Deutsche Rohstoff

ANNUAL REPORT 2016

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CORPORATE BODIES (AS OF 31 / 12 / 2016)

EXECUTIVE BOARD	DR. THOMAS GUTSCHLAG	
	DR. JÖRG REICHERT	(up to 31 / 12 / 2016)
	JAN-PHILLIP WEITZ	(as of 01 / 01 / 2017)
SUPERVISORY BOARD	MARTIN BILLHARDT	(Chairman)
	PROF. DR. GREGOR BORG	
	WOLFGANG SEYBOLD	

DEUTSCHE ROHSTOFF GROUP AT A GLANCE

(Annual financial statements in accordance with the German Commercial Code (HGB) / Consolidated Financial Statements)

IN TEUR	31.12.2016	31.12.2015	31.12.2014
Sales Revenue	9,170	1,899	22,870
EBITDA	6,374	4,906	113,768
EBIT	-541	2,419	88,726
Result from ordinary activities	-1.953	-557	84,661
Net profit (after minority interests)	102	1,155	25,171
Cash and cash equivalents	35,679	83,032	103,325
Shareholder's equivalent	66,121	61,840	62,488
Equity ratio in %	34.2	48.3	46.4
Number of shares in thousands (DRAG)	5,063	5,063	5,322
Market capitalization	133,361	74,933	89,837

SHARE DETAILS (AS OF 31 / 12 / 2016)

Total number of shares	5,063,072
Amount of share capital	EUR 5,063,072.00
Stock exchange	XETRA , Tradegate, Frankfurt, Berlin, Düsseldorf, Stuttgart
ISIN / WKN	DE000A0XYG76 / A0XYG7
Stock exchange segment	Entry Standard (since 1 March 2017 listed in the new Scale Segment), member of the Performance-Index TOP 30, DAX Int. Mid 100-Index and the Rhine-Neckar-Index
Designated Sponsor	ICF Bank AG

SHAREHOLDER STRUCTURE

Management	10.0 %
Deutsche Rohstoff AG (from the share buyback programme)	2.5 %
BASF-VC	6.3 %
Other Investors	81.2 %

FINANCIAL CALENDAR 2017

Annual Report 2016	08 / 05 / 2017
Report 1st Quarter 2017	11 / 05 / 2017
Annual General Meeting 2017	07 / 07 / 2017
Semi-Annual Report 2017	until 30 / 09 / 2017

CONTENTS

DEAR SHAREHOLDERS OF DEUTSCHE ROHSTOFF AG, LADIES AND GENTLEMEN,

The past financial year was marked by the drilling of the first 21 horizontal wells by our US subsidiary Cub Creek Energy. About USD 50 million have been invested in this drilling program. The Cub Creek team worked at full speed on these wells all year. On occasion two wells were drilled at the same time. In mid-November the first oil was produced from our Vail pad, Markham followed at the end of December. The effort has paid off: Both pads produced around 685,000 barrels of oil equivalent (BOE) together in the 1st quarter of 2017. The significant 60 and 90-day production was well above our expectations.

Further good news followed shortly before Christmas: Salt Creek Oil & Gas successfully completed the purchase of a landpackage with producing wells and undeveloped well sites in North Dakota. With this, we have entered into one of the most profitable oilfields in the USA. We are expecting a very good return on this acquisition, as this is high-quality land. We were able to finance part of the purchase price of USD 38.1 million by lending on the purchased reserves. A renowned US bank has provided the corresponding credit line.

DR. THOMAS GUTSCHLAG,
CEO, DEUTSCHE ROHSTOFF AG

Both companies have therefore invested around USD 88 million in the past year. In addition to this, six new wells were drilled on tenements held by our third US subsidiary Elster Oil & Gas. With these investments we have laid the foundations for strong revenue and profit growth in 2017 and the next few years. This was already indicated in the reserves report as of 31 December 2016 which was published by Cub Creek. According to the report, the value of Cub Creek's reserves has more than doubled since May 2016 to over USD 200 million. If the reserves of the two other companies are added to this, in the past three years we have created a reserve value of approximately USD 300 million from virtually nothing.

This development occurred against a downward trending oil price in recent years. In the first quarter of 2016, the for us essential US WTI oil price fell to USD 26 per barrel, its lowest level for many years. Over the course of the year prices then roughly doubled, but remained well below the highest levels of 2014. We are expecting a moderate upward trend for the current year. Nevertheless, we have hedged a significant part of our current production against a possible sharp fall in prices.

For the first time in four years, prices of base metals also rose in the past year. In particular zinc, tin and copper benefited from the improved fundamental data and shrinking stocks. Based on experience, the prices of special metals such as tungsten and rare earths follow with a certain time lag. The higher prices also resulted in greater interest from investors in the sector, which was expressed in many transactions and loans. In spring 2017 Tin International entered a binding term sheet to establish a joint venture with Lithium Australia, which intends to develop a lithium resource at Tin's Sadisdorf license. With this, we are also represented for the first time in the booming lithium market.

The annual profit was lower than we had forecasted. The reason for this was the fact that the wells in the USA entered production later than expected in the September forecast. In addition, despite an expected tax refund of USD 13.1 million, we were only able to post tax income of EUR 2.0 million, which was well below our expectations. There were also a few special effects. The consolidated profit totaled EUR 0.1 million, which is in line with our corrected forecast from February 2017. For 2018 and 2019 we are expecting strong revenue and profit growth, as expressed in the forecast which we stated in the management report.

Our shareholders will certainly be pleased with the fact that we will again propose an increased dividend of EUR 0.60 to the Annual General Meeting.

We are able to pay a dividend because the group's parent company, Deutsche Rohstoff AG, achieved an annual surplus of EUR 14.0 million. The payout of a reliable and preferably increasing dividend will remain a key goal of the Executive Board in future.

We were successful in the past year on the financing side. The placement of a further bond was very important. Despite a very difficult market environment, we were able to raise around EUR 50 million by the end of the year and redeemed the bond 13 / 18 up to a balance of EUR 15.8 million. We have therefore increased our financial leeway and at the same time reduced our financing costs. Salt Creek was the first group company to negotiate a loan on oil and gas reserves. This opens up a very flexible and cost-effective financing option going forward.

In terms of the balance sheet, the group remains on solid ground. The balance sheet total has risen significantly to EUR 193.4 million. This is mainly due to the purchase of the project in North Dakota and effects as at the balance sheet relating to Cub Creek. Due to our high level of investment in the USA, property, plant and equipment has risen again to 41 % of the balance sheet total. Liquid funds of the current assets were very comfortable at around EUR 28 million as at the year-end. As a consequence, we were and are able to act at all times.

Our share performance was very pleasing in the past year. Compared to the start of the year, our share price increased by around 78 % by the end of December. From the summer, trading turnover in the share also rose significantly.

For the coming year we again want to achieve a lot. We want to drill more wells with Cub Creek than in the past year. For the first time, Salt Creek will also contribute to revenue and profit. We are convinced that we will gain a lot of pleasure from this acquisition. Finally, we can also see better times ahead in the Metals division. In some cases prices rose significantly in the past year, and with them so did the interest of investors in the sector. The agreed cooperation of Tin International with Lithium Australia represents a first success. We are hoping that we will be able to report further transactions and contracts over the course of the year.

JAN-PHILIPP WEITZ,
CFO, DEUTSCHE ROHSTOFF AG

The first quarter of 2017 was very pleasing in particular in the oil and gas business in the USA. We are optimistic for the remainder of the year. The foundations for another successful year have without any doubt been laid. We will do everything to use these foundations to make this a strong year for Deutsche Rohstoff AG and its shareholders!

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

Thomas Gutschlag	Jan-Philipp Weitz
CEO	CFO

DEVELOPMENT OF COMMODITY MARKETS AND OUTLOOK

AN INTERVIEW WITH TIM SULSER, CEO OF SALT CREEK OIL & GAS

Tim founded Salt Creek Oil and Gas, LLC with Deutsche Rohstoff AG in 2015 after five years as an investment banker with Tudor, Pickering, Holt & Co (TPH), most recently heading their Denver office. While at TPH, Tim advised upstream clients on acquisitions and divestitures and energy capital markets. Prior to joining TPH he worked as a reservoir engineer for reserve engineering consultant Netherland, Sewell, and Associates in Houston, TX. He started his career with Marathon Oil Company in Lafayette. Tim holds a B.S. in Petroleum Engineering from Montana Tech and a M.S. in Operations Research from Columbia University.

Crude oil prices have fallen further until early 2016, afterwards they recovered significantly. Since the OPEC decision in November, prices have been constant around USD 50 per barrel. What do you think are the price trends for the next three years?

Tim Sulser: We are certainly optimistic. However, industry has made an effort to reduce drilling and completion costs and companies are focused drilling wells in the best areas. That said these high quality areas will not last forever and as these opportunities decline, we should see slower growth in US oil production. Furthermore, it takes time to work off inventory that has built-up over the last couple of years. In the medium run, prices should be able to reach a level of USD 65.

With the completion of the acquisition of the Oil and Gas Production in North Dakota in December 2016, you have already marked an important milestone since Salt Creek was founded in 2015.

What sales numbers do you expect from your oil price estimate for 2017?

Tim Sulser: You know, the big number is operating cash flow, which should be around 8 million USD provided we get efficient and timely completion of the currently planned wells by the operators

With the North Dakota transaction, 90 significant wells are expected to be drilled in 3 to 5 years. Are there any specific timetables?

Tim Sulser: The biggest thing right now is we've already received the budget -or in oil & gas terms AFEs (Authorization for Expenditure) - for nine wells from operators which -in the first quarter of a year- is great and we are on pace for another 27 wells this year which is not likely but we could see another 6 to 10 AFEs this year.

It is certainly exciting and it helps that we are in the core of the oilfield where we can achieve maximum returns.

The reserve report from a leading independent US reserve engineering firm for the acquired acreage in North Dakota shows the high value of the project. Do you already have plans for how you can generate even more value?

Tim Sulser: Certainly, and this is a big strategic question that we face right now and that is currently being discussed. Where do we take the assets we have in the Williston Basin (North Dakota), can we grow these in a manner that adds to the existing quality or do we shift our attention to emerging plays, like we did in Oklahoma, where we took a bigger risk but positioned ourselves for a higher reward.

What is your 'strategy of the future'? Are there other acquisitions planned?

Tim Sulser: Absolutely. Our North-Dakota asset is of such high quality that it will continue draw on our capital for drilling and completions. We expect high returns on this capital and will either invest on acquisitions in North Dakota or put that and / or additional money to work in other emerging basins and plays.

A loan with BOK Financial secured you funding of USD 12.5 million. USD 9 million have already been drawn.

Are you planning to utilize the remaining USD 3.5 million and if so, what for?

Tim Sulser: This depends on many factors such as oil prices, the number of wells that will be drilled and the cashflow. When we look at our current numbers for 2017, it is likely that we use the remaining balance to drill and complete new wells even faster than expected with our operators.

What volume would you like to invest in new oil and gas fields over the next few years?

Tim Sulser: We've invested USD 28 million of equity to date. Over the next few years we could certainly invest that amount again, and likely much more. It all comes down to focusing on quality investments with the right level of risk exposure and to balance those aspects.

It is always about focusing on high quality investments with the right risk / reward trade off and balance.

For years there have been protests surrounding the Dakota Access pipeline, also known as the Bakken Pipeline, which has now been permitted by president Trump. What is your attitude to the oil pipeline project?

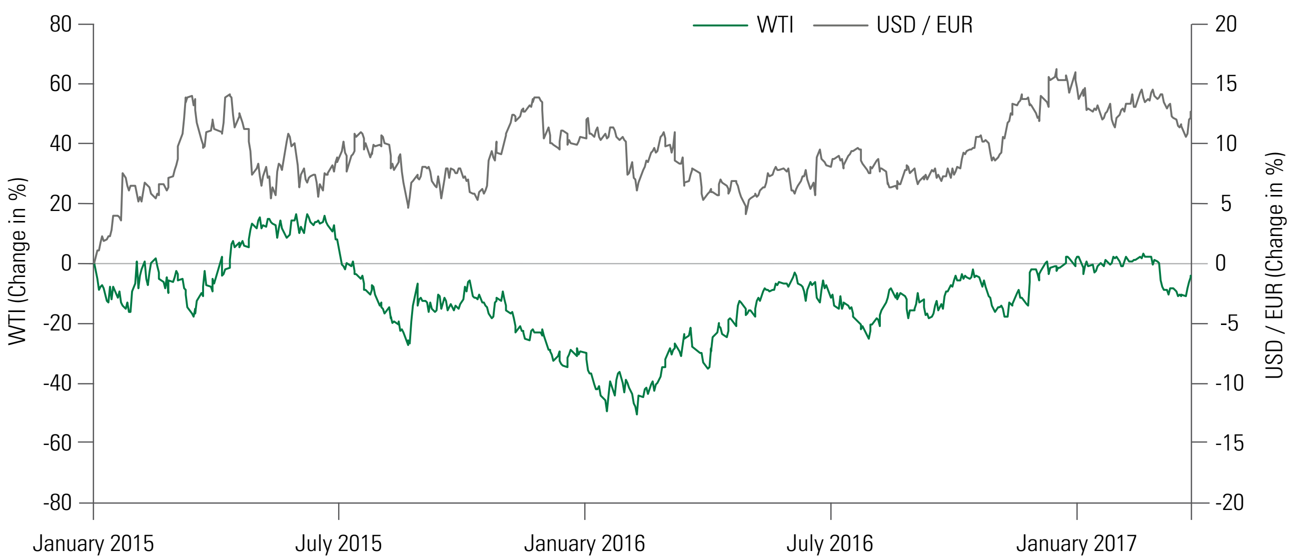
The reality is: oil pipelines are the safest and cleanest way to transport crude oil. For us specifically it does mean lower transport costs for our crude oil.

TIM SULSER,
CEO SALT CREEK OIL & GAS

One of the biggest historic challenges in the Williston Basin has been getting crude oil to the markets. With the pipeline, it will be much easier and it will increase our margins.

Thank you for the interview.

CRUDE OIL PRICE DEVELOPMENT (WTI) COMPARED TO THE EXCHANGE RATE USD / EUR



SHARE PRICE PERFORMANCE

The share price of Deutsche Rohstoff AG has picked up again in the past year, after following a downward trend since mid-2014, which was closely correlated with the drop in oil prices. The share started the year at a price of EUR 14.74 and closed at EUR 26.35 – a 78 % increase. The market capitalization (undiluted) rose to EUR 133.36 million at year-end.

The average trading volume in the Deutsche Rohstoff share on the trading centers with the highest turnovers (XETRA, Frankfurt, Stuttgart, Tradegate) was 8,569 shares per day, with XETRA accounting for 59 % of these. The average turnover per day equates to EUR 165,000.

The dividend of EUR 0.55 approved at the Annual General Meeting on 5 July 2016 was paid out on the following day to those shareholders entitled to dividends. This was a further step towards a continuous dividend policy for the company.

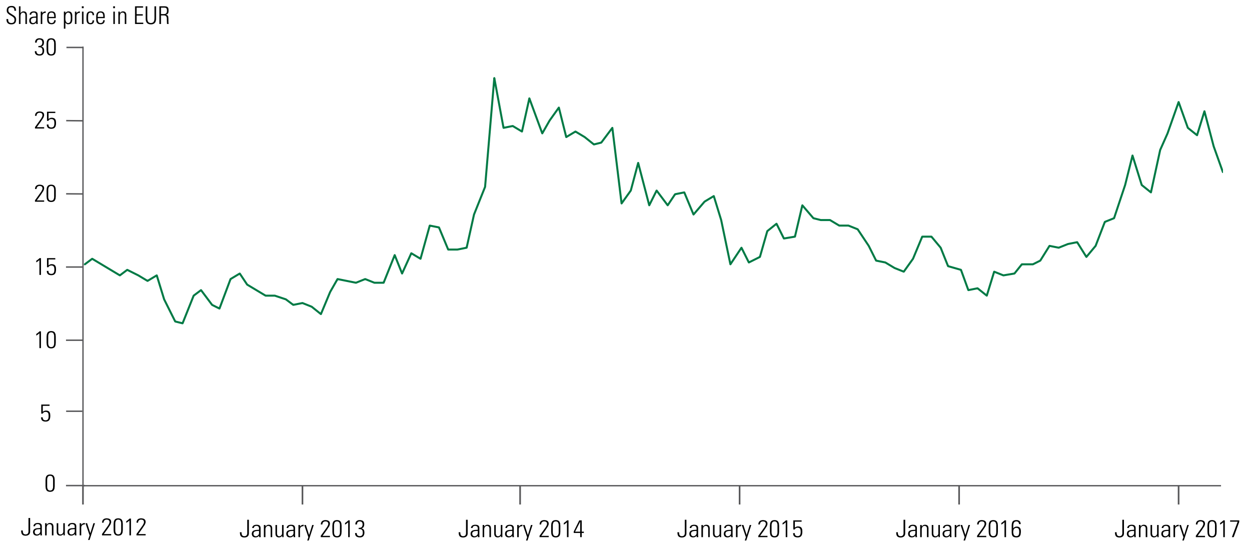
STABLE SHAREHOLDER STRUCTURE

Deutsche Rohstoff AG currently has a share capital of EUR 5,063,072, which is divided into the same number of registered shares. At the end of 2016 the Executive and Supervisory Board held 10.0% and BASF Venture Capital GmbH held 6.3 %. The company itself holds 2.5 % of the shares due to the share buyback program in August 2015. The remaining 81.2 % are spread across 4,755 shareholders.

BONDS

In July 2016, Deutsche Rohstoff AG successfully placed its second bond 2016 / 2021 (A2AA05 | DE000A2AA055), which matures on 20 July 2021. After a subsequent placement, the total outstanding volume is EUR 50.9 million. The bond 2016 / 2021 has a coupon of 5.625 % with a half-yearly interest payment. Half of the bond 2013 / 2018 (A1R07G | DE000A1R07G4) issued in 2013 was called on 25 August 2016 and repaid at 103 % of the nominal amount. The outstanding volume as of the end of 2016 amounts to EUR 15.8 million. The price of the bond 2016 listed consistently from the date of issue between 100.25 % and 104.5 %, while the price of the bond 2013 listed between 100.0 % and 107.9 %. The rating issued by Creditreform for

DEUTSCHE ROHSTOFF SHARE PRICE



ANNUAL GENERAL MEETING, 5 JULY 2016, WIESLOCH

Deutsche Rohstoff AG was confirmed in May 2016 with the rating BB+ and a stable outlook.

CAPITAL MARKET COMMUNICATION

We continued and intensified our communication with institutional investors in 2016. The Executive Board attended ten Roadshow days in Germany and Europe and presented the company to potential and existing investors. With the introduction of the Market Abuse Regulations in July 2016, higher transparency standards now apply for Deutsche Rohstoff AG, which especially concerns the handling of insider information and management transactions.

On 5 July 2016, the sixth Annual General Meeting since the listing at the Frankfurt Stock Exchange took place at the Best Western Plus Palatin in Wiesloch. 200 shareholders who attended the AGM represented 39 % of the subscribed share capital. The Annual General Meeting approved all of the resolutions proposed by management by a large majority (> 99 %).

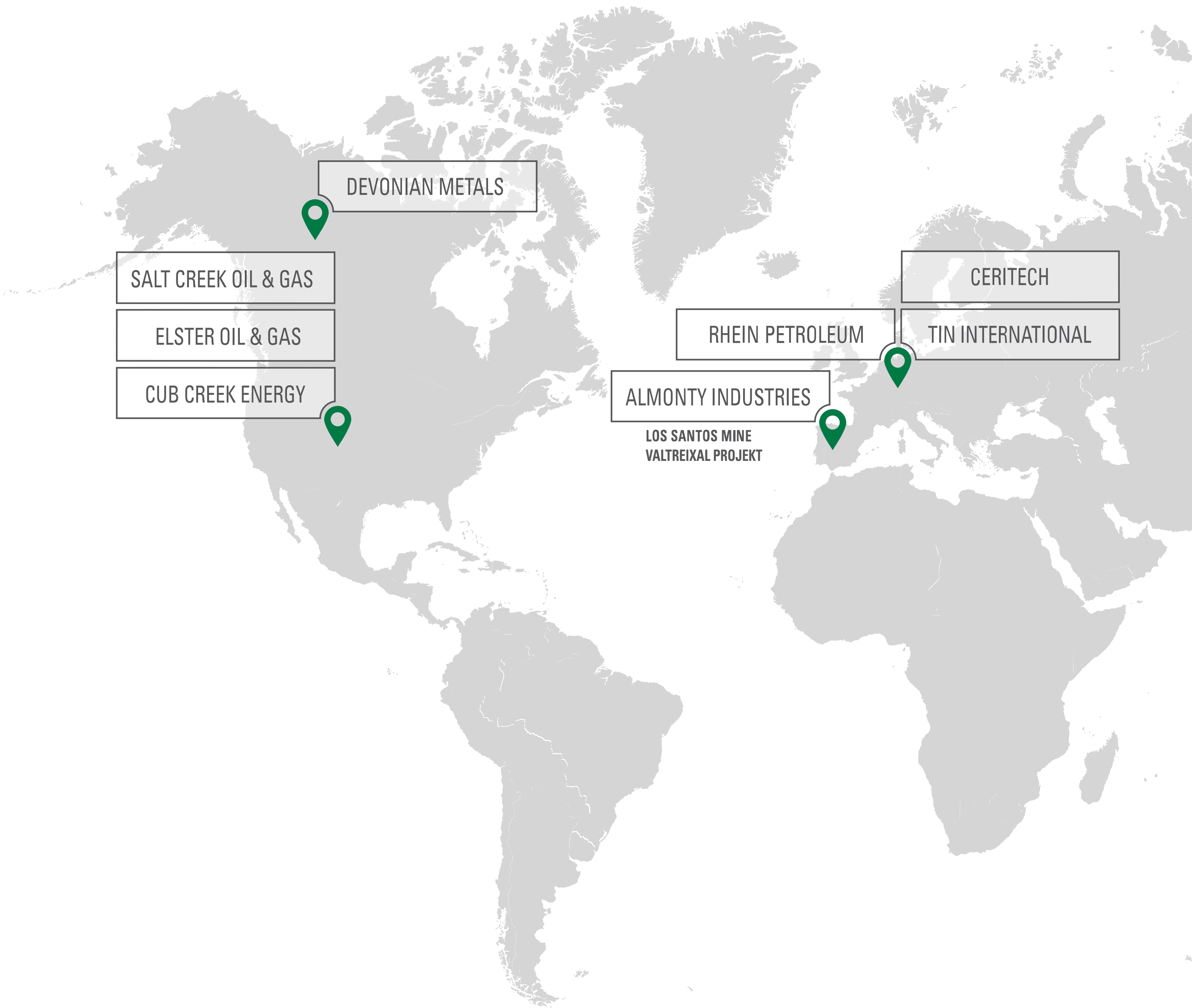
This year's Annual General Meeting will take place on 7 July 2017 at the Rosengarten Congress Center in Mannheim.

ANALYST COVERAGE

The share of Deutsche Rohstoff AG is regularly examined and valued by national and international analysts. The analyst reports include news and assessments of the commodities markets and Deutsche Rohstoff AG. On this basis they make their own profit estimates and publish share price targets. First Berlin, an independent research provider, has been analyzing our share since 2010. In addition in November 2016 Kepler Chevreux commenced to cover Deutsche Rohstoff and has since then published reports on the company on a regular basis.

Since the listing of Deutsche Rohstoff in the Scale segment of Deutsche Börse on 1 March 2017, the company has also been covered by Edison Investment Research through qualitative reports and by Morningstar through a daily quantitative report.

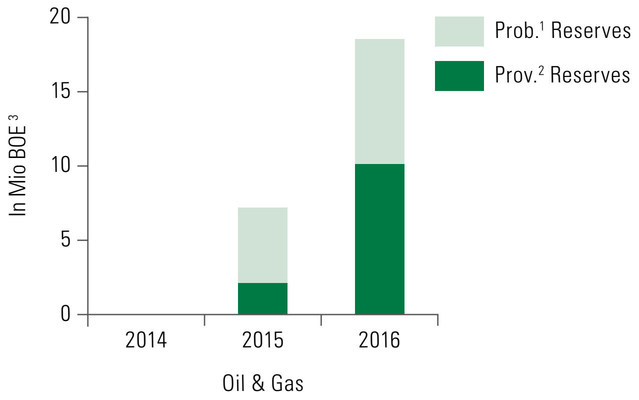
OVERVIEW RESOURCES AS AT 31 DECEMBER 2016



In the reporting period, in particular Deutsche Rohstoff's oil and gas subsidiaries have been able to increase their resource base. A significant gain was achieved with the addition of the resources of Salt Creek Oil & Gas. In the Metals division, new resources of tungsten and copper were also reported. No resource estimates were produced for the assets of Rhein Petroleum and Ceritech.

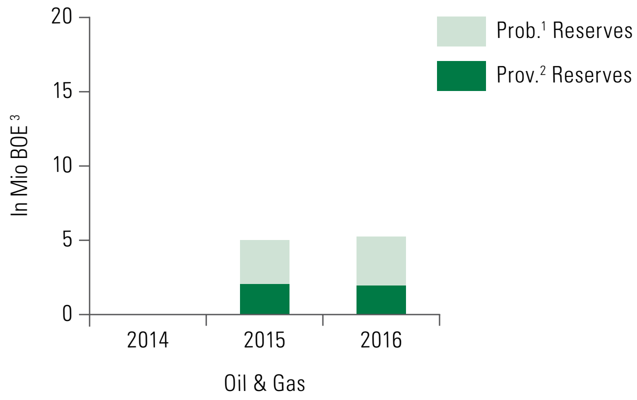
OVERVIEW RESOURCES AS AT 31 DECEMBER 2016

The following overview summarizes the current resource reports of projects. Resource depletion through mining activities between the report date and year end have not been included.



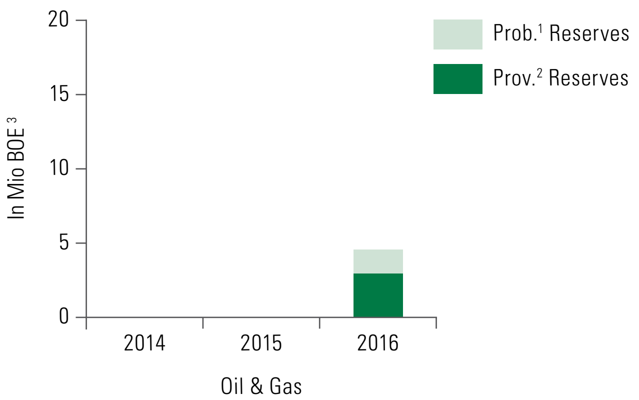
CUB CREEK ENERGY (SPE-PRMS[4])

In February 2017, Cub Creek Energy (CCE) was able to publish a resource estimate for the third time (reporting date 31 December 2016) for the total area of its properties, released by the renowned US company Ryder Scott. The reserves shown only include shares attributable to CCE.



ELSTER OIL & GAS (SPE-PRMS[4])

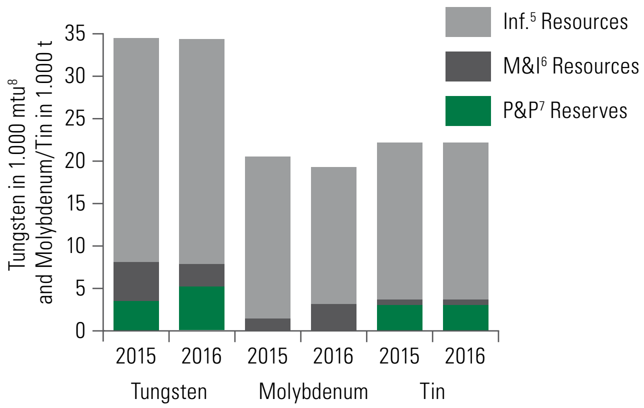
Also in February 2017, Ryder Scott published an updated reserves estimate for Elster Oil & Gas (EOG) land. Here too, the reserves estimate was made as of 31 December 2016. The reserves show only include shares attributable to EOG.



SALT CREEK OIL & GAS (SPE-PRIMS[4])

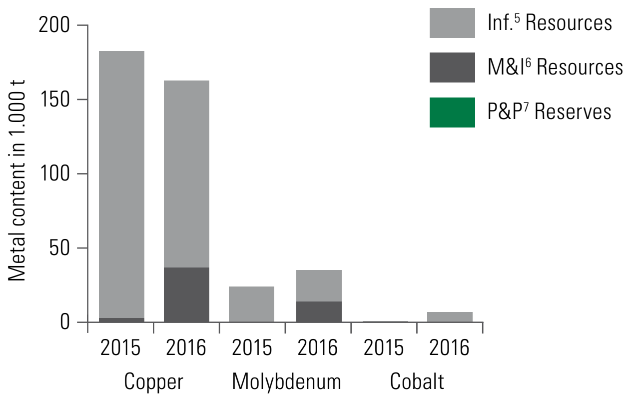
Salt Creek Oil & Gas (SCOG) had a reserves estimate for the land in the Williston Basin, North Dakota, drawn up by the renowned Netherland Sewell & Associates as at the end of 2016. The reserves shown only include shares attributable to SCOG.

1 Prob. = probable
2 Prov. = proved
3 BOE = barrel of oil equivalent („BOE"). Gas (in cubic feet) has been converted according to industry standards with the factor 5,600 to BOE
4 SPE-PRMS: Petroleum Resource Management System of the Society of Petroleum Engineers
5 Inf. = inferred;
6 M&I = measured and indicated
7 P&P = proven und probable
8 mtu = metric tonne unit, corresponding with 10 kg
9 NI43-101 = National Instrument: Canadian Standard for classification of resources
10 JORC = Joint Ore reserves Committee: Australian Standard for classification of resources



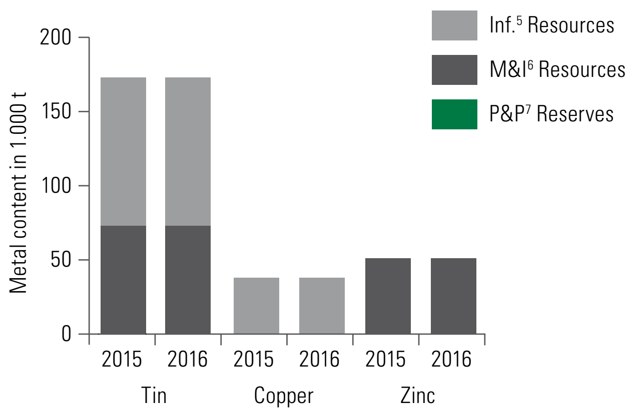
ALMONTY INDUSTRIES (NI43-101[9])

In the course of its exploration work, Almonty showed an increase in resources for the Sangdong and Panasqueira mines. For Sangdong alone, the reserves were increased by over 78 % to 7.9 million tonnes of ore with contents of 0.45 % WO_3.



HAMMER METALS (JORC2012[10])

In November, Hammer Metals confirmed the Millenium deposits (cobalt / copper) in an initial resource estimate. Part of the Kalman resources (copper / molybdenum) was also transferred to a higher resource category. The Overlander property (copper) remained unchanged.



TIN INTERNATIONAL (JORC2004 / 2012[10])

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

DEVONIAN METALS (NI43-101[9])

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

OIL AND GAS

CUB·CREEK·ENERGY

SHARE DEUTSCHE ROHSTOFF
31 December 2016: 79.93 %

STATUS
Production from 21 wells, further wells planned

STRATEGY
Expansion of oil production within the US

ELSTER OIL+GAS

SHARE DEUTSCHE ROHSTOFF
31 December 2016: 93.04 %

STATUS
Working interest in 11 producing wells, planning of further drilling

STRATEGY
Expansion of oil production within the US

SALT CREEK OIL+GAS

SHARE DEUTSCHE ROHSTOFF
31 December 2016: 90.52 %

STATUS
Working interest in 60 producing wells, further 95 wells planned

STRATEGY
Building an oil company outside the Wattenbergfield Colorado, USA

rhein petroleum

SHARE DEUTSCHE ROHSTOFF
31 December 2016: 10.00 %

STATUS
Test production and further drilling

STRATEGY
Exploration and development of oil and gas fields in Southern Germany

OIL AND GAS

DEUTSCHE ROHSTOFF USA INC.

Deutsche Rohstoff AG holds its investments in the US oil and gas business in its wholly-owned subsidiary Deutsche Rohstoff USA. Currently three subsidiaries are active in the US. In 2016 the three companies together drilled 21 wells as operators, participated financially in 6 wells and acquired new land with 60 producing wells in North Dakota.

All three US subsidiaries published reserve reports for 2016. For Salt Creek Oil & Gas an expert report was published for the first time. Cub Creek Energy (CCE) and Elster Oil & Gas (EOG) were able to increase their reserves by 84 % compared to May 2016. Together the expert reserves reports showed proved reserves of 15.06 million BOE (barrels of oil equivalent) and probable reserves of 13.40 million BOE. Based on the NYMEX futures curve (NYMEX Strip Pricing) of 31 December 2016 and 1 September 2016, the combined reserves produce the following values:

RESERVE CATEGORIE	REVENUE (MILLION USD)	NET EARNINGS (MILLION USD)	DISCOUNTED NET EARNINGS 10 % (MILLION USD)
Proved	619.02	341.62	193.18
Probable	536.28	235.96	104.06

PRODUCING WELLS IN THE WATTENBERG FIELD, USA

MARKHAM PAD IN THE WATTENBERG FIELD, USA

CUB CREEK ENERGY

Cub Creek Energy made extensive investments in land in the Wattenberg oilfield in Colorado, USA in 2016. In June the company began a drilling program with a total of 21 wells at the "Markham" and "Vail" pad. The total investment volume was approx. USD 50 million and therefore represents Deutsche Rohstoff AG's most extensive drilling program to date.

All planned 21 wells were successfully drilled and commenced production by year-end. The results of the wells are very positive and were well above management's expectations. The production volumes to the end of March 2017 were approx. 40 % above expectations. The company produced 7,752 BOE per day in January and 8,223 BOE per day in February. In March production totaled to 6,859 BOE per day. In the first quarter of 2017 Cub Creek generated a revenue of approximately EUR 17 million. In 2016, Cub Creek generated sales revenues of USD 4.5 million with production from the Vail pad, which commenced in mid-November.

For 2017, Cub Creek is planning up to 31 additional wells. At the end of March the drilling rig moved to the Haley pad and began to drill the first wells. The wells are expected to commence production in the 3rd quarter of 2017. Overall, Cub Creek Energy is planning to produce oil and gas from approx. 50 wells by the end of 2017 and therefore catch up with the major producers in the Wattenberg oilfield.

The company also has an extensive "inventory" of potential wells for the years after 2017. Approx. 100 more 1-mile equivalent wells each could be drilled. Due to an expected improvement in cost efficiency, the company is planning to drill in some cases 1.5-mile or 2-mile wells instead of several "short" 1-mile wells.

OIL AND GAS

DRILLING IN THE WATTENBERG FIELD, USA

The longer horizontal distance allows the costs already associated with a well to be allocated more efficiently over the planned production volumes. This development is part of an impressive increase in efficiency in the US oil and gas industry as a whole due to the continued low level of prices in recent years.

Cub Creek Energy published a reserve report by Ryder Scott (as of 31 December 2016) which calculated for the land proved reserves of 10.16 million BOE and probable reserves of 8.43 million BOE. The reserves include only the net shares attributable to Cub Creek. Based on the NYMEX futures curve (NYMEX Strip Pricing) of 31 December 2016, the reserves produce the following figures:

RESERVE CATEGORIE	REVENUE (MILLION USD)	NET EARNINGS (MILLION USD)	DISCOUNTED NET EARNINGS 10 % (MILLION USD)
Proved	393,21	217,52	139,75
Probable	321,76	134,23	63,63

* Future net income (FNI) is defined as revenue less the shares of partners, royalties, development and operating costs, as well as production taxes.

SALT CREEK OIL & GAS

Salt Creek Oil & Gas, which was founded in the summer of 2015 together with an experienced management team, had a successful year 2016. In December, an important milestone was achieved with the signing of the purchase agreement for land in North Dakota. The purchase price amounted to USD 38.1 million and represents alongside Cub Creek Energy's extensive drilling program one of Deutsche Rohstoff AG's biggest investments. Salt Creek also managed to acquire smaller areas of land in Oklahoma in 2016, and re-sold this land in the same year with a profit.

The purchase agreement signed by Salt Creek in December applies with retroactive effect from 1 September 2016. The land purchased comprises 1,795 acres (726 hectar) in the Williston Basin in North Dakota. An oilfield in which oil is produced in particular in the famous Bakken Formation at a rate of approx. 1 million barrels per day which makes it the third biggest oil field in the USA. In the area, which is owned by Salt Creek, already 60 wells are producing. At least a further 90 wells are possible and these will be drilled in the next few years by partner companies as operators. Salt Creek has nine partners in total, among them Whiting Petroleum, Hess Oil and EOG Resources, which are some of the biggest oil and gas companies in the USA and together they have a market capitalizationof well over USD 20 billion.

In the last weeks of 2016 and in the beginning of 2017, Salt Creek received plans for a total of nine wells from various partners, in which Salt Creek will hold a share of 8 % in each case. Some of the wells are already being drilled. This high level of activity shows that the Williston Basin is very attractive

DEVELOPMENT OF AN OIL PRODUCTION IN THE WATTENBERG FIELD, USA economically despite the current low level of prices.

For 2017, Salt Creek's management is expecting revenue of USD 6.5 million and an EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) of USD 4.8 million based on the forecasts at the time of purchase. Based on the plan, the revenue and EBITDA will increase sharply in the following years. In addition, the total revenue from all wells in the project over a period of 20 years will be more than USD 200 million and the EBITDA more than USD 140 million. This estimate is based on the assumption that all outstanding wells will actually be drilled and generate the expected production.

In the course of the acquisition, Salt Creek Oil & Gas also arranged for a reserves report to be executed. According to the report, Salt Creek has proved reserves of 2.95 million BOE and probable reserves of 1.65 million BOE. The reserves include only the shares attributable to Salt Creek. Based on the NYMEX futures curve (NYMEX Strip Pricing) of 1 September 2016, the reserves produce the following figures:

REVENUE (MILLION USD)	NET EARNINGS (MILLION USD)	DISCOUNTED NET EARNINGS 10 % (MILLION USD)	ABGEZINSTE NETTO-ERTRÄGE* 10 % (MIO. USD)
Proved	156,14	87,12	31,15
Probable	88,57	43,24	9,99

* Future net income (FNI) is defined as revenue less the shares of partners, royalties, development and operating costs, as well as production taxes.

OIL PRODUCTION IN THE WATTENBERG FIELD, USA

The company also achieved further success in 2016 in Oklahoma. Salt Creek acquired 215 acres (87 hectares) of land in the so-called STACK oil field in the summer, which is part of the Anadarko Basin. In December it was sold for USD 2.1 million.

ELSTER OIL & GAS

Elster Oil & Gas is, alongside Cub Creek Energy, the second subsidiary of Deutsche Rohstoff specializing in the Wattenberg oilfield. The company is (together with a partner) developing the "Magpie" land, which, following the sale of Tekton Energy for USD 200 million in 2014, remained in the hands of Deutsche Rohstoff Group.

Elster is active here as a "non-operator", i.e. Elster's partner is the operator of all of the wells. Since mid-2015, a total of 11 wells have been drilled on the "Wind" pad, in which Elster holds a share of approx. 45 %. The first five wells were completed in the third quarter of 2015. A further six wells commenced production in the summer of 2016. All 11 wells produced within management's expectations in the first months in line.

Due to the drilling work for the six wells being done from the same pad in 2016, the five wells already producing from 2015 had to be sealed for several months and could therefore produce little or nothing. In addition, the completion of wells by other companies in the vicinity had a further negative impact on the production of the wells, with the consequence that the company's results for 2016 were below expectations with total revenue sales of USD 5.1 million. Production has since stabilized though, with the result that revenue of USD 1.8 million was generated in the first quarter of 2017.

For the future, Elster's land offers the potential for the drilling of approx. 50 further wells in one of the economically most attractive areas in the Wattenberg oilfield. The share in future wells is likely to be approx. 29 %. Further wells will be drilled in 2017.

Elster Oil & Gas also published a new reserves report as of 31 December 2016 in February. The proved reserves totaled to 1.95 million BOE, while the probable reserves were reported at 3.32 million BOE. The reserves include only the shares attributable to Elster. Based on the NYMEX futures curve (NYMEX Strip Pricing) of 31 December 2016, the reserves produce the following figures, see the table below:

In December 2016, Elster also announced the sale of some royalties in a number of wells close to Windsor. The proceeds from the sale amounted to USD 1.56 million.

REVENUE (MILLION USD)	NET EARNINGS (MILLION USD)	DISCOUNTED NET EARNINGS 10 % (MILLION USD)	ABGEZINSTE NETTO-ERTRÄGE* 10 % (MIO. USD)
Proved	69,68	36,98	22,29
Probable	125,95	58,48	30,45

* Future net income (FNI) is defined as revenue less the shares of partners, royalties, development and operating costs, as well as production taxes.

METALS

ALMONTY INDUSTRIES

SHARE DEUTSCHE ROHSTOFF
31 December 2016: 11.91 %

STATUS
Two active mines with operational profit and development of three mines

STRATEGY
Establishement of the biggest tungsten producer outside of China

CERITECH

SHARE DEUTSCHE ROHSTOFF
31 December 2016: 67.86 %

STATUS
Secure rare earth gypsum

STRATEGY
Establishement of a low-cost producer for rare earths

DEVONIAN METALS INC.

SHARE DEUTSCHE ROHSTOFF
31 December 2016: 47.00 %

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

STRATEGY
Disposition of the asset

HAMMER METALS LTD

SHARE DEUTSCHE ROHSTOFF
31 December 2016: 17.84 %

STATUS
Exploration of own license areas and with a Joint Venture with Newmont

STRATEGY
Identification of world class Copper-Gold deposits in the Mount Isa District, Australia

TIN INTERNATIONAL

SHARE DEUTSCHE ROHSTOFF
31 December 2016: 61.51 %

STATUS
Exploration und development of Tin and Lithium deposits in the Erzgebirge

STRATEGY
Development of a tin-lithium production in Germany

ALMONTY INDUSTRIES

The 10.3 % stake in Almonty Industries (Almonty) as of 25 April 2017 remains Deutsche Rohstoff's biggest investment in the metals sector. Listed in Toronto and specializing in tungsten, the company produced 153,410 mtu WO3 in the past calendar year, which represents an increase of approx. 14 % compared to the same period of the previous year. The reason for this is the acquisition of the producing Panasqueira Mine in Portugal in early 2016, whose production more than compensated for the temporary suspended production at Wolfram Camp. Almonty therefore consolidated its position as an important non-Chinese supplier of tungsten concentrate.

Apart from 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 maturity date was extended by 2 years until March 2019 and the conversion price of 1.45 CAD was maintained. A second convertible bond in the amount of CAD 4.0 million with an interest rate of 5 % p.a. matures in September 2017 and can be converted at a price of CAD 0.81. This convertible bond is secured by the shares of the wholly-owned subsidiary Almonty Korea Tungsten Corporation, which is developing the South Korean tungsten project, Sangdong. In early 2016 Deutsche Rohstoff also issued a loan in the amount of USD 1.0 million with an interest rate of 6 % p.a. to Almonty; the maturity date for this loan has been extended to 1 January 2019. Deutsche Rohstoff provided a further loan in the amount of USD 1.0 million at the same conditions and the same maturity date. Both loans are secured by shares in Almonty Korea Tungsten Corporation. The interest expenses for the convertible bonds and loans were paid in the form of shares at the beginning of 2017.

The price for Tungsten APT fell to an average of USD 169 per mtu in February 2016, its lowest level since March 2005. In mid-2016 it recovered temporarily to over USD 200 per mtu, but fell below this level again in the third quarter. As a result of this, Almonty continues to focus on cost-cutting measures. Production at the Wolfram Camp Mine has been suspended for the time being, while Los Santos was once again able to keep its operating costs below USD 160 per mtu

OPEN PIT AT LOS SANTOS, SPAIN

PROCESSING PLANT AT WOLFRAM CAMP MINE, AUSTRALIA

in the financial year 2016. The mine in Spain is now one of the lowest-cost tungsten mines worldwide. Due to the opening of a new pit towards the end of 2016, a temporary increase in costs is expected for several months, which is attributable to temporarily higher strip ratios and lower grades as well as processing efficiency.

In November 2016 and March 2017, Almonty concluded fixed-price agreements for much of its production in Panasqueira and Los Santos. Based on these agreements, several customers will pay for a period of 12 months between 20 % and 35 % above the current spot price. This improvement already had a positive impact on the financial figures for the December quarter of 2016, which reported operating earnings before unscheduled depreciation and amortization in the amount of CAD 3.5 million. The loss for the financial year 2016 however was CAD 21.2 million.

Despite the difficult financial situation, Almonty was able to progress with its flagship project Sangdong as planned. Commencement of production is still anticipated for 2018, after the outstanding permission to construct a mine was granted in January 2017.

In July 2016, Almonty and the state-owned Korean Development Bank (KDB) signed a binding preliminary contract, whereby KDB guarantess Almonty a financing facility in the amount of 50 billion Korean won (approx. CAD 57.9 million). The finance is subject to a number of conditions. Among other things, proof has to be provided of the remaining investment capital for the construction of the mine in the form of equity (between CAD 40 million and CAD 60 million). In November 2016 a company in the tungsten industry promised to provide the required equity share in the form of a loan. As a result, it is likely that the mine will be able to be financed fully with borrowed capital.

At the start of 2017, Almonty furthermore reported the full acquisition of the remaining shares in the Valtreixal project in Spain. The company is planning to replace the production volumes of Los Santos after its forecasted depletion in 2020. By using the processing plant and other infrastructure available at Los Santos, Almonty can significantly reduce the capital requirement for the new project compared to a parallel ramp-up / ramp-down of both operations. Any possible loss of production will be compensated for by adjusting the production in Sangdong.

HAMMER METALS

In early 2015, Deutsche Rohstoff took advantage of the generally weak commodities sector and invested in the promising ASX-listed Australian exploration company Hammer Metals (Hammer), through several capital raises. Currently Deutsche Rohstoff holds a 17.84 % stake in the company.

The last capital placement in which Deutsche Rohstoff participated was in May 2016 with an investment of AUD 190,000. In addition, with the entry of the US private equity fund RCF (Resource Capital Fund VI L.P.), a convertible bond issued to Deutsche Rohstoff in the amount of CAD 650,000 plus accrued interest (10 % p.a.) was converted at a price of AUD 0.06 per share. Overall, Deutsche Rohstoff's total investment in Hammer Metals amounts to just under AUD 2.42 million.

Hammer owns a very large portfolio of promising exploration tenements in the region of Mount Isa, Australia, which covers an area totaling more than 2,000 square kilometers. The land is geologically very promising and is also strategically well placed close to mines of major companies such as Glencore, BHP Billiton and Chinova. Hammer's primary objective is to identify and develop a so-called Iron-Oxide-Copper-Gold deposit. One example of such a deposit is the Ernest Henry Mine with approx. 220 million tonnes of ore, a copper content of 1.1 % and a gold content of 0.5g / t.

In December 2015 Hammer established a joint venture for part of the license area with the mining company Newmont

DRILLING PROGRAM AT THE NEWMONT JOINT VENTURE AREA OVERLANDER

Mining. Newmont has the opportunity to acquire a share of 75 % in the joint venture by investing a total of USD 10.5 million in exploration and project development in three phases. Up to a total project spend of USD 3.05 million, the joint venture will be managed by Hammer. Across all phases, Newmont will provide the joint venture with both technical resources and geological expertise. The fieldwork began in mid-January 2016. Geophysical and geochemical studies were completed in the first half of 2016 and a range of drill targets have been identified. In the second half of 2016, two holes were drilled in the „Overlander" tenement; although evidence of copper mineralization was found, in Newmont's opinion no further drilling was justified. In the first half of 2017 the joint venture's work will focus on the "Dronfield" tenement. A drill program with a total length of 1,750 m (1,500 m of which as a core drilling) will test two geophysical anomalies. Further surface mapping is also planned.

In the areas outside of the joint venture a range of geophysical and geological studies were carried out during the year, as a result of which further drill targets were identified. For 2017 Hammer is planning to test three to four identified anomalies with a drill program of at least 2,000m in total length.

In addition, Hammer acquired five production licenses for the so-called "Millennium" properties in May 2016 for a purchase price of AUD 57,950 in cash and 0.5 million Hammer shares, after historical drilling data in this area showed very promising copper and cobalt grades. Until September 25 holes with a total length of 3,857 m were drilled, followed by a maiden resource estimate of 3.07 million inferred tonnes grading 0.14 % cobalt, 0.35 % copper 0.12 g / t gold (equates to a copper equivalent grade of 1.29 %). The property has potential for expansion both to the north and at depth. Hammer intends to sell the property either to a regional producer or explorer.

After completion of drilling at "Millennium", five holes with a total length of 506 m were drilled at the "Scalper" property. The objective was to examine a gravimetric and magnetic anomaly where rock chips at surface showed properties similar to IOCG deposits. A final assessment of the anomaly will not be possible until exploration activities at the northern part are completed which are scheduled for the second half of 2017.

In addition, Hammer drilled a 904m-deep hole in the "Kalman" property with the objective of confirming the continuation of the high-grade copper mineralization at depth. After the hole was unable to confirm the presence of significant mineralization, electromagnetic down-hole measurements were carried out. The results indicated that the hole had possibly gone below the ore body. Hence Hammer is considering to drill further daughter holes from the existing hole.

TIN INTERNATIONAL

Tin International AG (TIN) continued its work at its Saxony projects in 2016 as planned.

For the Sadisdorf exploration license, a range of geological and geochemical studies were carried out. This involved in particular surface and underground mapping and sampling. The studies identified that Sadisdorf systemically shows high lithium contents, which could present a valuable by-product to the tin production. This would significantly improve the project economics. In order to unlock this potential, TIN signed a binding memorandum of understanding in February 2017 with Lithium Australia (LIT), an Australian company specializing in lithium processing, to establish a joint venture. This gives Lithium Australia the right, either through exploration work in the amount of EUR 750,000 or a corresponding cash payment to TIN, to acquire a 15 % share in the new joint venture by the end of 2017. With further investment in the amount of EUR 1.25 million, LIT can increase its share in the joint venture to 50 % within three years. After the end of this "earn-in" phase, the joint venture partners will bear the project development costs on a pro rata basis or they will be diluted accordingly. Upon signing of the final agreement, TIN will receive a one-time payment in the amount of EUR 200,000 in Lithium Australia shares and EUR 50,000 in cash.

After the extension of the Gottesberg license area to 19.56 square kilometers at the end of December 2015, reconnaissance work immediately commenced, including surface mapping and soil sampling. The purpose of this program to increase knowledge about the newly added eastern part of the license area and to complement the existing orebody model. In addition, further exploration targets are expected to be identified.

Regarding the Geyer project, TIN decided at the beginning of 2017 to return the license to the mining authority before its expiry date. Despite reasonable tin, zinc and indium grades, the skarn ore type presents significant processing challenges which could not be overcome in a satisfactorily manner. A profitable extraction of this deposit therefore does not appear achievable in the foreseeable future.

GEOLOGICAL SAMPLING OF A MINERALIZATION IN SADISDORF

RARE EARTH DUMPS

CERITECH

In 2016, Ceritech, in which Deutsche Rohstoff holds 67.86 %, continued its technical studies for the extraction of rare earth elements from gypsum which is produced as a waste product by the fertilizer industry. Unexpected delays occurred in regards to signing cooperation agreements with the targeted Brazilian fertilizer producers. Both companies,with which Ceritech is seeking to cooperate, decided to sell their fertilizer divisions during the course of the year. One sale was being completed by the end of September 2016 whilst the sale of the other company's fertilizer division is expected to close by mid 2017. Until then, Ceritech had and has only limited possibilities to finalize contract negotiations. Talks with one of the new owners have been promising and a binding contract is envisaged for the middle of the year.

ANNUAL ACCOUNTS

I. FUNDAMENTAL INFORMATION ABOUT THE GROUP

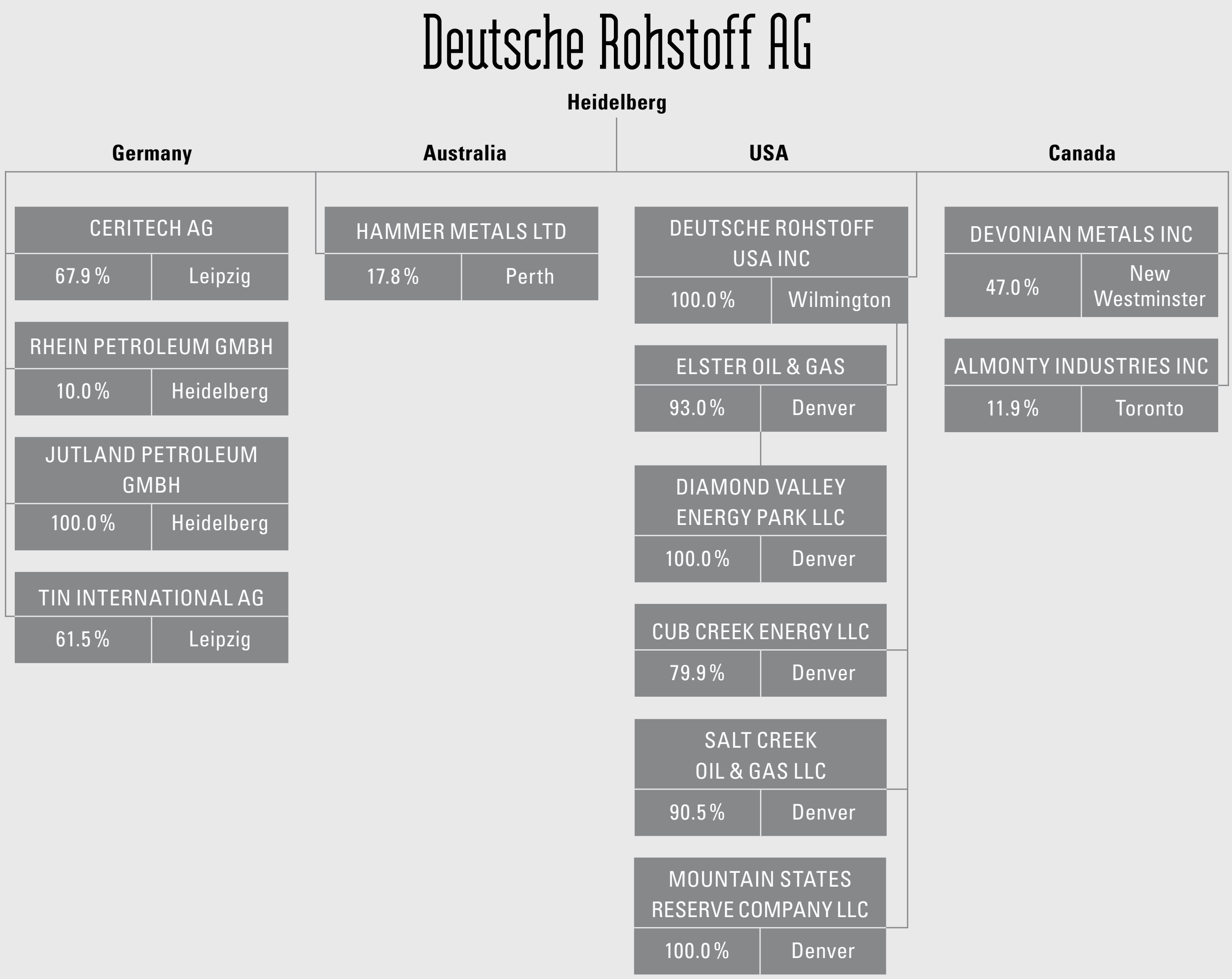
1. BUSINESS MODEL

The Deutsche Rohstoff Group is involved in the development of crude oil and natural gas resource projects as well as related extraction activities. It also participates in mining projects and develops its own metal resource projects with a focus on precious and special metals. It confines its activities to countries with a stable political and legal system. All activities are currently located in the USA, Australia, the European Union and Canada. Deutsche Rohstoff is represented by subsidiaries and equity investments in virtually all of these countries. As the parent company, it manages the Group, initiates new projects, establishes subsidiaries and invests in companies, finances activities or finds financing partners, takes decisions on new investments and divestitures, and handles public relations work. The local operating business is the responsibility of experienced managers, mainly specialized engineers and geologists with extensive industry experience.

As of 31 December 2016, the Deutsche Rohstoff Group comprised the following group companies, see below.

In comparison to the prior year, there were some changes in the basis of consolidation.

Following capital increases at the subsidiaries in the USA, the Group’s stake in Cub Creek Energy rose from 73 % to almost 80 % and in Salt Creek Oil and Gas from 60 % to slightly over 90 %. Tekton Windsor LLC, which was a wholly owned subsidiary of



GESELLSCHAFTSRECHTLICHE STRUKTUR

Elster Oil & Gas as of the end of 2015, was merged with Elster Oil & Gas LLC in the course of the year and therefore no longer shown as a separate company in the basis of consolidation.

Strategic Resources Development Pty Ltd (SRD), in which the Group held a 70 % stake at the end of 2015, was split at the beginning of 2016, resulting in DRAG taking over its pro rata shareholding in Hammer Metals Ltd. and having no remaining business relationship with SRD, which was deconsolidated as of the end of 2016. Unlike in the prior year, the shareholding in Hammer Metals is no longer broken down into "held directly by DRAG" and "held indirectly via SRD". Instead it is presented as an equity investment of DRAG. Tin International Ltd., the sole shareholder of Tin International AG until the end of 2015, was also deconsolidated as of the end of the year, as the company was dissolved in the second half of the year following a resolution approved at the shareholder meeting.

The Australian company Hammer Metals, the Canadian companies Almonty Industries and Devonian Metals, and Rhein Petroleum, which are shown in the diagram, continued to be carried as equity investments as of year-end 2016.

Deutsche Rohstoff AG participated in a capital increase at Hammer Metals Ltd. in April and May 2016 totaling AUD 340,000 (EUR 225,000). The stake came to 17.8 % at the end of 2016. Hammer Metals has around 2,000 m2 of licensed sites in the Mount Isa region in Queensland, Australia. The company mainly carries out exploration for copper and gold. In December 2015, Hammer concluded a joint venture agreement with Newmont Mining, one of the largest gold producers in the world. The joint venture relates to around 15 % of the sites that Hammer has licensed. Newmont undertook to invest up to USD 10.5m. In return, it receives an 80 % stake in the joint venture company. Hammer does not have to contribute any financing for this portion of its licenses.

Almonty Industries produced tungsten concentrates from three mines in 2016. These are Los Santos in Spain, Wolfram Camp in Australia and, since the beginning of 2016, Panasqueira in Portugal. Almonty performed various capital increases in which the Group did not participate during the year. As a result, its stake decreased to 11.91 % as of the end of the year. However, exercising an existing convertible bond would increase this again to just under 20 %.

Devonian Metals Inc., New Westminster, Canada, has a stake in a joint venture with Glencore Canada, a wholly owned subsidiary of Glencore International, which carried out exploration at the zinc / lead / silver deposit in Wrigley (North West Territories, Canada). Devonian has been trying to find a buyer for its stake in the joint venture company or the entire company for some time. Interest picked up considerably in the past year, mainly as a result of the sharp increase in the zinc price in 2016. It is not currently possible to predict if a sale will take place.

Rhein Petroleum GmbH, in which Deutsche Rohstoff holds a 10 % stake, is involved in petroleum exploration and extraction in southern Germany. In summer 2016, the company unsuccessfully sunk a well in the licensed site in Northern Karlsruhe. Rhein Petroleum has been intermittently extracting crude oil in the Northern Upper Rhine licensed site since March 2016. Together with consortium partner Wintershall, test extraction has also been taking place at the Mindelheim licensed site in the Unterallgäu district since January 2017. The company plans to sink a well in the Heidelberg-Weinheim licensed site for the first time in summer 2017.

In the fiscal year 2016, the Group generated revenue from the extraction of oil and gas in the USA and, to a lesser extent, from the sale of gold medals. In addition to the income from producing resources and associated rights e.g., royalties, the business model includes acquiring resource projects at favorable conditions, as well as developing and divesting such projects. Group company Salt Creek Oil and Gas sold several smaller sites in Oklahoma for USD 2m in December 2016. Elster Oil & Gas concluded the sale of royalties held by wholly-owned subsidiary Diamond Valley Energy Park LLC on 30 December 2016. The proceeds came to USD 1.50m. As a result, both transactions generated profit of EUR 1.6m.

Pricing is straightforward for all commodities traded on the stock exchange (gold, silver, oil, tin, copper, etc.), as the buyer pays the current market price if the supplied product meets the usual specifications. In these cases, the competitive position also plays a minor role, as purchasers will generally purchase almost any amount.

Customers for the oil produced are oil-trading companies. Gas supply companies that operate pipeline grids purchase the extracted natural gas. The price for the oil and natural gas delivered is based on the US-American WTI and Henry Hub. The price actually paid depends on factors including the quality of the oil extracted. In addition, the customers receive a marketing allowance.

The shares of Deutsche Rohstoff AG have been traded in the Entry Standard segment of the Frankfurt Stock Exchange since May 2010. The Company's market capitalization came to around EUR 133m as of 31 December 2016 (31 December 2015: EUR 75.0m). The stock price therefore increased by roughly 77 % during the year.

2. OBJECTIVES AND STRATEGIES

In the group management report for 2015, the Group set itself a prime objective of increasing its market capitalization to between EUR 150m and EUR 200m in a 12-month period for 2016 / 2017. This objective was not fully met as of the end of 2016, although it was very close. The management board is convinced that the market capitalization will be within this range in the coming months. The reasons for this are the successful wells in the USA, the acquisition of 60 producing wells and the further potential for drilling in North Dakota and the substantial increase in the value of oil reserves in said areas.

Activities still focus on oil and gas extraction in the USA. In the reporting year, the Group aimed to expand the production of oil and gas, having focused on acquiring sites and developing a portfolio of wells since mid-2014. A total of 21 horizontal wells were completed and went into production over the course of the year. The Group also participated in six further wells that have been producing since July 2016. Nine of the wells completed by the Group went into production in November, the other 12 at the end of December. The acquisition of existing and potential wells in the Williston Basin in North Dakota, USA, was also concluded in December 2016. This relates to a package of non-controlling interests in sites, where around 60 wells are currently running. Management assumes that around 90 further wells will be sunk in the coming years. There were already nine new suggestions for wells at the end of March 2017.

In the Metals division, the Group has five subsidiaries and equity investments. The focus in the past was on ensuring financing and continuing to develop while keeping costs at a minimum. Following the significant drop in metal prices since the end of 2011, the management board had decided to only provide these companies with minimal funds. Instead, the aim was to find financing partners and sell individual equity investments such as Devonian Metals. However, both of these objectives were challenging on account of the market situation.

Some considerable increases were recorded in metal prices over the course of 2016. Investors were increasingly interested in this sector again. The management board therefore sees better opportunities to implement the strategy and find partners or buyers. Tin International AG recorded the first success as it signed a binding letter of intent for a joint venture with Lithium Australia in February 2017. The management board is still pursuing the objective of raising the value of the existing assets in the Metals division and selling these in the medium term. It also reviews selective new ventures with metals that are fundamentally considered to have good prospects. At the moment, this mainly relates to gold and copper.

3. RESEARCH AND DEVELOPMENT

The Group conducts very little research and development. Its R&D activities are aimed at helping develop or optimizing existing projects. As a rule, oil and gas extraction and ore mining make recourse to existing, freely accessible procedures. The Group makes use of service providers that perform the work using state-of-the-art technology. Within the scope of its gypsum project, Ceritech is working together with service providers that to help define and optimize the preparation process. However, these processes are not fundamentally new. Instead, they involve a combination of existing and proven technologies tailored to the specific case.

II. REPORT ON ECONOMIC POSITION

1. MACROECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

The world economy grew by 3.1 % in 2016 (source: IMF), thus continuing its moderate growth of prior years.

In 2016, commodity prices recorded their first considerable increase since mid-2014. WTI (Western Texas Intermediate) crude oil climbed by 46 % as of the end of 2016 compared to the end of 2015. The authoritative US gas price (Henry Hub) gained 69 % in the same period. Industrial metals also increased significantly: copper by 17 %, zinc by 60 % and tin by 43 %. As of year-end 2016, tungsten APT was sold at 7 % higher than in the prior year.

Even the US oil price had doubled as of the end of the year compared to its low of USD 26 per barrel in February 2016. The determining factor here was the news from the supply side. For example, production in the USA decreased by more than one million barrels / day over the course of the year. At the end of November, the Organization of Petroleum Exporting Countries

(OPEC) resolved to produce 1.2 million fewer barrels a day. Several non-OPEC countries, e.g., Russia, followed this lead.

Demand increased by around 1.6 million barrels a day in 2016. The International Energy Agency (IEA) expects a further increase of around 1.4 million barrels for 2017. Demand is expected to exceed 100 million barrels a day already in 2019 and 104 million barrels in 2022 (source: IEA, Oil 2017). This could cause demand to be greater than supply and result in a sharp increase in prices.

Prices for the special metals that are important for the Deutsche Rohstoff Group did not decline further in 2016, having fallen considerably in 2014 and 2015. In Europe, tungsten APT (ammonium paratungstate, a primary product for the processing industry) increased moderately in price. Prices rose from around USD 180 / mtu (metric ton unit, equivalent to approximately 10 kg) at the beginning of the year to USD 192.50 / mtu as of the end of the year (source: Metal Bulletin). Growing scarcity supply became evident both in and outside China during the year, while demand simultaneously began to recover, for example in the automotive and oil and gas industries. Market observers anticipate that prices will increase significantly in 2017 because demand from various areas is rising dramatically while there is expected to be virtually no new supply on the market.

To the surprise of all market participants, the price of tin developed extremely well in 2016. It saw growth of around 43 % compared to the end of 2015 (source: London Metal Exchange). At the beginning of 2016, the Chinese government announced that the nine largest smelters would cut production by a total of 17,000 t tin in 2016. Decreasing inventories and a weaker tin supply from Indonesia contributed to the shortage and market uncertainty. Similar to China, Indonesia also responded to the many years of falling prices with further export restrictions in the first half of 2016. Market observers expect the price of tin to stabilize further in the current year.

In the area of rare earth elements, cerium and lanthanum, which have been under considerable pressure from overcapacity in recent years, recorded a recovery of 3 % and around 20 % respectively over the course of 2016 (source: Argus Media). This is attributable to the leading rare earth producer worldwide, Northern Rare Earth, which had raised its sales prices for cerium and lanthanum in the fourth quarter of the year. The company also increased its sales prices for neodymium and praseodymium for the domestic Chinese market at the beginning of 2017. These price increases are also expected to be reflected in export prices over the coming months, meaning that a recovery may also be imminent for these two rare earth elements, which are primarily needed to produce magnets. From a long-term perspective, the rare earth magnets segment offers the best market opportunities. China alone intends to invest USD 100b by 2020 in expanding wind energy, one of the key sales markets for rare earth magnets. The potential from the anticipated increase in e-mobility has not yet been taken into consideration. As a whole, the market for rare earths is expected to recover.

Currency changes have a significant impact on the Group's business development. The EUR / USD exchange rate plays a particularly important role. All important commodities transactions are made in US dollars. A stronger US dollar, i.e., an increasing exchange rate, means that commodities outside the USA become more expensive. With a rising dollar, demand thus tends to decrease and with it the price level of commodities. According to most market observers, the further development of the euro / US dollar will depend heavily on the interest rate trend in the USA and the euro zone. While the US Federal Reserve increased the key interest rates in December 2015 and December 2016, the European Central Bank extended its bond-buying program until September 2017 at the earliest. These contrasting monetary policies strengthened the dollar over the course of the year and resulted in further appreciation against the euro, albeit only by a moderate 3 % (prior year: 10 %). Policies by the new US government, particularly the planned tax reform and potential trade restrictions, are also expected to have a certain influence.

2. BUSINESS PERFORMANCE

In line with the corporate strategy, the Group focused on the Oil and Gas division in the fiscal year 2016, and again mainly on activities in the USA. In the Metals division, the focus was on investments at the Canadian equity investment Almonty Industries and the equity investment Hammer Metals in Australia. Deutsche Rohstoff AG, as the parent company, issued a new bond and distributed a dividend for the third time in the Company's history.

All three oil and gas companies in the USA recorded significant progress during 2016:

In June 2016, Cub Creek Energy started drilling wells in the leases acquired previously in the Wattenberg field in Colorado for the first time. The company sunk nine wells in its Vail drilling site by August. Drilling was subsequently finished and production started in mid-November. This was followed by a further 12 wells in the Markham drilling site in August that started producing oil and gas shortly before the end of the year. All 21 wells struck oil and had significantly higher-than-expected extraction rates.

In August 2016, Cub Creek announced that it had successfully completed the acquisition of another key site with around 1,500 net acres also located in the core area of the Wattenberg field. Management immediately began developing the site and carried out a seismic survey, among other things, as early as February 2017. Applications were also submitted for wells in several drilling sites. The management of Cub Creek anticipates that these will be approved over the course of 2017.

In July 2016, Cub Creek published the findings of a report by Ryder Scott, a well-known consulting firm, to recalculate its reserves. They increased by 84 % compared to December 2015 to around 10 million barrels of oil equivalent (BOE) in the proved reserves category and around 12 million BOE in the probable reserves category. The sharp increase is mainly attributable to the new drilling sites developed by Cub Creek in the first half of 2016. Another recalculation was performed in February 2017. According to this, reserves increased further in the second half of 2016. The value of the reserves grew by more than 100 %, not least as a result of the considerably higher oil price.

Elster Oil & Gas participated in six more wells at the Wind drilling site that went into production in July. Despite the initially good extraction rates, the wells did not meet expectations because of numerous disruptions caused by other companies' fracking activities in the surrounding drilling sites. Of a total of 11 wells at Wind, 5 were unable to operate for several weeks because of these activities. They were only able to extract the level expected again in December 2016. Management does not expect any disruptions from neighboring wells in 2017.

Newly founded in 2015, the subsidiary Salt Creek Oil + Gas participated in multiple bidding processes for oil and gas reserves over the course of the year. The company announced in November 2016 that it had successfully bid for a package of non-controlling interests in sites in the Williston Basin in North Dakota. The purchase price for the roughly 60 producing wells and roughly 90 estimated future wells came to USD 38.1m. The purchase was concluded in mid-December 2016. Salt Creek utilized a reserve-based lending facility to finance part of the purchase price. Based on a report by an expert to calculate the value of the acquired reserves, a large US bank provided a financing facility of USD 12.5m, from which Salt Creek drew USD 9m. As part of the transaction, Salt Creek sold smaller sites in Oklahoma acquired only in summer 2016 at a profit.

In July 2016, the equity investment Rhein Petroleum GmbH announced that its "Hofwiese" well in the Graben-Neudorf licensed site north of Karlsruhe did not strike oil. This was Rhein Petroleum's only well in 2016. Deutsche Rohstoff had not participated in the costs of the well. Long-term test extraction from the Schwarzbach well started in March 2016, which was sunk by Rhein Petroleum in the first half of 2015.

Jutland Petroleum GmbH, which was involved in oil and gas exploration in Denmark, returned its license in May 2016. Its reasoning was that the co-shareholder who had contributed the majority of the technical expertise died in September 2015, and attempts to sell the license were unsuccessful. The company therefore no longer has any operating activities at present.

The equity investment Almonty Industries continued to struggle with low tungsten prices. Although these increased slightly over the course of the year, it was not enough to generate a positive cash flow from operating activities from mining. Almonty responded to this situation by making significant cost-savings as well as a whole range of capital increases and borrowing loans (total: CAD 27m). The funds were primarily used to finance operations including administrative activities, to increase the producing mines' reserves through exploration activities, to drive forward development projects and to service debts.

Regardless of the price development, Almonty continued to pursue its objective of becoming the largest producer of tungsten concentrates outside China. There was clear and significant progress in implementing the strategy during the year. The Almonty Group's most important project by far, the Sangdong mine in Korea, hit a milestone upon signing a binding letter of intent with Korean Development Bank, which undertakes to provide the external financing for mine development. The reserves from Sangdong were also increased by 78 % and resources by 61 %. This adds a significant amount of time to the mine's life span while costs remain low. Higher reserves were also reported at Los Santos and Panasqueira, the two mines in operation. The option to purchase the remaining 49 % of the Valtrixal project was exercised in December. This is now wholly owned by Almonty.

In order to become independent from the weak price development, Almonty entered into fixed price agreements at the end of 2016 and beginning of 2017 covering around 80 % of production in 2017. These are approximately 25 % above the spot market level. In light of the significantly improved cost structure, these agreements should make it possible for Almonty to generate a positive cash flow from mining activities and finance operations.

Considerable recovery trends are now also visible on the spot market. The authoritative price for APT rose to USD 212 / mtu by the end of April 2017 and was thus at its highest level since June 2016. Market observers believe on the one hand that the price recovery relates to the drastically lower supply on account of mine closures both in and outside China. On the other hand, there is greater demand in key customer industries, such as the automotive industry, the oil and mining industry as well as the defense industry.

Almonty's share price moved more or less sideways in the reporting period. The share price started the year at CAD 0.28 and closed the year at CAD 0.27. As a result, the value of the Almonty shares held by Deutsche Rohstoff is still significantly lower than the carrying amount. Nevertheless, the management board still does not consider it necessary to recognize a write-down on the carrying amount. Instead, Deutsche Rohstoff now more than ever expects the equity investment to develop positively due to its good market position, the concluded fixed price agreements, the higher reserves, the improved spot price and the significantly improved fundamental situation for tungsten. In addition, management is convinced by a DCF model, which also revealed that Almonty's mines have considerably more value potential than the share price represents. The management board is of the opinion that the persistently low share price is also attributable to the fact that a major shareholder surrendered shares during the year as a whole and therefore prevented a sustainable share price increase.

Deutsche Rohstoff did not participate in two capital increases at the equity investment Hammer Metals over the course of the year. In sum it invested a total of AUD 340,000. Deutsche Rohstoff did not participate in a further capital increase of AUD 2.25m in August 2016. Here, Hammer won the renowned Resource Capital Group (RCF) from Denver as the main investor in this capital increase.

Hammer Metals reported on the results of the exploration several times in the course of the year, both on the real estate held and financed 100 % by Hammer and on the exploration of the joint venture with Newmont Mining, which was contractually agreed with Hammer in December 2015. Newmont assumes the costs for the exploration of the joint venture in accordance with the earn-in agreement concluded. There have not been any noteworthy results from the exploration. In particular, there has not yet been any significant discovery of gold.

At Ceritech AG, work on the gypsum project in Brazil continued throughout the year. However, no contract was concluded yet with either of the two planned partners because both companies announced at the end of 2015 that they intended to sell their fertilizer production activities, which are of significance for Ceritech. The two potential partners informed Ceritech that they were unable to sign a contract during the sales process. One of the two companies then announced that the sale was complete in September 2016. Ceritech immediately made contact with the purchaser, a Chinese company. The management board of Ceritech assumes that it will be able to conclude a far-reaching cooperation agreement in the coming months.

At TIN International AG ("Tin"; formerly: Sachsenzinn GmbH), the focus was again on the Sadisdorf licensed site in 2016. The license was granted to the company at the beginning of 2013. In September 2014, Tin for the first time received an estimate of resources for Sadisdorf by an independent appraiser in accordance with the Australian JORC standard. The report confirmed the historical data. Among other things, Tin carried out mapping work in 2016. For the Gottesberg and Geyer licensed sites, Tin again performed only work requiring minor financial resources in the reporting year. Tin returned the Geyer license in February 2017.

Also in February 2017, Tin signed a binding letter of intent with Lithium Australia (LA), a listed company in Australia. LA has technology that makes it possible to process a certain quality of lithium-containing ore in a cost-effective way. Tin has these types of ore in the Sadisdorf licensed site. The lithium content in Sadisdorf has been known for a while. However, management had not assigned any value to the lithium because there was no way to process it. The letter of intent provides for the formation of a joint venture in which LA can acquire shares by investing in the further exploration at Sadisdorf. EUR 750,000 is planned for 2017, giving LA 15 % of the license. A further EUR 1.25m will then follow in the next three years to increase the stake to 50 %. Upon conclusion of the joint venture agreement, Tin also receives EUR 50,000 in cash as well as EUR 200,000 worth of shares in LA.

In July 2016, Deutsche Rohstoff AG distributed a dividend of EUR 0.55 per share or around EUR 2.7m.

Deutsche Rohstoff AG also issued another bond in July 2016 with a term until July 2021 and an interest coupon of 5.625 %. Bonds with a value of more than EUR 20m were issued as part of a public offering. In addition, creditors of the 2013 / 2018 bond swapped almost EUR 20m to the new bond. A further EUR 10m was placed over the remainder of the year, meaning that the new 2016 / 2021 bond had around EUR 51m outstanding at the end of 2016. Shortly after the end of the public offering in July 2016, DRAG terminated half of the outstanding 2013 / 2018 bond and bought back just under EUR 16m of the bond for a call price of 103 %. This bond still had EUR 15.7m outstanding at the end of 2016. Interest expenses decreased by around 30 % as a result of the new bond issued with a significantly lower coupon rate.

Over the course of the year, Deutsche Rohstoff AG sold the majority of its securities classified as current assets and several securities classified as fixed assets that were entered into to invest cash and cash equivalents. These related to bonds of German and US debtors from, for example, the oil and gas industry as well as a small number of German and Canadian shareholdings. The total gain on disposal came to EUR 1.6m.

3. RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

RESULTS OF OPERATIONS

Selected data from the income statement

Fiscal year ending 31 December 2016

IN EUR M	2016	2015
Revenue	9.2	1.9
Total operating performance [1]	21.4	11.3
Gross profit [2]	21.4	11.3
EBITDA [3]	6.4	4.9
Operating result (EBIT) [4]	-0.5	2.4
Earnings before taxes	-1.9	-0.6
Consolidated net income for the year	0.1	0.5

1 Total operating performance is defined as revenue plus increase or decrease in finished goods and work in process plus own work capitalized plus other operating income plus income from sale / de-consolidation.

2 Gross profit is defined as total operating performance less cost of materials.

3 EBITDA is defined as earnings for the period before interest, taxes, depreciation and amortization on tangible and intangible assets.

4 EBIT is defined as earnings for the period before interest and taxes.

In the past fiscal year, net income of the Group for the year came to EUR 0.1m (prior year: EUR 0.5m) with total operating performance of EUR 21.4m (prior year: EUR 11.3m). Total operating performance comprises the revenue of EUR 9.2m from oil and gas production of the three US subsidiaries, other operating income of EUR 10.5m as well as own work capitalized of EUR 1.7m (prior year: EUR 0.9m). The main contribution to total operating performance was from other operating income, which reached EUR 10.5m (prior year: EUR 8.5m) and chiefly resulted from exchange rate gains of EUR 8.1m. In total, gross profit amounted to EUR 21.4m (prior year: EUR 11.3m).

Personnel expenses significantly increased to EUR 3.5m (prior year: EUR 2.3m) mainly due to management salaries at the operative US subsidiaries and further new hires. Other operating expenses increased to EUR 11.6m (prior year: EUR 4.1m). This contains exchange rate losses of EUR 4.2m. Non-recurring costs of EUR 2.2m are also included in 2016 for the issue of the new bond and to buy back part of the 13 / 18 bond.

Earnings before interest, taxes, depreciation and amortization (EBITDA) came to EUR 6.4m (prior year: EUR 4.9m).

Amortization, depreciation and write-downs of EUR 6.9m are almost solely attributable to amortization and depreciation of fixed assets, the majority of which are the crude oil and natural gas producing facilities in the USA.

Earnings before interest and taxes (EBIT) stood at EUR -0.5m (prior year: EUR 2.4m).

The financial result of EUR -1.5m (prior year: EUR -3.0m) includes the interest payments of EUR 4.1m on the two bonds. The parent company generated around EUR 1.6m from capital investments, resulting in a significantly improved negative financial result. Income taxes of EUR 2.6m consist almost exclusively of tax refund claims in the USA and the change in deferred taxes.

The prior-year forecast, which assumed net income for the Group for the year of EUR 10m, was not achieved. The actual figure also fell short of the specific forecast in the semi-annual report, which assumed net income for the Group for the year of just

EUR 8–10m. This is due to the fact that production in the USA started later than expected and that tax income was realized to a smaller extent than anticipated as well as additional effects such as amortization, depreciation and write-downs in the USA that were higher than expected. The main effects from production led to some income being shifted to 2017.

FINANCIAL POSITION

Selected notes to the cash flow statement

Fiscal year ending 31 December 2016

IN EUR M	2016	2015
Cash flow from operating activities	2.9	1.2
Cash flow from investing activities	-38.8	-15.1
Cash flow from financing activities	11.5	-14.1
Increase / decrease in cash and cash equivalents	-23.8	-25.6
Cash and cash equivalents at the beginning of the fiscal year	48.4	74.1
Cash and cash equivalents at the end of the fiscal year	24.6	48.4

The cash flow from operating activities came to EUR 2.9m in 2016 (2015: EUR 1.2m). The positive cash flow chiefly stems from revenue of the US subsidiaries Cub Creek Energy (EUR 4.2m) and Elster Oil & Gas (EUR 4.6m) as well as a tax refund in the USA (EUR 3.8m). Other non-cash income mainly contains non-cash exchange rate gains.

The cash flow from investing activities in 2016 is dominated by investments in US oil and gas activities. The sites acquired as a result of the acquisition by Salt Creek Energy in North Dakota can be broken down into investments in intangible assets (EUR 16.6m) and the producing wells acquired as investments in property, plant and equipment (EUR 20.0m). Cub Creek Energy invested EUR 47.9m in property, plant and equipment. The investments in the fiscal year 2016 did not have a full effect on cash because drilling activities were still being performed at the end of the year. Therefore, trade payables increased by around EUR 29.0m as of balance sheet date. Elster Oil & Gas made investments of EUR 7.8m in property, plant and equipment for an additional six wells at the Wind drilling site.

Furthermore within its investing activities, Deutsche Rohstoff AG sold securities classified as fixed assets of EUR 4.6m and securities classified as current assets of around EUR 21.0m. Disposals of intangible assets and property, plant and equipment in the US oil and gas industry led to cash inflows of EUR 2.9m.

The cash flow from financing activities came to EUR 11.5m (EUR -14.1m) and essentially relates to the difference between the cash inflow from issuing the new corporate bond (EUR 31.0m) with a term until 2021 and the partial repayment (EUR 15.7m) of the bond with a term until 2018. A bank loan of EUR 6.4m was fully repaid in the fiscal year 2016. In the USA, the Group used a reserve-based lending facility for a bank loan of around EUR 8.5m for the first time.

Members of management in the US subsidiaries also invested a further EUR 1.2m to finance drilling activities. In addition, a dividend of EUR 2.7m and interest of EUR 4.0m were paid to the shareholders of Deutsche Rohstoff AG.

As of 31 December 2016, cash and cash equivalents including securities classified as fixed and current assets in the Group came to EUR 35.7m (prior year: EUR 83.0m). Cash and cash equivalents correspond to bank balances plus short-term liabilities to banks.

The management board currently takes the view that the Deutsche Rohstoff Group will at all times continue to be in a position to meet its future obligations and to carry out investments on the basis of above-average equity and liquidity.

NET ASSETS

Selected balance sheet data

Fiscal year ending 31 December 2016

IN EUR M	2016	2015
Fixed assets	141.6	48.8
Current assets	51.1	78.5
Equity	66.1	61.8
Liabilities	109.1	62.2
Provisions	5.3	1.1
Total assets	193.5	128.1

The Group's total assets grew by 51.05 % to EUR 193.5m in the reporting year (prior year: EUR 128.1m). This is attributable to the recognition of receivables (EUR 22.9m) and liabilities

(EUR 29.9m) resulting from the drilling program in the USA in current assets on account of the balance sheet date. In addition, a reserve-based lending facility of EUR 8.5m at a US bank was utilized for the first time. The volume of bonds issued increased by around EUR 16m to EUR 66.7m. In 2016, property, plant and equipment increased more than 10-fold on the prior year to EUR 79.9m. This reflects the high investments made in oil and gas extraction in the USA.

Intangible assets also rose sharply to EUR 40.6m (prior year: EUR 17.5m) on account of the acquisition in North Dakota. As of 31 December 2016, they comprised extraction rights of EUR 33.9m (prior year: EUR 16.2m) as well as goodwill of EUR 6.8m (prior year: EUR 1.3m).

Fixed financial assets decreased slightly to EUR 21.0m in the reporting year (prior year: EUR 23.8m). A range of bonds and shares that were held for liquidity management purposes were sold over the course of the year.

The 47 % equity investment in Devonian Metals in Canada is still valued at EUR 0.5m (prior year: EUR 0.5m).

The 10 % equity investment in Rhein Petroleum is carried at amortized cost of EUR 3.0m (prior year: EUR 3.0m).

As of 31 December 2016, there were receivables with a term of less than one year and other assets of EUR 22.9m (prior year: EUR 7.4m). The increase is primarily due to tax receivables in the USA (EUR 12.6m) and trade receivables (EUR 7.3m).

The majority of securities classified as current assets were sold in the reporting year. They therefore only came to EUR 3.5m (prior year: EUR 22.6m). The significant decrease is attributable to the fact that cash and cash equivalents were needed to finance investments in the USA. Bank balances come to EUR 24.6m (prior year: EUR 48.4m). The decrease is primarily attributable to the investments in fixed assets of EUR 47.2m, interest payments of around EUR 4.1m and the dividend distribution of EUR 2.7m.

The disclosed deferred taxes comprise the following netted temporary differences as well as the net amount from recognized tax loss carryforwards at DRAG:

Deferred tax liabilities	18,085 K
Less	
Deferred tax assets from temporary differences	-2,970 K
Remaining deferred tax liabilities	15,115 K
Less	
Deferred tax assets on loss carryforwards (total)	-2,470 K
Net deferred tax liabilities	12,645 K

The high net deferred tax liabilities after offsetting deferred tax assets and liabilities results from the tax treatment of oil and gas wells in the USA, where US tax law permits early amortization in some cases, which is associated with the recognition of deferred tax liabilities.

The Group's economic situation continues to be characterized by its strong equity position. Equity amounted to EUR 66.1m as of 31 December 2016 (prior year: EUR 61.9m). The increase compared to the prior year is primarily due to the recognized shares of non-controlling interests in the US oil and gas subsidiaries. Trade payables in particular caused the equity ratio to decrease from 48.2 % to 34.2 %. Part of this relates to an effect resulting from the balance sheet date. The management board expects the equity ratio to increase to 38 % again at the end of the first quarter as a result of the decrease in short-term liabilities related to ongoing drilling activities.

Liabilities of EUR 110.0m (prior year: EUR 62.2m) mainly consist of the two bonds (EUR 66.7m), bank loans at Salt Creek Oil & Gas (EUR 8.5m), interest payable on the bonds (EUR 1.8m) and trade payables (EUR 29.9m). Bonds with a volume of EUR 66.7m comprise two bonds. A non-convertible bond due upon maturity with a volume of EUR 51.0m, which was issued on 20 July 2016, has a residual term until 20 July 2021 and carries an interest rate of 5.625 % and the remaining volume of EUR 15.7m of a previous non-convertible bond due upon maturity, carrying an interest rate of 8.0 % and having a residual term until 11 July 2018.

Bank loans of EUR 6.4m that were still in place at the end of 2015 were repaid in full in September 2016. In the USA, the Group used a reserve-based lending facility for a bank loan of around EUR 8.5m for the first time, which is secured by reserves of Salt Creek Energy. The interest rate is variable and amounts to 3.78 % as of 31 December 2016. The loan is repayable upon maturity and due on 19 December 2021. The volume and maturity of the loan may be adjusted according to semi-annual valuations of the oil and gas reserves of Creek Oil & Gas LLC by the Bank of Oklahoma. At around EUR 29.9m, trade payables were unusually high at the end of the year. They mainly result from payments due from the drilling program that was completed just before the turn of the year. Some trade payables that were concluded as part of cash management have longer payment terms.

Provisions increased on the prior year from EUR 1.1m to EUR 5.3m. The recovery primarily stems from outstanding invoices at the US subsidiaries.

In the table below, the Company provides an overview of further indicators that are of particular importance for assessing its ability to service debt. This is based on the perspective prevailing on the balance sheet date of 31 December 2016.

ADDITIONAL SELECTED FINANCIAL INFORMATION

Fiscal year ending 31 December 2016

	2016	2015
EBIT interest coverage ratio [1]	-0.13	0.6
EBITDA interest coverage ratio [2]	1.56	1.2
Total debt / EBITDA [3]	11.80	11.8
Total net debt / EBITDA [4]	6.21	-5.1
Risk-bearing capital [5]	0.34	0.5
Total debt / capital [6]	0.53	0.5

1 Ratio of EBIT (EBIT is defined as revenue plus changes in inventories plus other own work capitalized plus other operating income less cost of materials less personnel expenses less depreciation and amortization less other operating expenses less other taxes plus income from equity investments) to interest expenses and similar expenses.

2 Ratio of EBITDA (EBITDA is defined as EBIT plus depreciation and amortization) to interest expenses and similar expenses.

3 Ratio of financial liabilities (financial liabilities are defined as liabilities to banks plus liabilities from bonds plus other interest-bearing liabilities) to EBITDA.

4 Ratio of net financial liabilities (net financial liabilities are defined as total debt less cash and cash equivalents) to EBITDA. Cash and cash equivalents are defined as securities classified as fixed and current assets plus any bank balances.

5 Ratio of liability capital (liability capital is defined as equity) to total assets.

6 Ratio of financial liabilities (total debt) to financial liabilities plus equity.

OVERALL ASSESSMENT

From the point of view of the management board, the economic and financial situation of the Group remains excellent. Business developments were excellent, especially in the key US market. The US oil price, which is of particular significance for the Group, increased significantly over the course of the year. The planned wells were realized within the foreseen budget, and new potential sites were acquired. Salt Creek succeeded in making a larger acquisition that will bring the Group additional revenue and cash flows. Revenue and earnings at the US companies and in the Group will probably rise dramatically in 2017 and 2018.

The Metals division regained tailwind from increasing commodity prices for the first time in the past year. There were positive developments at virtually all subsidiaries and equity investments and interest in their projects from third parties. Almonty concluded fixed price agreements at 25 % above the spot market price. Tin entered into an agreement with Lithium Australia to access the booming lithium market. Hammer Metals agreed a very advantageous joint venture with Newmont, one of the largest and most successful gold producers worldwide. The management board is confident that this division will make a positive contribution to the development of the Group's value in 2017 and 2018.

The Group has sound long-term financing thanks to the issue of two bonds in July 2016. Salt Creek also managed to conclude an agreement with a US bank to lend reserves against security. This opportunity is also expected to be available to Cub Creek in the coming year. This gives the US companies significantly more financial headroom. The very positive development of both the share price and the two bonds in the past year are evidence of the trust the capital market places in the Group's further development.

4. NON-FINANCIAL PERFORMANCE INDICATORS

The management strives to avoid incidents in the area of HSE (Health, Safety, Environment) entirely. There are clearly defined, detailed rules that employees and visitors alike must observe. The number of incidents in this area is the major non-financial performance indicator. There were no events of this kind at the subsidiaries in the past year. The objective was therefore achieved.

III. SUBSEQUENT EVENTS

The following events had a significant impact on the development of business after the balance sheet date and prior to the end of April 2017:

Cub Creek published the production results from the two new drilling sites every month. The company reached gross production of 470,566 barrels of oil equivalent (379,198 barrels of oil) by the end of February. This corresponds to an increase of 59 % at the Vail drilling site and 23 % at the Markham drilling site on the production levels predicted in the reserve report from May 2016. Revenue came to USD 13.4m by the end of February 2017.

Cub Creek submitted a new reserve appraisal in February, according to which the value of the reserves has increased by 120 % compared to May 2016 to USD 162m for proven reserves and USD 94m for probable reserves. Deutsche Rohstoff AG published detailed information about the current appraisal and the changes on its homepage (www.rohstoff.de).

Cub Creek started to sink more wells in the Haley drilling site at the beginning of March and announced that these wells were expected to go into production in the third quarter of the year. Once the wells at Haley are completed, Cub Creek is planning to sink up to 22 wells at the Litzenberger drilling site. These wells are to be put into production in the fourth quarter of 2017 or at the beginning of 2018.

Also at the end of March, Deutsche Rohstoff published the information that around 75 % of ongoing production at the three US subsidiaries is hedged using costless collars. These are forward contracts that define an upper and lower limit. In 2017, the average lower limit for the three companies is at just over USD 47 per barrel, while the upper limit is at just over USD 58 per barrel.

At the end of January, Almonty Industries reported on the results of the fiscal year that ended on 30 September 2016. Almonty generated revenue of CAD 37.3m. The company reported a net loss for the full year of CAD 21.2m. However, Almonty generated a positive result from operating activities before amortization, depreciation and write-downs despite the low tungsten prices. Particularly in the fourth quarter of 2016, the result from operating activities before extraordinary write-downs was CAD 3.5m.

Deutsche Rohstoff and Almonty also concluded another loan for USD 1m at the end of January. This loan has a term until the beginning of 2019 and is subject to interest of 6 %. At the same time, the existing loan for USD 1m was extended to the beginning of 2019 under the same conditions. The new loan is also secured with the Sangdong project.

At the beginning of March, Almonty announced that it had concluded another fixed price agreement with a term of 12 months for its tungsten concentrates. The price is approximately 25 % above the spot price. Almonty can therefore sell around 80 % of its production at fixed prices that far exceed the prior-year average in the current year.

At the end of April, Deutsche Rohstoff and Almonty announced that they were extending the existing convertible bond of CAD 6m (around EUR 4.1m) in favor of Deutsche Rohstoff by two years until March 2019. The bond was issued by Almonty in September 2014 as part of the purchase price payment for Deutsche Rohstoff's Wolfram Camp tungsten mine.

At the same time, both companies agreed that Deutsche Rohstoff would receive the outstanding interest in the form of Almonty shares. This involves a figure of CAD 0.42m, which will be paid in 1,206,574 Almonty shares at CAD 0.35 per share. Deutsche Rohstoff will also receive 283,914 Almonty shares from converting the outstanding interest of the loan granted by Deutsche Rohstoff to Almonty until 2019. This payment is based on a share price of CAD 0.28.

Almonty had previously announced that Global Tungsten and Powders (GTP), the main buyer of tungsten concentrates produced by Almonty, would convert a loan for CAD 9.4m including outstanding interest into 27.56 million Almonty shares, corresponding to a 19.9 % stake in the company. After GTP converted its loan and interest, Deutsche Rohstoff AG's stake in Almonty amounts to 10.3 % (previously: 11.9 %).

Also at the end of April, Deutsche Rohstoff AG published the information that Salt Creek Oil & Gas generated revenue of USD 2m and EBITDA of USD 1.4m in the first quarter of 2017. Salt Creek will also assume a stake in nine wells of 8.5 % each.

Tin signed a binding letter of intent at the end of February to found a joint venture with Lithium Australia NL. Lithium Australia is a company listed on the Australian stock exchange that has a processing technology that allows the economic extraction of lithium, e.g., from lithium mica (Sileach™ technology) and also holds a portfolio of lithium deposits.

The Sadisdorf licensed site held by Tin International in Saxony is the key component of the joint venture. Lithium Australia receives the right to acquire a 15 % stake in the new joint venture company by performing exploration activities totaling EUR 750,000 or making a corresponding cash payment to Tin International by the end of 2017. The Australian company can increase its stake in the joint venture to 50 % by investing a further EUR 1.25m over a three-year period. After this earn-in period is over, the joint venture partners equally share the project development costs or are diluted accordingly. Upon conclusion of the final joint venture agreement, Tin International will receive a one-time payment of EUR 200,000 in Lithium Australia shares and EUR 50,000 in cash.

Managed by Lithium Australia, the aim of the joint venture is to extend and upgrade the existing tin resource at the JORC-compliant (2012) Sadisdorf site (3.36 million tons with 0.44 % tin content and a cutoff of 0.25 % tin in the inferred resource category) and to identify potential for lithium mineralization in these deposits. Management expects that this strategy will substantially improve the economic viability of the Sadisdorf site. Lithium is an important commodity, especially for manufacturing batteries, and analysts anticipate that demand for this metal will increase significantly as electric vehicles become more and more prominent.

The prices for oil and tungsten were steady until the end of April. WTI has consistently traded between USD 48 and 54 per barrel since the beginning of the year. Tungsten APT was traded at USD 212 / mtu at the end of April, just under 30 % above the lows of early February.

The EUR / USD exchange rate did not continue its decline of the prior year, instead recovering to USD 1.09 / EUR by the end of April.

IV. FORECAST, OPPORTUNITIES AND RISK REPORT

1. FORECAST

The focus of the Group's business activities is on producing oil and gas in the USA. The Group currently operates 21 producing wells and holds non-controlling interests in around 70 wells. This number is expected to increase by up to 30 additional wells operated by the Group and an unspecified number of non-controlling interests in wells over the course of the year. The planned investment volume is approximately USD 50-70m. Investments are financed by cash inflows from the wells that are already in production, probably additional bank financing in the US and additional financing from Deutsche Rohstoff. It is relatively uncertain when the new wells can go into production because of the high level of operational complexity. The forecast assumes that up to nine additional wells operated by the Group will start production in mid-2017. Production for the remaining wells operated by the Group is forecast to start at the end of the fourth quarter of the year, meaning that these will make no contribution to the net income / net loss for the Group for 2017. It is more challenging to predict when the wells operated by third parties in which the Group holds non-controlling interests will start production, currently further 10 wells are assumed to start production at Salt Creek. The forecast is also heavily influenced by commodity prices and exchange rates. The production expected from the existing sources is relatively easy to predict.

In the Metals division, the Group currently has no subsidiaries with ongoing production activities. This means that selling assets or equity investments is the only way to generate income. It is difficult to forecast the implementation and result of such transactions. Therefore, sales of subsidiaries and assets in the mining and oil and gas industries are not included in the forecast. The same applies to any extraordinary write-downs.

With the start of production in the USA, the Group uses revenue and earnings before interest, taxes, depreciation and amortization (EBITDA) as the key financial performance indicators for internal monitoring. Taking into account the aforementioned assumptions relating to when the new wells will start production and assuming an annual average oil price of USD 50, a gas price of USD 3 and a EUR / USD exchange rate of 1.08, the management board anticipates consolidated revenue after royalties and production taxes will range between EUR 55 and 65m. EBITDA is also expected to reach at least EUR 40m. The earnings forecast would be jeopardized if a significant drop in the oil price meant that lower revenue was generated or that drilling activities had to be delayed.

2. RISKS AND OPPORTUNITIES

MANAGING OPPORTUNITIES AND RISKS

The operations of Deutsche Rohstoff AG itself are limited. All major activities take place at the subsidiaries and equity investments, each of which has its own management. The activities in the mining and oil and gas sectors are subject to a large number of risks and opportunities, both within and beyond the Company. Management seeks to identify and leverage opportunities at an early stage without neglecting or underestimating the associated risks. The management of Deutsche Rohstoff AG and the management of the group companies attaches particular importance to identifying risks in good time, estimating the consequences of the respective risks occurring, evaluating and, if possible, quantifying the likelihood of occurrence on an ongoing basis.

The management board of the holding company in Mannheim uses a range of tools to identify opportunities and recognize risks at an early stage and counteract them:

· The annual financial planning is prepared for the holding company as well as for the subsidiaries on a monthly basis and is subject to constant variance analysis. Larger variances are taken as an opportunity to examine the corresponding costs directly or to adjust the planning, if necessary.

· The credit and cash management of the subsidiaries is coordinated in a timely manner with the parent company. No larger transactions take place without the parent company's approval.

· Deutsche Rohstoff AG, as the parent company, is represented on all supervisory committees of the group companies and also of the equity investments. There are regular board and supervisory board meetings at which the business policy is discussed in detail. In the majority of cases, the Deutsche Rohstoff representative is the chair of the supervisory body. Group representatives hold the majority of the voting rights at the companies owned by the Group.

· Two to three times a month, or more frequently if necessary, extensive conference calls are held with the management of the subsidiaries. The management board is informed about all current developments and discusses upcoming measures during these conference calls.

· Once or twice a year, the CEO of the key US subsidiaries attends the supervisory board meeting in Mannheim and personally reports current developments and the planning for the coming months to the supervisory board.

In addition, personal visits on site or by the management of subsidiaries in Mannheim provide an opportunity to discuss the respective situation comprehensively and to plan the next months and years from an operational perspective. These visits take place at least four times a year. There is also a regular exchange at management level with the investees in the form of on-site visits as well as telephone calls and correspondence during the year.

RISKS AND OPPORTUNITIES

The opportunities and risks are divided into five categories:

Systemic opportunities and risks
Industry opportunities and risks
Performance-related opportunities and risks
Financial opportunities and risks
Other opportunities and risks

The management of the individual companies focuses on the significant opportunities and risks. Such significant opportunities and risks are discussed with the Group's management board on an ongoing basis. They are the subject of regular telephone calls, reports, minutes and discussions during on-site visits. It is generally the responsibility of the highest management level of each subsidiary to anticipate opportunities and risks and regularly report to the management of the Group. The management of the Group works together with those responsible to specify measures aimed at mitigating risks.

Systemic opportunities and risks

This category includes one of the main risks that arises in the resources business, namely the risk of a decrease in prices of the resources produced. Decreasing prices have substantial effects on the profitability of extraction and on the liquidity requirements of the respective group company. If the prices that can be achieved per unit produced drop below the costs incurred for producing such a unit for a protracted period, the Company's ability to continue as a going concern may be jeopardized.

In the Deutsche Rohstoff Group, the price risk mostly relates to oil and gas at present. Cub Creek Energy, Elster Oil & Gas and Salt Creek regularly use sensitivity analyses to calculate how earnings and cash flow change with various prices for oil and gas. If there were to be a long-term drop in the price for WTI oil to below USD 40 / barrel, new horizontal wells would no longer pay for themselves as quickly as management considers appropriate from an opportunities and risk perspective. If the price level were below this threshold, presumably no new wells would be sunk. Deciding not to drill would affect the net assets, financial position and results of operations, but would under no circumstance jeopardize the Company's continued existence. As of the balance sheet date, prices were above this threshold. Cub Creek Energy and Elster Oil & Gas expect a long-term oil price of between USD 50 and USD 60 / barrel.

In order to minimize the price risk, the Group hedged parts of the current oil and gas production using costless collars. These are forward contracts that define an upper and lower limit. In 2017, the average lower limit for the three companies is at just over USD 47 per barrel, while the upper limit is at just over USD 58 per barrel.

In concrete terms, this means that the subsidiaries receive at least USD 47 per barrel for 75 % of the production anticipated in 2017, even if the oil price falls below this level. On the other hand, they will not receive more than USD 58 if the oil price rises to above USD 58 per barrel. If prices are expected to increase significantly, the upper limit can be released by paying a premium. There is already marginal hedging in place for 2018.

As with oil and gas production, there is also a price risk in the production of tungsten concentrates. If the price for the concentrates were to fall below the production cost for a protracted period, Almonty Industries could face risks to its ability to continue as a going concern. Unlike in oil production, the Company has to cover relatively high operating costs, which are also largely fixed and can be reduced only with a certain lead time. Since September 2014, there has been a significant fall in the European APT price, which is authoritative for Almonty. In 2016, the average annual price was USD 191 / mtu (2014: USD 227). In February 2016, the price fell to its lowest level for many years of USD 165 / mtu. By the end of December 2016, it had recovered to USD 192.50 / mtu.

Almonty again reported a loss of CAD 21.2m in the fiscal year 2016 that ended on 30 September 2016. This loss was largely as a result of the low prices and the write-downs on the inventories of the mines in Wolfram Camp and Los Santos necessitated as a result as well as write-downs on the Wolfram Camp mine. In the first quarter of the fiscal year 2016 / 2017 (1 October to 31 December 2016), there was also a loss of CAD 4.6m. It is possible that Almonty will record a loss again in the fiscal year 2016 / 2017.

The management of Almonty was at least able to significantly reduce the price risk for 2017 by signing fixed price agreements at the end of 2016 / beginning of 2017. Almonty receives prices that are roughly 25 % higher than the spot market level for around 80 % of its tungsten production. The management board is therefore convinced that the company will generate a sufficiently positive cash flow from operating activities to cover current mining operations and the holding costs.

If low prices continue beyond 2017, there is the risk that Almonty will be unable to sign any other fixed price agreements and will only receive the lower spot prices. This could result in the company not generating sufficient returns to cover ongoing costs or to service the long-term liabilities. As a result, the management could be forced to close one or more mines. If the management were to fail to acquire other financing in such a situation, it would not be possible to rule out the company becoming insolvent. In an extreme case, Deutsche Rohstoff faces the risk of the stockholding, the two convertible bonds and the two short-term loans granted, and therefore carrying amounts of around EUR 16m, becoming worthless. However, there is security for the second convertible bond of CAD 4m and the two short-term loans of USD 1m each, which is recoverable from today's perspective.

Deutsche Rohstoff considers the risk of such a development to be manageable. The management board sees the risk of insolvency as less than 25 %. Through the purchase of mines and development projects, Almonty has significantly increased its share in production of tungsten concentrates outside of China and also of the known reserves. Almonty has progressed to become one of the largest producers outside China. The purchase of the concentrates produced is ensured for the long term by means of supply agreements with Global Tungsten and Powders (GTP). In addition, GTP has been the largest single shareholder of Almonty since the end of April. Market observers consider prices on the spot market, which increased over the past few months, to be shaped by the increasing demand and scarce supply. Furthermore, Almonty considerably reduced its production costs per unit and can therefore also withstand lower prices.

Almonty also managed to secure a substantial amount of financing in the past year. For example, the company announced in early January 2016 that it had concluded a financing agreement worth USD 14m with UniCredit. Furthermore, around CAD 27m of additional equity and debt was acquired over the course of the year.

Conversely, a rising price would have a positive effect on the results of operations, financial position and net assets at all group companies and equity investments. This therefore presents a significant opportunity. The US subsidiaries also conclude forward contracts to hedge against the risk a sharp drop in prices would have on production. The management board anticipates that prices for oil and the metals significant to the Group will increase moderately during the remainder of 2017. The value of the Group's assets increases disproportionately when prices rise.

The Company's investments are mainly in US dollars and, to a much lesser extent, in Australian or Canadian dollars. The related currency risk is significant and is reflected in the consolidated financial statements, both with and without affecting income. The management constantly reviews the options for hedging or mitigating the currency risk. To this end, forward exchange contracts are concluded regularly in order to secure a certain exchange rate for foreign currency items that will be paid back on a specified date.

With regard to currencies, the management sees the opportunity to continue generating earnings. Should the euro continue to lose value against the US dollar in the medium term, as the majority of market observers expect (see Deutsche Bank, Commerzbank), this would mean a significant increase in the value of the investments as well as higher returns in euros.

Industry opportunities and risks

As deposits of resources are bound to a particular location, they generally depend to a large extent on the political and legal environment. The Deutsche Rohstoff Group therefore operates only in countries where a stable and reliable environment is to be expected. Nevertheless, there may be regulatory changes that significantly influence the profitability of projects even in these countries. Such an effect could arise if the use of fracking technology were to be restricted in Colorado or other federal states. However, the management currently regards this risk as low.

Due to the weak commodities market, there was no shortage in the availability of suitable personnel and service providers in the past three years, particularly in the USA. However, there is currently a risk that personnel expenses and costs for service providers will increase again. There are hundreds more active wells in the USA compared to the low in mid-2016. Oil and gas companies are hiring more and more employees. In order to limit this risk, the Deutsche Rohstoff Group secured reasonable prices for the well and fracking activities by entering into long-term agreements as early as mid-2016. The main cost items are therefore covered.

Performance-related opportunities and risks

In the area of service provision, there are the following significant risks relating to extraction companies. These risks can arise either individually or in combination, with each having a significant influence on the Group's net assets, financial situation and results of operations, but particularly if they occur in combination:

Extraction rates: The commercial success of the wells of the oil companies depends on the extraction rates or the total amount that it is possible to extract. If the extractable volume is significantly lower than 250,000 BOE, the cash value of the well may not be positive. All wells are currently extracting volumes significantly higher than this. Management assumes that the same will be true for the additional wells that are planned. In general, the costs per well have decreased over the past two years, while extraction rates have increased, particularly on account of improved fracking methods. The combination of these two effects has resulted in a decreasing break-even point for wells and thus also a lower risk.

The management at Cub Creek Energy, Elster Oil & Gas and Salt Creek constantly reviews its assumptions relating to the possible extraction rates on the basis of new findings generated by the companies themselves or by competitors operating in the vicinity. This is intended to avoid poor drilling results and extraction rates. Of course, better-than-expected extraction rates present an opportunity with a positive effect on the results of operations.

Exploration results are, by their nature, predictable only to a limited extent. The exploration activities within the Group therefore carry the risk of wells or other types of exploration not being as successful as hoped. As a consequence, the value of the capitalized exploration expenses could decrease or these expenses could become completely worthless. However, due to the relatively low values recognized for exploration on the balance sheet, the influence on the Group as a whole in no way jeopardizes its continued existence. By contrast, better-than-expected exploration results can have a considerable positive influence, particularly on net assets.

Financial opportunities and risks

The ability to finance project development is one of the key success factors in the extraction of resources. As of the end of 2016, Deutsche Rohstoff had above-average equity reserves and sufficient cash reserves. Nevertheless, the parent company could have to borrow additional funding to complete future horizontal drilling programs in the USA or to acquire new projects. Funding requirements may also be higher than planned on account of delays or cost increases for the projects. Whether or not additional funding can be procured going forward hinges on the success of the current and future project activities, the conditions on the capital market and other factors. If it is not possible to borrow funds at favorable conditions or indeed at any conditions, the management could possibly be forced to reduce the operating expenses by delaying, limiting or discontinuing project development.

In general, the Deutsche Rohstoff Group endeavors to counter the financing risk with a very conservative financing policy. The reach of the cash available is constantly calculated. Ongoing discussions are held with potential providers of equity and borrowed capital in an attempt to create further funding opportunities that can also be used independently of the capital market.

Some group companies carry substantial amounts of unused tax losses or the ability offset future investments against profits. This applies in particular to Deutsche Rohstoff USA and Deutsche Rohstoff AG. The management board assumes that, based on current tax legislation, these loss carryforwards and other deductions can be carried forward and used for offsetting against future or past profits in accordance with the tax regulations (e.g., minimum taxation). If changes in the law at short notice, a change in the capital or ownership structures or other events mean that it is not possible to use the tax loss carryforwards in full or in part, or because it is not possible to yield long-term profits with resource projects, income tax payments would then be incurred on the profits expected to be recorded in the future if the respective subsidiaries develop successfully. These tax payments would burden liquidity, and capitalized deferred taxes could be impaired in value. The management board therefore regularly reviews the recoverability of deferred tax assets recognized on loss carryforwards and other deductions. Local tax advisors have been engaged to recognize and remedy tax risks at an early stage in all countries where the Group has a domicile.

Other opportunities and risks

In the area of other risks, the risk of accidents affecting employees or third parties and the natural environment should be mentioned. Accidents of this kind can result in damages claims and additionally tarnish the Company's reputation. Both can negatively impact results of operations and net assets, and in extreme cases even jeopardize the Company's continued existence.

Overall picture of the risk situation

The most significant risks at present are the oil price, the tungsten price, the currency risk, the recoverability of the other equity investments, in particular in Almonty Industries, and the risks pertaining to the further development of the exploration companies. However, the management board believes that all of these risks are manageable and even in the most unfavorable case would not jeopardize the continued existence of the Company. The management board therefore believes that the overall business risk is relatively low compared to other similar-sized companies in the commodities sector. The main risks are also countered by opportunities arising from increasing commodities prices, a continued favorable exchange rate or successful development of projects by the exploration companies. In addition, thanks to its stable liquidity situation and strong reputation on the capital market, the Company has the opportunity to invest in promising new activities.

Mannheim, 8 May 2017

The management board

Dr. Thomas Gutschlag Jan-Philipp Weitz

CONSOLIDATED BALANCE SHEET

AKTIVA		31/12/2016	31/12/2015
		EUR	EUR
A.	FIXED ASSETS		
I.	Intangible assets		
1.	Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	33,853,665	16,158,925
2.	Goodwill	6,760,778	1,342,189
		40,614,443	**17,501,115**
II.	Property, plant and equipment		
1.	Petroleum extraction equipment	76,171,842	5,314,075
2.	Exploration and evaluation	3,492,765	1,595,909
3.	Plant and machinery	173,317	443,974
4.	Other equipment, furniture and fixtures	103,456	119,258
		79,941,380	**7,473,215**
III.	Financial assets		
1.	Equity investments	12,542,190	11,821,167
2.	Loans to other investees and investors	913,075	0
3.	Securities classified as fixed assets	7,587,726	11,990,430
		21,042,991	**23,811,597**
B.	CURRENT ASSETS		
I.	Inventories		
	Finished goods and merchandise	137,090	54,574
		137,090	**54,574**
II.	Receivables and other assets		
1.	Trade receivables	7,298,295	1,738,465
2.	Receivables from other investees and investors	495,339	1,093,916
3.	Other assets	15,105,259	4,530,128
		22,898,893	**7,362,509**
III.	Securities classified as current assets		22,596,717
IV.	Bank balances		48,444,686
C.	PREPAID EXPENSES		**275,816**
D.	DEFERRED TAX ASSETS		**533,826**
	TOTAL ASSETS		**128,054,055**

EQUITY AND LIABILITIES			31/12/2016		31/12/2015
			EUR		EUR
A.	EQUITY				
I.	Subscribed capital	5,063,072		5,063,072	
	less nominal value of treasury shares	-127,810	4,935,262	-120,010	4,943,062
	Conditional capital: EUR 2,000,000 (prior year: EUR 2,000,000)				
II.	Capital reserves		29,757,158		29,740,580
III.	Revenue reserves		0		0
IV.	Equity differences from currency translation		6,325,657		6,466,537
V.	Consolidated net retained profit		15,405,160		18,124,147
VI.	Non-controlling interests		9,697,858		2,566,102
			66,121,095		**61,840,428**
B.	PROVISIONS				
1.	Tax provisions		330,517		179,122
2.	Other provisions		4,977,616		910,311
			5,308,133		**1,089,433**
C.	LIABILITIES				
1.	Bonds, thereof convertible: EUR 0		66,705,000		51,555,000
2.	Liabilities to banks		8,538,236		6,406,622
3.	Trade payables		29,914,719		956,669
4.	Other liabilities		3,988,686		3,267,157
			109,146,641		**62,185,448**
D.	D. DEFERRED TAX LIABILITIES		**12,895,843**		**2,938,746**
	TOTAL EQUITY AND LIABILITIES		**193,471,712**		**128,054,055**

CONSOLIDATED INCOME STATEMENT

		01/01/– 31/12/2016	01/01/– 31/12/2015
		EUR	EUR
1.	REVENUE	9,170,296	1,897,054
2.	INCREASE OR DECREASE IN FINISHED GOODS AND WORK IN PROCESS	9,542	17,017
3.	OTHER OWN WORK CAPITALIZED	1,724,710	940,772
4.	OTHER OPERATING INCOME	10,496,891	8,527,502
5.	COST OF MATERIALS	4,257	59,351
	Cost of purchased services	4,257	59,351
6.	PERSONNEL EXPENSES	3,457,384	2,277,990
	a) Wages and salaries	3,357,574	2,154,797
	b) Social security, pensions and other benefit costs	99,810	123,193
	– thereof for old-age pensions: EUR 4,737 (prior year: EUR 11,077)		
7.	AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	6,873,537	1,578,900
	a) of intangible assets and property, plant and equipment	6,873,537	1,550,675
	b) of current assets	0	28,225
8.	OTHER OPERATING EXPENSES	11,565,953	4,110,949
9.	OTHER INTEREST AND SIMILAR INCOME	2,685,120	1,234,875
10.	AMORTIZATION OF FINANCIAL ASSETS AND SECURITIES CLASSIFIED AS CURRENT ASSETS	40,998	936,298
11.	INTEREST AND SIMILAR EXPENSES	4,097,743	4,210,704
12.	INCOME TAXES	-2,028,183	-1,108,261
	– thereof expenses from changes in recognized deferred taxes: EUR 9,992,507 (prior year: EUR 3,047,812)		
13.	EARNINGS AFTER TAXES	74,870	551,289
14.	OTHER TAXES	584	22,548
15.	NET INCOME FOR THE GROUP FOR THE YEAR	74,286	528,741
16.	PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (-) OR LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (+)	27,916	626,166
17.	PROFIT CARRYFORWARD (+)	15,409,753	18,720,626
18.	TRANSFER TO REVENUE RESERVES	-106,795	-1,751,387
19.	CONSOLIDATED NET RETAINED PROFIT	15,405,160	18,124,147

		2016	2015
		EUR	EUR
	NET INCOME FOR THE PERIOD (INCLUDING NON-CONTROLLING INTERESTS)	**74,286**	**528,740**
+/-	Write-downs / write-ups of fixed assets	6,873,537	2,359,867
+/-	Increase / decrease in provisions	4,232,095	177,547
-/+	Gains / losses from the disposal of TIN International Pty. Ltd. and Strategic Resources Development Pty. Ltd.	196,000	0
+/-	Other non-cash expenses / income	-4,479,687	-46,492
-/+	Increase / decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	-5,863,564	-5,803,622
+/-	Increase / decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	54,543	1,179,243
-/+	Gains / losses from the disposal of fixed assets	-1,310,042	22
+/-	Interest expenses / income	1,412,624	2,975,829
+/-	Income taxes paid / received	-2,028,183	-1,108,261
-/+	Income tax payments	3,752,426	930,692
	CASH FLOW FROM OPERATING ACTIVITIES	**2,914,035**	**1,193,566**
+	Cash received from disposals of intangible assets	2,877,887	0
-	Cash paid for investments in intangible assets	-18,915,930	-2,866,708
+	Cash received from disposals of property, plant and equipment	0	208,362
-	Cash paid for investments in property, plant and equipment	-47,181,510	-7,182,394
+	Cash received from disposals of fixed financial assets	5,143,703	103,000
-	Cash paid for investments in fixed financial assets	-2,068,487	-4,591,168
-	Cash paid for additions to the basis of consolidation	0	-65,000
+	Cash received in connection with short-term financial management of cash investments	21,385,708	4,341,522
-	Cash paid in connection with short-term financial management of cash investments	-2,245,437	-6,135,103
+	Interest received	2,213,494	1,087,294
	CASH FLOW FROM INVESTING ACTIVITIES	**-38,790,572**	**-15,100,196**
+	Cash received from equity contributions by other shareholders	1,241,338	1,541,635
-	Cash paid from equity reductions to shareholders of the parent company	-114,595	-1,871,398
+	Cash received from the issue of bonds and from loans	39,232,744	0
-	Cash repayments of bonds and loans	-22,147,622	-6,181,573
-	Interest paid	-3,980,999	-4,454,264
-	Dividends paid to shareholders of the parent company	-2,714,394	-2,531,536
-	Dividends paid to non-controlling interests	0	-568,560
	CASH FLOW FROM FINANCING ACTIVITIES	**11,516,472**	**-14,065,696**
	Change in cash and cash equivalents	-24,360,065	-27,972,325
+/-	Changes in cash and cash equivalents due to exchange rates and valuation	584,984	2,323,299
+/-	Changes in cash and cash equivalents due to changes in the basis of consolidation	-35,156	4,226
+	Cash and cash equivalents at the beginning of the period	48,444,684	74,089,485
	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**24,634,447**	**48,444,684**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IN EUR	SUBSCRIBED CAPITAL	CAPITAL RESERVES	REVENUE RESERVES	EQUITY DIFFERENCES FROM CURRENCY TRANSLATION
AS OF 1 JAN 2015				**4,213,459**
Capital increase through sale of shares to minority interests	0	111,965	0	0
Capital repayment and distribution to minority interests	0	0	0	0
Transfer to the revenue reserves	0	0	1,751,387	0
Acquisition of treasury shares	-120,010	0	-1,751,387	0
Foreign currency translation	0	0	0	2,253,078
Reclassifications	0	0	0	0
Dividend	0	0	0	0
Net income / net loss for the year	0	0	0	0
AS OF 31 DEC 2015	**4,943,062**	**29,740,580**	**0**	**6,466,537**
AS OF 1 JAN 2016	**4,943,062**	**29,740,580**	**0**	**6,466,537**
Capital increase through sale of shares to minority interests	0	16,578	0	0
Capital repayment and distribution to minority interests	0	0	0	0
Transfer to the revenue reserves	0	0	106,795	0
Acquisition of treasury shares	-7,800	0	-106,795	0
Foreign currency translation	0	0	0	-140,880
Reclassifications	0	0	0	0
Dividend	0	0	0	0
Net income / net loss for the year	0	0	0	0
AS OF 31 DEC 2016	**4,935,262**	**29,757,158**	**0**	**6,325,657**

PROFIT/LOSS CARRYFORWARD	NET INCOME/LOSS FOR THE PERIOD	EQUITY OF THE DRAG GROUP	NON-CONTROLLING INTERESTS	CONSOLIDATED EQUITY
0	0	111,965	1,429,670	1,541,635
0	0	0	-568,560	-568,560
0	-1,751,387	0	0	0
0	0	-1,871,397	0	-1,871,397
0	0	2,253,078	0	2,253,078
20,432,202	-20,432,202	0	0	0
-2,531,536	0	-2,531,536	0	-2,531,536
0	1,154,908	1,154,908	-626,166	528,743
18,720,626	**-596,479**	**59,274,326**	**2,566,102**	**61,840,428**
18,720,626	**-596,479**	**59,274,326**	**2,566,102**	**61,840,428**
0	0	16,578	6,966,983	6,983,561
0	0	0	-107,091	-107,091
0	-106,795	0	0	0
0	0	-114,595	0	-114,595
0	0	-140,880	299,780	158,900
-596,479	596,479	0	0	0
-2,714,394	0	-2,714,394	0	-2,714,394
0	102,202	102,202	-27,916	74,286
15,409,753	**-4,593**	**56,423,237**	**9,697,858**	**66,121,095**

ACQUISITION AND PRODUCTION COST

IN EUR		1 JAN 2016	ADDITIONS	DISPOSALS
I.	INTANGIBLE ASSETS			
	1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	17,212,304	18,569,713	-1,441,395
	2. Goodwill	2,567,403	5,619,241	0
		19,779,707	**24,188,954**	**-1,441,395**
II.	PROPERTY, PLANT AND EQUIPMENT			
	1. Petroleum extraction equipment	6,016,306	27,447,211	0
	2. Exploration and evaluation	4,426,141	47,851,674	0
	3. Plant and machinery	555,453	80,032	0
	4. Other equipment, furniture and fixtures	204,104	29,163	0
		11,202,004	**75,408,079**	**0**
III.	FINANCIAL ASSETS			
	1. Equity investments	12,579,587	480,899	0
	2. Loans to other investees and investors	0	913,075	0
	3. Securities classified as fixed assets	12,041,201	674,513	-4,649,134
		24,620,788	**2,068,487**	**-4,649,134**
		55,602,499	**101,665,521**	**-6,090,529**

CHANGES IN BASIS OF CONSOLIDATION	RECLASSIFICATIONS	FOREIGN CURRENCY TRANSLATION	31 DEC 2016
0	0	972,630	35,313,253
0	0	293,866	8,480,510
0	**0**	**1,266,496**	**43,793,763**
0	46,966,518	2,215,221	82,645,257
0	-46,966,518	1,021,348	6,332,645
0	0	42,807	678,291
-1,265	0	4,127	236,128
-1,265	**0**	**3,283,503**	**89,892,322**
-180,529	428,082	-7,429	13,300,611
0	0	0	913,075
0	-428,082	0	7,638,497
-180,529	**0**	**-7,429**	**21,852,183**
-181,794	**0**	**4,542,571**	**155,538,268**

ACCUMULATED AMORTIZATION, DEPRECIATION AND WRITE-DOWNS

IN EUR		1 JAN 2016	ADDITIONS	DISPOSALS
I.	INTANGIBLE ASSETS			
	1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	1,053,379	398,901	0
	2. Goodwill	1,225,214	494,519	0
		2,278,593	**893,420**	**0**
II.	PROPERTY, PLANT AND EQUIPMENT			
	1. Petroleum extraction equipment	702,232	5,562,634	0
	2. Exploration and evaluation	2,830,232	9,648	0
	3. Plant and machinery	111,478	362,163	0
	4. Other equipment, furniture and fixtures	84,846	45,672	0
		3,728,788	**5,980,117**	**0**
III.	FINANCIAL ASSETS			
	1. Equity investments	758,421	0	0
	2. Loans to other investees and investors	0	0	0
	3. Securities classified as fixed assets	50,771	0	0
		809,192	**0**	**0**
		6,816,573	**6,873,537**	**0**

CHANGES IN BASIS OF CONSOLIDATION	RECLASSIFI-CATIONS	FOREIGN CURRENCY TRANSLATION	31 DEC 2016	NET BOOK VALUES 31 DEC 2016	31 DEC 2015
0	0	7,308	1,459,588	33,853,665	16,158,925
0	0	0	1,719,733	6,760,778	1,342,189
0	**0**	**7,308**	**3,179,321**	**40,614,443**	**17,501,114**
0	0	208,550	6,473,415	76,171,842	5,314,075
0	0	0	2,839,880	3,492,765	1,595,909
0	0	31,333	504,974	173,317	443,974
-246	0	2,400	132,672	103,456	119,258
-246	**0**	**242,283**	**9,950,942**	**79,941,380**	**7,473,215**
0	0	0	758,421	12,542,190	11,821,167
0	0	0	0	913,075	0
0	0	0	50,771	7,587,726	11,990,430
0	**0**	**0**	**809,192**	**21,042,991**	**23,811,596**
-246	**0**	**249,591**	**13,939,455**	**141,598,813**	**48,785,926**

1. GENERAL

The consolidated financial statements of Deutsche Rohstoff were prepared in accordance with the accounting provisions of Secs. 290 et seq. HGB ["Handelsgesetzbuch": German Commercial Code].

The consolidated income statement is classified using the nature of expense method.

To improve clarity, we summarize individual consolidated balance sheet and income statement items and present and comment on them separately in these notes to the consolidated financial statements. For the same reason, we also indicate in the notes whether individual items are related to other items and "thereof" items.

The consolidated financial statements are presented in euro (EUR). Unless otherwise indicated, all figures are rounded up or down to the nearest euro in accordance with commercial rounding practice. Please note that differences can result from the use of rounded amounts and percentages.

The parent company Deutsche Rohstoff AG has its registered office in Heidelberg. The Company is registered with the commercial register of Mannheim local court under HRB no. 702881.

The first-time application of the BilRUG ["Bilanzrichtlinie-Umsetzungsgesetz": German Act to Implement the EU Accounting Directive] in the reporting year had no significant effects on the financial statements except the change in the classification format of the income statement and disclosures for the notes. The prior-year figures were not adjusted. To provide comparability, the relevant disclosures in the corresponding items in the balance sheet and income statement were changed.

2. BASIS OF CONSOLIDATION

The consolidated financial statements include Deutsche Rohstoff AG as well as three German and six foreign subsidiaries. In the prior year, the consolidated financial statements included three German and nine foreign subsidiaries. Please also refer to 5.2. Information on shareholdings.

The Australian company TIN International Pty. Ltd. was dissolved in the fiscal year 2016.

In the first quarter of 2016, Deutsche Rohstoff AG withdrew from the Australian company Strategic Resource Development Pty Ltd. and received shares in Hammer Metals Ltd. Inc. in proportion to its shareholding of 70 %.

Both companies were therefore deconsolidated in the fiscal year 2016. This gave rise to expenses of EUR 196k, which were disclosed under "Other operating expenses".

In January 2016, the US company Tekton Windsor LLC was incorporated in Elster Oil & Gas LLC and is therefore not recognized as a separate company within the consolidated group.

Due to the cash capital increase performed in June 2016 at the US subsidiary Cub Creek Energy LLC, the shareholding in the company increased from 73.04 % to 79.93 %.

Also the cash capital increases performed in April, July, September and December 2016 at the US subsidiary Salt Creek Oil & Gas LLC resulted in an increase in shares from 60.00 % to 90.52 %.

3. CONSOLIDATION PRINCIPLES

Companies which were consolidated for the first time due to an acquisition were accounted for using the purchase method as of the date on which the companies became a subsidiary.

The carrying amount of the shares belonging to the parent company is offset against the equity of the subsidiary attributable to those shares. Equity is stated at the fair value of the assets, liabilities, prepaid expenses and deferred income to be included in the consolidated financial statements at the time of consolidation. Any remaining asset difference is disclosed as goodwill; any difference on the liabilities side is disclosed separately under equity as a "Negative consolidation difference."

The fair value of the assets, liabilities, prepaid expenses and deferred income is determined as of the date on which the company became a subsidiary; this is also the date of acquisition accounting.

Intercompany receivables and liabilities, revenue, income and expenses and any intercompany profits and losses were eliminated.

4. ACCOUNTING AND VALUATION METHODS

The following accounting and valuation methods were used to prepare the financial statements.

The financial statements of the companies included in the consolidated financial statements were prepared in accordance with uniform accounting and valuation methods.

Purchased **intangible assets** are recognized at acquisition or production cost and are amortized over their useful lives using the straight-line method if they have a limited life. The useful life ranges from three to five years. Intangible assets primarily comprise extraction rights as well as exploration and extraction licenses. Exploration licenses are amortized using the straight-line method over the anticipated total exploration period as of the date of acquisition. By contrast, extraction licenses are amortized over the expected remaining useful life of the deposit using the straight-line method. There is one exception regarding the straight-line amortization method for extraction rights, which are amortized according to the degree of utilization. The degree of utilization reflects the economic rate of depreciation.

Extraordinary write-downs are recognized if the impairment is expected to be permanent.

Goodwill from acquisition accounting before 1 January 2016 of shares is amortized pro rata temporis over a period of five years. For goodwill arising after 31 December 2015, explanations on determining the relevant useful life are given pursuant to the BilRUG provisions in the context of fixed assets. The estimated useful lives are based on the expected extraction periods and volumes, the appropriateness of which is evaluated on a regular basis and adjusted downwards as necessary.

Property, plant and equipment are recognized at acquisition or production cost and are depreciated if they have a limited life. The cost of self-constructed assets includes direct costs as well as a proportionate share of overheads.

Property, plant and equipment contains the category “Petroleum extraction equipment” on account of the specific features of an extractive company. The petroleum extraction equipment related to extraction equipment operated by Elster Oil & Gas LLC and Cub Creek Energy LLC in the “Wattenberg” field in Colorado (USA), as well as by Salt Creek Oil & Gas LLC in the “Williston Basin - Bakken” oil field in North Dakota (USA).

Classification of property, plant and equipment also contains a classification item “Exploration and evaluation.” The item contains expenses incurred during the exploration and evaluation phase in direct connection with the discovery of minable material and which directly serve the procurement of raw materials more likely than not to generate future cash flows. Direct costs and a proportionate share of overheads are recognized.

As of the date of commercial production, these items are reclassified to the respective fixed asset items. Should it emerge that, due to events or changes in circumstances, the estimated raw materials available are not sustainable or fall significantly short of expectations or the yield is not sufficient for viable extraction, the assets affected are written off through profit or loss.

Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method. The useful life for plant and machinery ranges between 8 and 25 years, for other equipment, furniture and fixtures between 3 and 13 years. There is one exception regarding the straight-line depreciation method for petroleum extraction equipment, which is depreciated according to the degree of utilization. The degree of utilization reflects the economic rate of depreciation.

Extraordinary write-downs are recognized if the impairment is expected to be permanent.

Financial assets are recognized at the lower of cost or market.

Inventories are recognized at the lower of cost or market.

Finished goods and merchandise are valued at production cost. In addition to the direct cost of materials, direct labor and other special direct costs, production costs include production and materials overheads as well as depreciation. Borrowing costs were not included in production cost. General and administrative expenses were also not capitalized.

In all cases, valuation was at net realizable value, i.e., the cost to complete was deducted from the expected sales prices.

Receivables and other assets were stated at their nominal value less allowances for specific risks.

As pending transactions, **derivative financial instruments** are generally not recognized. Gains on hedging instruments that cannot be designated to corresponding hedged items are only realized upon maturity. Unrealized losses from derivative financial instruments are recognized with an effect on income if they are not included in a hedge and the unrealized losses are not compensated for by offsetting changes in the value of the hedged item.

Other securities classified as current assets are recognized at acquisition cost or, if applicable, at the lower listed or market prices on the balance sheet date.

Prepaid expenses include payments made prior to the balance sheet date that relate to expenses for a particular period after this date.

Other provisions account for all uncertain liabilities and potential losses from pending transactions. They are recognized at the settlement value deemed necessary according to prudent business judgment (i.e., including future cost and price increases). Provisions with a residual term of more than one year were discounted. Recultivation provisions were primarily recognized for field clearance and well plugging. This involves recognizing a pro rata addition, taking into account expected future price and cost increases as well as discounts in line with the respective remaining term.

Provisions are discounted using an interest rate suitable for instruments of an equivalent term in accordance with the RückAbzinsV ["Rückstellungsabzinsungsverordnung": German Ordinance on the Discounting of Provisions].

Liabilities were recorded at the settlement value.

To determine **deferred taxes** arising due to temporary or quasi-permanent differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts or due to tax loss carryforwards, the resulting tax burden and relief are valued using the company-specific tax rates at the time the differences reverse; these amounts are not discounted. Differences due to consolidation procedures in accordance with Secs. 300 to 307 HGB are taken into account; differences arising on the first-time recognition of goodwill or a negative consolidation difference are not included. Deferred tax assets were recognized on tax loss carryforwards if expected to be offset within the next five years. Where permissible, deferred tax assets and deferred tax liabilities are netted.

Currency translation

Foreign currency assets and liabilities were translated using the mean spot rate on the balance sheet date. If they had residual terms of more than one year, the realization principle and the historical cost principle were applied.

Except for equity, assets and liabilities in the financial statements prepared in foreign currency were translated into euro at the mean spot rate on the balance sheet date. Equity is translated at historical exchange rates. The items of the income statement are translated into euros at the average exchange rate. The resulting translation difference is recognized in consolidated equity under the item "Equity difference from currency translation."

5. NOTES TO THE CONSOLIDATED BALANCE SHEET

5.1. FIXED ASSETS

The development of fixed assets, including amortization, depreciation and write-downs for the fiscal year, is shown in the statement of changes in fixed assets.

In the fiscal years 2013 and 2014, shares in Elster Oil & Gas LLC totaling 29.14 percentage points were acquired by minority interests. As a result of this capital consolidation, hidden reserves of EUR 8,569k in total were capitalized in the item "Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets."

In addition, extraction rights in connection with potential and productive oil and gas wells were capitalized under this item.

In the fiscal year 2016, Salt Creek Oil & Gas LLC acquired oil and gas production on an area of 1,795 acres (726.4 hectares) in total in North Dakota. Extraction rights of EUR 16.2m were acquired in the course of this acquisition. Petroleum extraction equipment and locations for further possible wells can be found on the area. The areas are located at the Bakken oil field in McKenzie and Mountrail County in North Dakota. As part of this acquisition, acquired areas in the STACK oil field in Oklahoma were sold again in June and August 2016.

The item "Purchased franchises, industrial rights and similar rights and assets, and licenses in such rights and assets" breaks down as follows, see table 5.1.1.

Acquisition accounting of Cub Creek Energy in June 2016 resulted in goodwill of EUR 4.2m. Goodwill was written down over a useful life of 15 years using the straight-line method from July 2016. The useful life was estimated on the basis of the average extraction periods of the oil wells of Cub Creek Energy.

The acquisition accounting of Salt Creek Oil & Gas in April, July, September and December 2016 also led to goodwill of EUR 1.5m. Goodwill was continuously written down over a useful life of 15 years also using the straight-line method from April 2016. The useful life was estimated on the basis of the average extraction periods of the oil wells of Salt Creek Oil & Gas.

The item “Exploration and evaluation” breaks down as follows, see table 5.1.2.

The petroleum extraction equipment breaks down as follows, see table 5.1.3.

The petroleum extraction equipment of Elster Oil & Gas LLC relates to eleven wells in the “Wattenberg” field in Colorado, USA, an average of 45.3 % of which is allocable for economic purposes to the company Elster Oil & Gas LLC. Five of the eleven wells were put into production in September 2015, six more wells in July 2016. Elster Oil & Gas LLC acts as a non-operator in this structure.

The petroleum extraction equipment of Cub Creek Energy LLC relates to 21 wells in the “Wattenberg” field in Colorado, USA, an average of 85.3 % of which is allocable for economic purposes to the company Cub Creek Energy LLC. The wells were put into production in November and December 2016. Cub Creek Energy LLC acts as operator.

The petroleum extraction equipment of Salt Creek Oil & Gas LLC relates to 60 producing wells in the “Williston Basin - Bakken” oil field in North Dakota, USA, an average of 7.9 % of which is allocable for economic purposes to the company Salt Creek Oil & Gas LLC. These wells were acquired for EUR 20.0m in connection with the acquisition in the fiscal year 2016. The wells were put into production in previous years. Salt Creek Oil & Gas LLC acts as a non-operator in this structure.

5.2. INFORMATION ON SHAREHOLDINGS

See table 5.2.

Exercising the valuation option allowed under Sec. 253 (3) Sentence 6 HGB, the equity investment in Almonty Industries Inc. was disclosed at a carrying amount of EUR 7,561,598.65, as in the prior year. This carrying amount is based on a market value of CAD 0.81 per share on acquisition. The market value as of 31 December 2016 came to CAD 0.27 / share (EUR 0.19 / share), with the price moving within a range of CAD 0.25 / share (EUR 0.18 / share) and CAD 0.35 / share (EUR 0.25 / share) in the first four months of 2017. However, the carrying amount has not been written down to fair value, as the net value per share – based on price forecasts from independent research companies and planning by the Company – is higher than the historical acquisition cost, and the management board does not expect permanent impairment. We refer to our explanations under IV.2 in the management report.

5.3. INVENTORIES

Inventories relate to gold carried under finished goods.

5.4. RECEIVABLES AND OTHER ASSETS

The remaining terms of receivables and other assets break down as follows, see table 5.4.

5.5. DERIVATIVE FINANCIAL INSTRUMENTS

There are other derivative transactions, see table 5.5.

Other transactions include derivative financial instruments in the form of costless collars comprising put and call options concluded to hedge the oil price risk. They were not accounted for as hedges in accordance with Sec. 254 HGB.

Derivative financial instruments are measured at fair value on the basis of published market prices. If there is no price listed on an active market, other suitable valuation methods are used. The market values of the hedging instruments were provided by the relevant contractual partners (financial service providers) with which the hedging transactions were concluded. To determine the market value of the put and call options (costless collars) as of the balance sheet date, the values prepared by the relevant contractual partner were also used to determine the market value on the basis of a mark-to-market valuation.

TAB 5.1.1. PURCHASED FRANCHISES, INDUSTRIAL RIGHTS AND SIMILAR RIGHTS AND ASSETS, AND LICENSES IN SUCH RIGHTS AND ASSETS

PROJECT/COMPANY	RAW MATERIAL	2016	2015
Elster Oil & Gas LLC	Oil and gas	16,133,680	15,019,030
Salt Creek Oil & Gas LLC	Oil and gas	16,622,743	19,740
Cub Creek Energy LLC	Oil and gas	1,078,355	993,439
Other	Various	18,887	126,986
		33,853,665	**16,158,925**

TAB 5.1.2. EXPLORATION AND EVALUATION

PROJECT/COMPANY	RAW MATERIAL	2016	2015
Cub Creek Energy LLC	Oil and gas	2,583,985	875,252
Tin International AG	Tin and copper	311,455	178,610
Ceritech AG	Rare earths	597,325	542,047
		3,492,765	**1,595,909**

TAB 5.1.3. PETROLEUM EXTRACTION EQUIPMENT

PROJECT/COMPANY	RAW MATERIAL	2016	2015
Elster Oil & Gas LLC	Oil and gas	9,876,728	5,314,075
Cub Creek Energy LLC	Oil and gas	46,249,864	0
Salt Creek Oil & Gas LLC	Oil and gas	20,045,250	0
		76,171,842	**5,314,075**

TAB. 5.2. ANGABEN ZUM ANTEILSBESITZ

	REGISTERED OFFICE	INCL. SHARES IN ACC. WITH SEC. 16 AKTG ["AKTIENGESETZ": GERMAN STOCK CORPORATION ACT] DIRECT %	INDIRECT %	TOTAL %	FISCAL YEAR	EQUITY IN LC	NET INCOME / LOSS FOR THE YEAR IN LC
CONSOLIDATED AFFILIATES							
Deutsche Rohstoff AG	Heidelberg, Germany						
Deutsche Rohstoff USA Inc	Wilmington, USA	100.00		100.00	2016		
Elster Oil & Gas LLC	Denver, USA		93.04	93.04	2016		
Diamond Valley Energy Park LLC	Denver, USA		93.04	93.04	2016		
Cub Creek Energy LLC	Denver, USA		79.93	79.93	2016		
Salt Creek Oil & Gas LLC	Denver, USA		90.52	90.52	2016		
Mountain States Reserve Company LLC	Denver, USA		100.00	100.00	2016		
Tin International AG	Leipzig, Germany	61.51		61.51	2016		
Ceritech AG	Leipzig, Germany	67.86		67.86	2016		
Jutland Petroleum GmbH	Heidelberg, Germany	100.00		100.00	2016		
OTHER EQUITY INVESTMENTS							
Devonian Metals Inc *	New Westminster, Canada	47.00			2015 / 16[1]	5,446,052	-74,342
Almonty Industries Inc.*	Toronto, Canada	11.91			2015 / 16[2]	35,569,000	-21,175,0000
Hammer Metals Inc.*	Mount Lawley, Australia	17.84			2015 / 16[3]	8,977,610	-1,045,360
Rhein Petroleum GmbH	Heidelberg, Germany	10.00			2016	2,360,425	-15,098,966

* Measured at consolidated amortized cost, as Deutsche Rohstoff AG cannot exert significant influence on the business or financial policies of these companies.

[1] Balance sheet date: 30 April 2016

[2] Balance sheet date: 30 September 2016

[3] Balance sheet date: 30 June 2016

5.6. PREPAID EXPENSES

These mainly relate to prepaid insurance.

5.7. DEFERRED TAXES

A group tax rate of approximately 38 % was used for calculating deferred taxes. Deferred tax assets were recognized on tax loss carryforwards. The recognition of these deferred tax assets is based only on tax loss carryforwards that are expected to be offset within the next five years. The separately determined deferred tax assets and liabilities were offset against each other in the balance sheet. This offsetting is at the level of the individual legal entities, see table 5.7.

5.8. EQUITY

The development of equity is shown in the statement of changes in equity.

As of 31 December 2016, the subscribed capital of EUR 5,063,072 (prior year: EUR 5,063k) corresponds to the balance sheet item recognized at the parent company.

By 31 December 2015, a total of 120,010 shares with an imputed value of share capital of EUR 1.00 each had been repurchased. As of 31 December 2015, the Company's treasury shares thus amounted to 120,010 with an imputed value of share capital of EUR 120,010.00 (2.37 %). A further 7,800 shares with an imputed value of share capital of EUR 1.00 each were repurchased at the end of 2015. As the acquisition was not completed until the beginning of 2016 due to the turn of the year, these shares will not be disclosed until the fiscal year 2016.

The addition to treasury shares in 2016 is valued at an average acquisition cost of EUR 14.69 per share (prior year: EUR 15.59), thus a total of EUR 114,594.78 (prior year: EUR 1,871,397.52).

The balance of treasury shares is valued at an average acquisition cost of EUR 15.54 per share (prior year: EUR 15.59), thus a total of EUR 1,985,537.90 (prior year: EUR 1,871,397.52).

As of 31 December 2016, the Company's treasury shares thus amounted to 127,810 shares with an imputed value of share capital of EUR 127,810 (2.52 %).

Treasury shares were acquired for the purpose of flexibly managing the Company's cash requirements and on account of their inappropriate valuation according to management at the time of the resolution.

The nominal value of treasury shares is deducted from subscribed capital on the face of the balance sheet in accordance with Sec. 272 (1a) HGB (EUR 127,810.00).

An amount of EUR 106,794.78 of the net income for the year was posted to other revenue reserves in the fiscal year.

The difference between the nominal value of the treasury shares and the acquisition cost of treasury shares of EUR 106,794.78 was offset against revenue reserves.

Pursuant to Sec. 268 (8) HGB, there is a ban on distribution of EUR 112,536.84 (prior year: EUR 0.00) due to the recognition of deferred tax assets and deferred tax liabilities, because the deferred tax assets exceed the deferred tax liabilities.

TAB 5.5. 5.5. DERIVATIVE FINANCIAL INSTRUMENTS

CATEGORY	FAIR VALUE EUR	BOOK VALUE (IF AVAILABLE) EUR	BALANCE SHEET ITEM (IF RECOGNIZED)
Other transactions	-882,020	-882,020	Other provisions

TAB 5.4. RECEIVABLES AND OTHER ASSETS

			31 Dec 2016
IN EUR	< ONE YEAR	> ONE YEAR	TOTAL
Trade receivables	7,298,295	0	7,298,295
Receivables from other investees and investors	495,339	0	495,339
Other assets	14,920,383	184,876	15,105,259
			22,898,893

			31 Dec 2016
IN EUR	< ONE YEAR	> ONE YEAR	TOTAL
Trade receivables	1,738,465	0	1,738,465
Receivables from other investees and investors	1,093,916	0	1,093,916
Other assets	4,342,022	188,106	4,530,128
			7,362,509

TAB 5.4.1. OTHER ASSETS

IN EUR	2016	2015
Receivables from German and foreign tax offices	12,881,259	4,000,224
Collateral provided for forward exchange contracts	1,861,415	0
Deposits	92,891	188,106
VAT receivables	55,320	51,149
Interest income cap	90,881	253,869
Loan receivables	91,985	0
Other	31,508	36,780
	15,105,259	**4,530,128**

TAB. 5.7. DEFERRED TAXES

IN EUR	31.12.2016	31.12.2015
DEFERRED TAX ASSETS ON DIFFERENCES IN CARRYING AMOUNTS FOR		
Property, plant and equipment	2,651,592	158
Receivables and other assets	138,185	214,344
Securities classified as current assets	0	39,330
Bank balances	55	23,569
Other provisions	180,000	140,790
Liabilities	0	43
TOTAL	**2,969,832**	**418,234**
Deferred taxes on loss carryforwards	**2,469,958**	**1,280,763**
TOTAL DEFERRED TAX ASSETS	**5,439,789**	**1,698,997**
DEFERRED TAX LIABILITIES ON DIFFERENCES IN CARRYING AMOUNTS FOR		
Intangible assets	2,629,101	2,573,542
Property, plant and equipment	14,403,241	0
Receivables and other assets	1,040,785	0
Securities classified as current assets *	11,784	389,924
Bank balances *	0	1,140,451
TOTAL DEFERRED TAX LIABILITIES	**18,084,911**	**4,103,917**
TOTAL DEFERRED TAXES, NET	**-12,645,122**	**-2,404,920**

* Recognition of these deferred tax liabilities is based on the valuation as of the balance sheet date pursuant to Sec. 256a HGB.

TAB. 5.9. SONSTIGE RÜCKSTELLUNGEN

IN EUR	1 JAN 2016	UTILIZATION	REVERSAL	ALLOCATION	CHANGE IN THE BASIS OF CONSOLIDATION	CURRENCY
Tax provisions	179,122	0	0	151,395	0	0
Other provisions	910,311	-238,628	-236,123	4,319,327	-104,500	327,229
Total provisions	**1,089,433**	**-238,628**	**-236,123**	**4,470,722**	**-104,500**	**327,229**

5.9. PROVISIONS

Other provisions developed as follows, see table 5.9.

Other provisions are primarily attributable to outstanding invoices at Cub Creek Energy LLC and Elster Oil & Gas LLC, provisions from potential losses from derivative financial instruments as well as personnel expenses.

5.10. LIABILITIES

Liabilities are listed in the table 5.10.

The item "Bonds" includes liabilities from two corporate bonds of EUR 66,705,000.00 in total.

A new bond was issued as of 20 July 2016. This non-convertible bond falls due upon maturity, has a residual term until 20 July 2021 and carries an interest rate of 5.625 % p.a. The remaining volume of this bond amounts to EUR 50,964,000 as of 31 December 2016.

The first bond, which is also non-convertible, falls due upon maturity as well, has a residual term until 11 July 2018 and carries an interest rate of 8 % p.a. In the reporting year 2016, the Company repurchased bonds of a nominal value of EUR 15,898,000 and redeemed these. In the course of issuing the new bond, bonds of a nominal value of EUR 19,916,000 were swapped to the new bond so that the first bond has a remaining volume of EUR 15,741,000.00 (prior year: EUR 51,555,000.00) as of 31 December 2016.

A loan to banks of EUR 8,538,089 is recognized under liabilities as of 31 December 2016 due in more than one year, which relates to Salt Creek Oil & Gas LLC. A credit line with the Bank of Oklahoma, N.A., was agreed for the partial funding of the acquisition of oil and gas production in North Dakota. As of 31 December 2016, this credit line amounts to USD 12.5m. USD 9.0m or EUR 8,538,089, respectively, thereof has been utilized. The interest rate is variable and amounts to 3.78 % as of 31 December 2016. The loan falls due for repayment upon maturity and expires on 19 December 2021. The volume and maturity of the loan may be adjusted according to semi-annual valuations of the oil and gas reserves of Salt Creek Oil & Gas LLC by the Bank of Oklahoma.

The item "Other liabilities" amounts to EUR 3,988,686 and mainly comprises interest liabilities in connection with the corporate bond and liabilities of Cub Creek Energy LLC from license obligations.

6. NOTES TO THE CONSOLIDATED INCOME STATEMENT

6.1. REVENUE

Revenue primarily relates to the US companies Elster Oil & Gas LLC and Cub Creek Energy LLC and their participation in producing oil wells. Revenue from oil wells is subject to production tax that is to be deducted directly from revenue according to the BilRUG provisions. Production tax of EUR 0.8m was incurred in the fiscal year 2016. In the prior year, production tax totaling EUR 23k was disclosed under other taxes. Had the BilRUG ["Bilanzrichtlinie-Umsetzungsgesetz": German Act to Implement the EU Accounting Directive] been applied to prior-year revenue, revenue would have come to EUR 1,875k.

Revenue by segment and region breaks down as follows.

IN EUR	2016	2015
Gold	14,402	65,475
Oil	7,447,465	1,658,020
Gas	1,697,591	54,664
Other	10,838	118,895
	9,170,296	**1,897,054**

IN EUR	2016	2015
Germany	14,402	65,475
USA	9,155,894	1,831,579
	9,170,296	**1,897,054**

6.2. OTHER OPERATING INCOME

The item chiefly includes income from exchange rate gains generated at the level of Deutsche Rohstoff AG. These exchange rate gains mainly arose as a result of the translation as of the balance sheet date of short-term receivables – valued in US dollars – as well as of the transactions performed during the year on the bank accounts kept in US dollars. Due to the increase in the US dollar exchange rate compared to 31 December 2015, additional realized and unrealized exchange rate gains have to be disclosed.

TAB. 5.10. LIABILITIES

RESTLAUFZEIT			31 DEC 2016		
IN EUR	< ONE YEAR	ONE TO FIVE YEARS	> FIVE YEARS	TOTAL	THEREOF SECURED
Bonds, non-convertible	0	66,705,000	0	66,705,000	0
Liabilities to banks	146	8,538,089	0	8,538,236	8,538,089
Trade payables	29,914,719	0	0	29,914,719	0
Other liabilities	3,988,686	0	0	3,988,686	0
– thereof for social security	13,881	0	0	13,881	0
– thereof for taxes	195,582	0	0	195,582	0

DUE IN (YEARS)			31 DEC 2015		
IN EUR	< ONE YEAR	ONE TO FIVE YEARS	> FIVE YEARS	TOTAL	THEREOF SECURED
Bonds, non-convertible	0	51,555,000	0	51,555,000	0
Liabilities to banks	6,622	6,400,000	0	6,406,622	6,406,622
Trade payables	956,669	0	0	956,669	0
Other liabilities	3,267,157	0	0	3,267,158	0
– thereof for social security	8,065	0	0	8,065	0
– thereof for taxes	170,105	0	0	170,105	0

TAB. 6.2. OTHER OPERATING INCOME

IN EUR	2016	2015
Income from the disposal of fixed financial assets	494,569	0
Income from the disposal of intangible assets	1,638,025	0
Exchange rate gains	8,105,572	8,417,427
Sundry other income	258,725	110,075
	10,496,891	**8,527,502**

* In the reporting year, this item includes income relating to other periods of EUR 31,508.64 (prior year: EUR 0).

Income from the disposal of fixed assets mainly relate to the US company Elster Oil & Gas that sold its share in revenue in different wells and generated profit of around EUR 1.4m, see tabel 6.2.

6.3. WRITE-DOWNS

Amortization, depreciation and write-downs include extraordinary write-downs of EUR 352,264.74 on technical equipment and machinery of Elster Oil & Gas LLC in order to measure the carrying amount at fair value due to permanent impairment.

6.4. OTHER OPERATING EXPENSES

Other operating expenses break down as follows, see table 6.4.

6.5. INCOME TAXES

See table 6.5.

7. OTHER NOTES

7.1. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents comprise the balance sheet item "Bank balances". Other non-cash income mainly contains non-cash exchange rate gains.

7.2. RELATED PARTY TRANSACTIONS

In the fiscal year, there were no significant transactions with related parties that were not conducted at arm's length.

7.3. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

CONTINGENT LIABILITIES

There are contingent liabilities from guarantees of EUR 0.75m. The guarantees are secured by real rights and a counterguarantee and management considers the occurrence of liability from guarantees to be most unlikely.

OFF-BALANCE-SHEET TRANSACTIONS

See table 7.3.1.

OTHER FINANCIAL OBLIGATIONS

In addition to the contingent liabilities and off-balance-sheet transactions, there are other financial obligations, see table 7.3.2.

STOCK OPTION PROGRAM

In accordance with the resolution approved at the annual general meeting of Deutsche Rohstoff AG on 22 July 2011, the executive board was authorized until 31 December 2013 to issue, once or in several tranches, up to 225,000 stock options with subscription rights to new registered no-par value shares in the Company representing a pro-rata amount of EUR 1.00 of the share capital per share with a term of up to seven years. Those entitled were members of management of the Company's affiliates in Germany and abroad as well as employees at the Company and at the affiliates in Germany or abroad. Each share option grants the right to subscribe a new share in the Company.

By resolution dated 13 September 2011, the management board made use of the authorization for the first time and issued 90,000 stock options to members of management of the Company's affiliates in Germany and abroad as well as 28,000 stock options to the Company's employees and its affiliates in Germany and abroad. By resolution dated 3 January 2012, the management board once again made use of the authorization and issued 50,000 stock options to members of management of the Company's affiliates in Germany and abroad as well as 49,000 stock options to the Company's employees and its affiliates in Germany and abroad.

Following the issue of these stock options, there remain 8,000 options for employees and no further options for members of management. In the meantime, three employees to whom the options had been issued have left Deutsche Rohstoff AG or affiliates. A total of 28,000 options were returned to the Company. Together with the 8,000 options that had not been issued under the first two tranches, a total of 36,000 options were available for reissue.

On 14 June 2013, the management board made use of the authorization by the annual general meeting and, in a third tranche, issued 32,000 stock options to employees of the Company.

TAB. 6.4. OTHER OPERATING EXPENSES

IN EUR	2016	2015
Operating expenses	1,517,796	30,695
Non-recognizable exploration and evaluation expenses	362,605	253,159
Administrative expenses	4,694,320	3,495,228
Selling expenses	209,472	247,036
Other expenses	4,781,760	84,831
	11,565,953	**4,110,949**
OPERATING EXPENSES		
Rent and leases	0	28,289
Maintenance, third-party repairs for plant and machinery	0	2,406
Operating costs oil wells	1,517,796	0
	1,517,796	**30,695**
ADMINISTRATIVE EXPENSES		
Legal and consulting fees	947,769	1,306,597
Bookkeeping costs	77,522	25,777
Insurance premiums	165,879	67,885
Costs incurred by the supervisory board and similar bodies	354,266	304,165
Rent and leases	304,272	238,719
Cost of preparing and auditing the financial statements	139,505	157,323
IT expenses (rent, maintenance, consulting, etc.)	174,269	123,725
Contributions	38,913	16,840
Office supplies	22,851	36,747
Post and telephone expenses, data transfer	28,753	27,075
Bank charges and fees	35,727	72,343
Cost of repurchasing bonds	0	277,800
Costs issuance of new bonds	900,915	316,342
Costs of the bond swap	1,273,345	0
Costs for reversing cross-currency swap	0	223,244
Cost of stock exchange listing	190,605	300,646
Other administrative expenses	39,729	
	4,694,320	**3,495,228**

IN EUR	2015	2015
SELLING EXPENSES		
Travel expenses	193,627	184,800
Cost of sales promotion	15,845	61,186
Royalties	0	1,050
	209,472	**247,036**
OTHER EXPENSES		
Deconsolidation costs	196,000	0
Exchange rate losses	4,216,612	1,042
Incidental personnel expenses / training	4,247	10,773
Vehicle expenses	30,848	33,057
Losses from the disposal of fixed assets	61,608	0
Losses from the disposal of property, plant and equipment	139,925	3,022
Allocation to other provisions	44,350	0
Donations	300	250
Write-down of receivables	0	5,192
Sundry other operating expenses*	87,869	31,495
	4,781,760	**84,831**

* In the reporting year, this item includes expenses relating to other periods of EUR 14,894.16 (prior year: EUR 0).

TAB. 6.5. INCOME TAXES

IN EUR	2016	2015
Current tax	-12,020,689	-4,156,073
Income (-) / expense (+) from changes in deferred taxes	9,346,474	3,047,812
	-2,028,183	**-1,108,261**

In 2014, 42,500 stock options were returned from the second tranche, which had been granted to members of management of the Company's affiliates in Germany and abroad. Furthermore, an employee left a German affiliate in 2014, as a result of which an additional 5,000 stock options were returned from the third tranche.

The vesting period for the first tranche of the stock option program expired on 13 September 2015.

On 13 September 2015, the management board, with the approval of the supervisory board dated 18 September 2015, resolved in accordance with Art. 1 (5) of the 2011 stock option program to provide a cash settlement for all options exercised or to be exercised pursuant to Art. 7 (2) of the 2011 stock option program in exchange for payment of the difference between the exercise price pursuant to Art. 5 of the stock option program and the authoritative reference price pursuant to Art. 6 (2) of the stock option program, instead of granting subscription shares.

A total of 35,000 stock options were exercised in 2015 and 14,500 stock options in 2016. In 2016, 25,000 stock options were returned from the second tranche, which had been granted to members of management of the Company's affiliates in Germany and abroad.

As of the date they were granted, the stock options had a value of EUR 0k. As of the balance sheet date, this figure stood at EUR 785k (prior year: EUR 517k). This increase is attributable to the growth of the share price of Deutsche Rohstoff AG since the last balance sheet date.

7.4. EMPLOYEES

The average number of employees during the fiscal year is presented in table 7.4.

The average number of employees is a quarter of the total numbers of employees as of 31 March, 30 June, 30 September and 31 December.

7.5. CORPORATE BODIES

MANAGEMENT BOARD

Dr. Thomas Gutschlag, Mannheim
Jan-Philipp Weitz, Berlin (since 1 January 2017)
Dr. Jörg Reichert, Leipzig (until 31 December 2016)

TAB. 7.3.1. OFF-BALANCE-SHEET TRANSACTIONS

	PURPOSE	RISKS	REWARDS
Operating leases	Safeguard the liquidity situation and improve the equity ratio	Risks arise from the non cancelable minimum lease term as well as higher refinancing costs.	Short-term contractual obligations, allowing leased items to be upgraded to keep up with technical progress.

TAB. 7.3.2. OTHER FINANCIAL OBLIGATIONS

IN EUR	DUE IN < ONE YEAR	DUE IN > ONE YEAR	2016	DUE IN < ONE YEAR	DUE IN > ONE YEAR	2015
Office rent	< one year	Due in	1,345,239	256,412	364,510	620,922
Vehicle leasing	> one year	2016	107,894	14,429	7,919	22,348
Other	1,233	4,932	6,166	49,228	54,609	103,837
			1,459,299			**747,107**

SUPERVISORY BOARD:
Martin Billhardt, Pfäffikon / Switzerland (chairman), Operating Partner at WP Management Solutions AG, Bad Homburg
Prof. Dr. Gregor Borg, Halle, Head of the working group on petrology and economic geology (Fachgruppe für Petrologie und Lagerstättenforschung) at the University of Halle-Wittenberg
Wolfgang Seybold, Esslingen am Neckar, Banking professional, general manager of AXINO Investment GmbH

7.6. TOTAL REMUNERATION OF THE MANAGEMENT BOARD

Remuneration of the management board of Deutsche Rohstoff AG for performing its functions at the parent company and the subsidiaries amounted to EUR 639k (prior year: EUR 642k).

7.7. TOTAL SUPERVISORY BOARD COMPENSATION

Compensation of the supervisory board of Deutsche Rohstoff AG for performing its functions at the parent company and the subsidiaries amounted to EUR 121k (prior year: EUR 118k).

7.8. AUDITOR FEES AND SERVICES

The auditor's fees recorded in the fiscal year amounted to EUR 93k for audit services and EUR 5k for other services.

7.9. SUBSEQUENT EVENTS

The following events had a significant impact on the development of business after the reporting date and prior to the end of April 2017:

Cub Creek published results from the two new drilling sites every month. The company reached gross production of 470,566 barrels of oil equivalent (379,198 barrels of oil) by the end of February. This corresponds to an increase of 59 % at the Vail drilling site and 23 % at the Markham drilling site on the production levels predicted in the reserve report from May 2016. Revenue came to USD 13.4m by the end of February 2017.

Cub Creek submitted a new reserve appraisal in February, according to which the value of the reserves has increased by 120 % compared to May 2016 to USD 162m for proven reserves and USD 94m for probable reserves. Deutsche Rohstoff AG published detailed information about the current appraisal and the changes on its homepage (www.rohstoff.de).

Cub Creek started to sink more wells in the Haley drilling site at the beginning of March and announced that these wells were expected to go into production in the third quarter of the year. Once the wells at Haley are completed, Cub Creek is planning to sink up to 22 wells at the Litzenberger drilling site. These wells are to be put into production in the fourth quarter of 2017 or at the beginning of 2018.

TAB. 7.4. EMPLOYEES

			2016			2015
HEADCOUNT	PRODUCTION	ADMINISTRATION	TOTAL	PRODUCTION	ADMINISTRATION	TOTAL
Wage earners	0	0	0	0	0	0
Salaried employees	0	17.0	17.0	0	14.0	14.0
Trainees	0	0	0	0	0	0
	0	**17.0**	**17.0**	**0**	**14.0**	**14.0**

Also at the end of March, Deutsche Rohstoff published the information that around 75 % of production at the three US subsidiaries is hedged using costless collars. These are forward contracts that define an upper and lower limit. In 2017, the average lower limit for the three companies is at just over USD 47 per barrel, while the upper limit is at just over USD 58 per barrel.

At the end of January, Almonty Industries reported on the earnings of the fiscal year that ended on 30 September 2016. Almonty generated revenue of CAD 37.3m. The company reported a net loss for the full year of CAD 21.2m. However, Almonty generated a positive result from operating activities before amortization, depreciation and write-downs despite the low tungsten prices. Particularly in the fourth quarter of 2016, when the result from operating activities before extraordinary write-downs was CAD 3.5m.

Deutsche Rohstoff and Almonty also concluded another loan for USD 1.0m at the end of January. This loan has a term until the beginning of 2019 and is subject to interest of 6 %. At the same time, the existing loan for USD 1m was extended to the beginning of 2019 under the same conditions. The new loan is also secured with the Sangdong project.

At the beginning of March, Almonty revealed that it had concluded another fixed price agreement with a term of 12 months for its tungsten concentrates. The price is approximately 25 % above the spot price. Almonty can therefore sell around 80 % of its production at fixed prices that far exceed the prior-year average in the current year.

At the end of April, Deutsche Rohstoff and Almonty announced that they were extending the existing convertible bonds of CAD 6m (around EUR 4.1m) by two years until March 2019 in favor of Deutsche Rohstoff. The bond was issued by Almonty in September 2014 as part of the purchase price payment for Deutsche Rohstoff's Wolfram Camp tungsten mine.

At the same time, both companies agreed that Deutsche Rohstoff would receive the outstanding interest in the form of Almonty shares. This relates to CAD 0.42m, which is paid into 1,206,574 Almonty shares at CAD 0.35 per share. Deutsche Rohstoff also receives 283,914 Almonty shares from converting the outstanding interest of the loan granted by Deutsche Rohstoff to Almonty until 2019. This payment is based on a share price of CAD 0.28.

Almonty had previously announced that Global Tungsten and Powders (GTP), the main buyer of tungsten concentrates produced by Almonty, converted a loan for CAD 9.4m including outstanding interest into 27.56 million Almonty shares, corresponding to a 19.9 % stake in the company. After GTP converted its loan and interest, Deutsche Rohstoff AG's stake in Almonty amounts to 10.3 % (previously: 11.9 %).

Also at the end of April, Deutsche Rohstoff AG published the information that Salt Creek Oil & Gas generated revenue of USD 2m and EBITDA of USD 1.4m in the first quarter of 2017. Salt Creek also has a stake in nine wells of 8.5 % each. The investment volume will amount to around USD 5m.

Tin signed a binding letter of intent to found a joint venture with Lithium Australia NL at the end of February. Lithium Australia is a company listed on the Australian stock exchange that develops processing technology that allows the economic extraction of lithium, e.g., from lithium mica bearing ore (Sileach™ technology) and also holds a portfolio of lithium deposits.

The Sadisdorf licensed site held by Tin International in Saxony is the key component of joint venture. Lithium Australia receives the right to acquire a 15 % stake in the new joint venture company by performing exploration activities totaling EUR 750,000 or making a corresponding cash payment to Tin International by the end of 2017. The Australian company can increase its stake in the joint venture to 50 % by investing a further EUR 1.25m over a three-year period. After this earn-in period is over, the joint venture partners equally share the project development costs or are diluted accordingly. Upon conclusion of the final joint venture agreement, Tin International will receive a one-time payment of EUR 200,000 in Lithium Australia shares and EUR 50,000 in cash.

Managed by Lithium Australia, the aim of the joint venture is to extend and upgrade the existing tin resource at the JORC-compliant (2012) Sadisdorf site (3.36 million tons with 0.44 % tin content and a cutoff of 0.25 % tin in the inferred resource category) and to identify potential for lithium mineralization in these deposits. Management expects that this strategy will substantially improve the economic viability of the Sadisdorf site. Lithium is an important commodity, especially for manufacturing batteries and analysts anticipate that demand for this metal will increase significantly as electric vehicles become more and more prominent.

The prices for oil and tungsten were steady until the end of April. WTI has traded between USD 48 and 54 per barrel since the beginning of the year. Tungsten APT was traded at USD 212 / mtu at the end of April, just under 30 % above the lows of early February.

The EUR / USD exchange rate did not continue its decline of the prior year, but instead recovered to USD 1.09 / EUR by the end of April.

7.10. PROPOSAL FOR THE APPROPRIATION OF PROFIT

Management proposes to the supervisory board a distribution of EUR 2,961,157.20 of the net profit for the fiscal year 2016 of EUR 15,313,848.51 and therefore a dividend of EUR 0.60 on each of the 4,935,262 participating no-par value shares as well as to carry forward the remaining net profit to new account.

Mannheim, 8 May 2017

The management board

Dr. Thomas Gutschlag Jan-Philipp Weitz

DEAR SHAREHOLDERS,

Over the past financial year, the Supervisory Board performed its duties in accordance with law, the statutes and rules of procedure, and intensively supervised the Executive Board's business conduct, in terms of fulfilling its advisory and regulatory role. In all decisions that were of fundamental importance to the company, the Supervisory Board was directly involved. Within the scope of fulfilling its duty, the Executive Board reported to the Supervisory Board regularly, promptly and comprehensively, both in writing and orally and/or by telephone, on matters of corporate planning, the situation and development of the company and its affiliated subsidiaries and affiliated companies, as well as all significant business transactions. The Supervisory Board has voted, after careful consideration and consultation, on the decisions or actions of the Executive Board, which are subject to approval by law, the Articles of Association of the Rules of Procedure of the Executive Board, as well as other decisions of fundamental importance. Regarding the reports of the executive board, I continuously maintained contact to the board of executives in my capacity as chairman of the supervisory board.

I have kept myself informed about the latest business developments within the corporate network, in particular about the acquisition of land for the development of oil and gas production in the United States, the drilling of a total of 21 horizontal wells in Colorado over the course of the year, the participation in the drilling of six additional wells by the company's subsidiary Elster Oil & Gas LLC, as well as the acquisition of a portfolio of producing and potentially producing wells of the subsidiary Salt Creek Energy LLC, in North Dakota.

MEETINGS OF THE SUPERVISORY BOARD AND KEY POINTS OF DELIBERATION

A total of seven Supervisory Board meetings were held in 2016. Dutifully, the board members participated in all sessions. No committees have been formed. The meetings of the supervisory board in fiscal year 2016 focused on the following topics:

- the long-term rental of new office space in Mannheim, Germany from December 2016 onwards over a time frame of six years
- the possible acquisition of a package of production wells and drilling sites by the subsidiary Salt Creek in April 2016
- the adoption of the annual financial statements and the approval of the consolidated financial statements of the company for the accounting year 2015 in the annual accounts meeting on May 9, 2016, after extensive discussion with the external auditor for the year 2015
- the 2016 drilling program of Cub Creek Energy with a total of 21 horizontal wells
- the issuance of a new corporate bond with a nominal volume of up to EUR 75 million which was offered to the creditors in exchange for the 13/18 bond
- the conclusion of a loan agreement with the Ceritech AG amounting to EUR 500,000 in May 2016
- the progression of the exploration and the treatment tests at Tin International AG and Ceritech AG
- the acquisition of land by cub Creek Energy LLC in August 2016
- production results of the wells of which Elster Oil & Gas LLC is a participant
- the results of the interim financial statements of the company on June 30, 2016
- the drilling results of the Hofwiese well of the affiliate Rhine petroleum GmbH in September 2016
- the securitization of the external financing of the Sangdong mine by Almonty Industries Inc. in August 2016
- the appointment of Jan-Philipp Weitz to the Board of Directors of the company from January of 2017
- the acquisition of a package of producing and potential wells for USD38.1 million through Salt Creek Energy LLC in November 2016
- the investments of company cash and cash equivalents
- the development of commodity prices, particularly the price of oil in the United States and the European tungsten APT (Ammonium Paratungstate)
- the assessment of the currency development in particular by EUR/USD
- the investment and budget planning of the company and the group for the fiscal year 2017

The budget planning by the board of executives for the year 2016 was examined by the supervisory board and approved. The strategic development of the company and of the group was discussed, reviewed and adjusted, on the basis of medium-term and long-term business plans and scenarios. The supervisory board has thoroughly reviewed and analyzed the information obtained by the board of executives. Furthermore, the received information was discussed with the board of executives. Special emphasize was put on the companies risk exposure and risk management.

The management informed the supervisory board regularly on the status of assets, financial and earnings positions of the company and its subsidiaries and affiliates.

In different internal sessions and by means of resolutions outside of meetings, the supervisory board gave its consent to transactions which are subject to approval, in accordance with the law, the articles of association of the company or of the rules of procedure for the executive board.

This specifically regarded:

· the approval of the conclusion of a long-term office space lease in Mannheim
· the approval for a capital increase at Cub Creek Energy LLC in the amount of up to USD 30 million
· the authorization of the executive board to conclude a loan agreement with Ceritech AG amounting to EUR 500,000 by May 9, 2016
· the decision of 21 June 2016 to issue a new corporate bond 16/21 with a nominal volume of up to EUR 75 million in an exchange offer to the debt holders for the corporate bond 13/18
· the decision for a 50% termination of the corporate bond 13/18 on 19 July 2016
· the decisions of 26 September 2016 on a termination agreement with the board of executives' member Dr. Jörg Reichert and on the parallel conclusion of a contract with Mr. Jan-Philipp Weitz
· the approval for the acquisition of land by salt Creek Energy LLC with a purchase price of up to USD 38.1 million and the authorization of the board of executives for funding provided by Deutsche Rohstoff AG

Annual financial statements, consolidated financial statements, management report and proposal for the utilization of retained earnings

The Ernst & Young GmbH auditing corporation with headquarters in Stuttgart, branch office Mannheime, Theodor-Heuss-Anlage 2, 68165 Mannheim ("EY") was ordered on 5 July 2016 by the general meeting as statutory auditor and group auditor for the year 2016 and then appointed by the supervisory board with the examination of the individual and consolidated financial statements of the company. The individual- and consolidated financial statements (including the management report) for the year 2016, both prepared by the board of executives were audited and each given an unqualified audit opinion by EY.

All supervisory board members received the complete and relevant documentation, in particular the annual financial statements and consolidated financial statements, the corresponding audit reports by EY and the executive board's proposal for the appropriation utilization of retained earnings in a timely manner, prior to the balance sheet meeting of the supervisory board on 8 May 2017. All members of the Supervisory Board thoroughly reviewed the documents in preparation of the meeting of the supervisory board. During the meeting the financial statements, the consolidated financial statements, the management report and the proposal for the utilization of retained earnings were fully discussed with the members of the board of executives. The supervisory board has independently reviewed the annual financial statements, the consolidated financial statements and group management report and the proposal of the executive board for the appropriation of retained earnings regarding legality, regularity, practicality and economic efficiency. The competent partner of EY, as well as the audit manager took part in the meeting on the 8 May 2017. They reported on the audit, commented on the audit priorities and provided further answers and information to the supervisory board on request.

After thorough examination of the annual financial statements, the consolidated financial statements, the group management report for the year 2016 and the proposal of the executive board for the appropriation of retained earnings, there have been no objections by the supervisory board members.

The supervisory board accepted the audit report of EY and approved the annual financial statements and the consolidated financial statements of Deutsche Rohstoff AG. The annual financial statements of Deutsche Rohstoff AG are thus established.

Mannheim, May 2017

On behalf of the supervisory board

Martin Billhardt

Chairman

TO DEUTSCHE ROHSTOFF AG

We have audited the consolidated financial statements prepared by Deutsche Rohstoff AG, Heidelberg, comprising the balance sheet, the income statement, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements together with the group management report for the fiscal year from 1 January to 31 December 2016. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with [German] principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with [German] principles of proper accounting. The group management report is consistent with the consolidated financial statements, complies with legal requirements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Mannheim, 8 May 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Kaschub	Hällmeyer
Wirtschaftsprüfer	Wirtschaftsprüfer

CONTACT DETAILS

Deutsche Rohstoff AG
Q7, 24
68161 Mannheim
Germany

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

info@rohstoff.de
www.rohstoff.de

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DISCLAIMER

FORWARD-LOOKING STATEMENTS

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

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.

PUBLISHER

Deutsche Rohstoff AG
Q7, 24
68161 Mannheim
Germany

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

info@rohstoff.de
www.rohstoff.de

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DEUTSCHE ROHSTOFF AG
Q7, 24
68161 MANNHEIM
TELEFON +49 621 490 817 0
TELEFAX +49 621 490 817 22
INFO@ROHSTOFF.DE
WWW.ROHSTOFF.DE