | <b>2,871,095</b>   | <b>2,161,393</b>   | <b>1,089,433</b>   |
| <b>C. LIABILITIES</b>                                |           |                    |                    |                    |
| 1. Bonds, of which convertible EUR 0                 |           | 51,398,000         | 51,555,000         | 51,555,000         |
| 2. Amounts owed to banks                             |           | 6,400,000          | 6,400,000          | 6,406,622          |
| 3. Advance payments received on orders               |           | 0                  | 0                  | 0                  |
| 4. Trade accounts payable                            |           | 554,442            | 352,264            | 956,669            |
| 5. Other liabilities                                 |           | 2,211,118          | 2,091,928          | 3,267,157          |
|  |           | <b>60,563,560</b>  | <b>60,399,192</b>  | <b>62,185,448</b>  |
| <b>D. DEFERRED TAX LIABILITIES</b>                   |           | <b>3,185,887</b>   | <b>3,479,879</b>   | <b>2,938,746</b>   |
| <b>TOTAL LIABILITIES</b>                             |           | <b>129,144,800</b> | <b>130,650,514</b> | <b>128,054,055</b> |

# CONSOLIDATED INCOME STATEMENT

(PER HGB, UNAUDITED)

|  | 01.01.–30.06.2016 | 01.01.–30.06.2015 |
|--|-------------------|-------------------|
|  | EUR               | EUR               |
| 1. SALES   | 1,228,079         | 0                 |
| 2. CHANGES IN INVENTORY OF FINISHED GOODS AND WORK IN PROGRESS   | 1,110             | 4,094             |
| 3. OTHER OWN WORK CAPITALISED  | 791,720           | 407,340           |
| 4. OTHER OPERATING INCOME  | 989,056           | 5,831,524         |
| 5. COST OF MATERIALS   | 1,811             | 700               |
| a) Expenses for raw materials, supplies and purchased merchandise  | 0                 | 0                 |
| b) Expenses for purchased services   | 1,811             | 700               |
| 6. PERSONNEL EXPENSES  | 1,599,758         | 549,167           |
| a) Salaries & wages  | 1,542,867         | 491,025           |
| b) Social contributions and expense for pensions and support   | 56,891            | 58,142            |
| – of which for pensions EUR 11,077 (PY EUR 8,722)  |                   |                   |
| 7. DEPRECIATIONS   | 948,877           | 422,107           |
| a) on intangible fixed assets and property, plant and equipment  | 948,877           | 422,107           |
| b) on current assets   | 0                 | 0                 |
| 8. OTHER OPERATING EXPENSES  | 4,323,229         | 2,588,316         |
| 9. OTHER INTEREST AND SIMILAR INCOME   | 827,197           | 370,018           |
| 10. DEPRECIATIONS ON FINANCIAL ASSETS AND SECURITIES IN CURRENT ASSETS                                   | 0                 | 0                 |
| 11. INTEREST AND SIMILAR EXPENSES  | 2,193,974         | 2,159,403         |
| 12. TAXES ON INCOME AND EARNINGS   | 1,394,465         | 891,332           |
| of which income from changes in deferred taxes on balance sheet<br>EUR 1,418,157 (PY expens EUR 633,542) |                   |                   |
| 13. PROFIT (LOSS) AFTER TAXES  | -3,946,344        | 1,952             |
| 14. OTHER TAXES  | 0                 | -148,641          |
| 15. GROUP-DEFICIT (-) / -PROFIT (+) FOR THE YEAR   | -3,946,344        | 150,593           |
| 16. PROFIT (-) / LOSS (+) ACCOUNTED FOR BY SHARES OF OTHER SHAREHOLDERS                                  | 387,313           | 176,537           |
| 17. PROFIT CARRIED FORWARD (+)   | 18,124,147        | 21,252,162        |
| 18. APPROPRIATION TO PROFIT RESERVES   | -106,795          | 0                 |
| 19. GROUP PROFIT   | 14,458,321        | 21,579,293        |

# SELECTED GROUP NOTE DETAILS FOR THE FIRST HALF YEAR 2016 (PER HGB, UNAUDITED)

The parent company, Deutsche Rohstoff AG, has its registered office in Heidelberg. The company is entered under number HRB 702881 in the register of the Amtsgericht Mannheim.

Application of the Act to Implement the Accounting Directive (BilRUG). The BilRUG came into effect on 23 June 2015.

Application of the new accounting rules is compulsory from 1 January 2016. To that extent, the presentations of the six monthly results are only conditionally comparable with those of the previous year.

The consolidated financial statements of Deutsche Rohstoff for the six months to 30 June 2016 were drawn up in accordance with the accounting regulations of the German Commercial Code (§§ 290 et seq. HGB). The consolidated financial statements for the first six months do not contain all the information and explanations prescribed for the consolidated annual financial statements and should be read in conjunction with the consolidated annual financial statements as of 31 December 2015.

The consolidated income statement was drawn up in the reporting period based on the total costs method. The accounting and valuation methods applied when drawing up the consolidated financial statements for the six months correspond to those applied when drawing up the consolidated financial statements for the year ending 31 December 2015. Here we would refer to the 2015 group notes for the financial year 1 January 2015 to 31 December 2015 as printed in the 2015 Annual Report, page 58 et seq. (hereinafter: Annual Report) The consolidated financial statements for the six months are presented in Euros (EUR). Unless stated otherwise, all values are rounded up or down to one Euro (EUR) based on commercial rounding. We would point out that differences can occur when using rounded amounts and percentages. These interim consolidated financial statements have not been audited or subjected to an audit review.

## CONSOLIDATION GROUP

As of 30 June 2015, the consolidation group has changed as follows versus that of 31 December 2015.

In January 2016, Deutsche Rohstoff AG separated from Strategic Resources Development Pty Ltd (SRD) and in return received shares in the Australian company, Hammer Metals Inc., in the amount of its holding of 70%. SRD was therefore deconsolidated in January 2016.

Based on the cash capital increase carried out in June 2015 at the US subsidiary Cub Creek Energy LLC, the share in that company rose from 73.04% to 79.93%.

## CURRENCY TRANSLATION

Assets and liabilities in foreign currencies were translated at the spot exchange rate on the closing date. With a remaining time to maturity of more than one year, the realisation principle and the historical cost concept were observed. The asset and liability items of annual accounts drawn up in foreign currencies, with the exception of the equity, were translated at the spot exchange rate on the closing date. The equity was translated using historic rates. The items of the income statement were translated into Euros at the average rate. The translation difference as a result is recognised within the Group equity under the item "Equity difference from currency translation".

## EXPLANATIONS ON THE CONSOLIDATED BALANCE SHEET

Only those items are listed below in which significant changes have been registered in the six months from 1 January to 30 June 2016 when compared to the previous year (30 June 2015). Otherwise, we would refer at this point to the comments in the Annual Report.

## FIXED ASSETS

The capital consolidation of Cub Creek Energy in June 2016 resulted in a differential amount capitalised as goodwill in an amount of EUR 4.2 million. From July 2016 onwards, that goodwill will be depreciated on a straight line basis over a commercial life of 15 years. The commercial life was estimated based on the average production periods of the oil wells of Cub Creek Energy.

As of 30 June 2016, the item Exploration and Evaluation stands at EUR 6.4 million (previous year: EUR 2.8 million). On the one hand, the change is based on the fact that Elster Oil & Gas has begun with six horizontal wells, production of which started in July 2016. On the other hand, Cub Creek started the drilling program in the Wattenberg oilfield with in total 19 wells on two drilling sites. The planned production start here will probably be in October/November 2016. Until commercial production begins, the wells are recognised under the item Exploration and Evaluation. From production onwards they are recognised under the item Producing oil production facilities.

## CURRENT ASSETS

### OTHER ASSETS

The other assets include tax claims in an amount of EUR 5.6 million of the company Deutsche Rohstoff USA, which relate to the years 2015 (EUR 3.6 million) and 2016 (EUR 2.0 million). As regards the tax refunds for 2014, a payment is still expected this year.

### EQUITY

As of the balance sheet date, the capital reserve in the Group is EUR 3.7 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 the asset and liability items of the annual financial statements drawn up in US Dollars on the closing date, as well as the currency translation of the profit and loss accounts drawn up in US Dollars. Because of the lower US Dollar rate, this item has fallen by EUR 0.4 million when compared to 31 December 2015 and now amounts to EUR 6.1 million as of 30 June 2016.

### LIABILITIES

The item Bonds, not convertible, includes liabilities from the issuance of a company bond and, as of 30 June 2016, stands at a value of EUR 51.4 million as compared with EUR 51.6 million as of 31 December 2015 and has a term until July 2018. Furthermore, a loan to banks is reported in the amount of EUR 6.4 million. The loan has a remaining term until 26 September 2018, matures and is fully hedged by a pledged fixed deposit.

As of 30 June 2016, the item Other liabilities amounts to EUR 2.2 million (previous year: EUR 2.1 million) and is mainly made up of the interest liabilities in connection with the company bond as of 30 June 2016. Liabilities with a duration greater than one year amount to EUR 0.065 million.

### CONTINGENT LIABILITIES

There are contingent liabilities from guarantees in an amount of EUR 0.075 million.

## EXPLANATIONS ON THE CONSOLIDATED INCOME STATEMENT

### SALES

Revenues relate mainly to Elster Oil & Gas and its interest in five producing oil wells. In terms of revenue from oil wells there are production taxes that are deducted directly from revenues

according to the specifications of BilRUG. In the first half of 2016 production taxes totaling EUR 110,322.42 were incurred.

### OTHER OPERATING INCOME

The other operating income consists of foreign exchange gains in the amount of EUR 1.0 million (previous year: EUR 5.8 million) faced by foreign exchange losses in the amount of EUR 1.8 million.

### OTHER OPERATING EXPENSES

In an amount of EUR 1.8 million, the other operating expenses account for currency losses incurred at the level of Deutsche Rohstoff AG. Of that, EUR 0.6 million account for unrealised currency losses incurred through the closing date valuation of bank accounts held in US Dollars.

## V. POSTSCRIPT REPORT

Since the balance sheet date, the following events have significantly influenced the course of business as of the end of September 2016:

On 6 July 2016, Deutsche Rohstoff AG paid out a dividend of 55 cents per share (previous year: 50 cents).

In mid-July 2016, the placement of a new bond with a coupon of 5.625 % was successfully completed. The volume placed, including a swap of the old bond 2013/2018 into the new bond, ran to EUR 40.6 million. On 19 July, the company announced that it was cancelling half of the remaining volume of the old bond. That cancellation took place on 25 August 2016. The outstanding volume of the old bond still runs to EUR 15.8 million. A further nominal EUR 2.1 million of the new bond was placed by the end of September. The average selling price was 103.72 %.

At the end of July 2016, the subsidiary Almonty Industries announced that the reserves of its key development project, Sangdong in South Korea, had risen by 74 % and that the company had succeeded in signing a binding agreement with the Korean Development Bank concerning external financing in an amount of around CAD 58 million (EUR 40.3 million).

Likewise at the end of July, Elster Oil & Gas took up production from six new horizontal wells. Elster announced the production results of the first 30 days at the end of August. In total, the wells produced 2,700 barrels oil-equivalent per day, of which Elster accounted for around half.

At the beginning of August, the subsidiary Hammer Metals announced a capital increase in an amount of AUD 2.25 million, in which Deutsche Rohstoff AG did not take part. In mid-September, Hammer published the first results of the drilling on the Millennium property. At the same time, Deutsche Rohstoff announced that it had swapped an outstanding convertible bond into Hammer shares. The share in Hammer rose as a result to 17.84 %.

In mid-August, Cub Creek Energy announced that the company had succeeded in acquiring a further 1,500 acres net in the Wattenberg Field. Cub Creek expects that up to 50 horizontal wells of each two miles in length will be possible on these leases.

The price for US oil (WTI) has fluctuated in recent months at between USD 40 and 50 per barrel and thus meets the expectations. The same applies to the EUR/USD exchange rate, which has moved since mid-March in a relatively tight span of between EUR/USD 1.10 and 1.15.

With regard the "Other information", we also refer to the Annual Report.

Mannheim, 28 September 2016

The Executive Board

Dr. Thomas Gutschlag, Dr. Jörg Reichert

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### 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.

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