Deutsche Rohstoff

SEMI-ANNUAL REPORT 2018

SEMI-ANNUAL REPORT 2018

COMMODITIES ARE **THE FUTURE**

CORPORATE **BODIES** (AS OF 30/06/2018)

EXECUTIVE BOARD

DR. THOMAS GUTSCHLAG
JAN-PHILIPP WEITZ

SUPERVISORY BOARD

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

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

54,119 Sales Revenue	52,019 EBITDA	10,053 Company result
68,104 Total operating performance	42,873 Cash	30.19 Equity ratio in %

HIGHLIGHTS FIRST HALF OF 2018 DEUTSCHE ROHSTOFF GROUP

February / March 2018

Elster increases ownership in one-mile wells by 55% and starts production from these wells

March 2018

Deutsche Rohstoff AG successfully places its first convertible bond raising EUR 11 million

April 2018

Salt Creek sells the majority of its Williston Basin assets in North Dakota

June 2018

Tin International sells Sadisdorf and Hegelshöhe licenses to joint venture partner Lithium Australia

July 2018

Deutsche Rohstoff founds new US oil and gas company, Bright Rock Energy LLC, based in Denver

Ladies & Gentlemen,

In the first half of 2018, the Deutsche Rohstoff Group generated sales of EUR 54.1 million (previous year: EUR 32.1 million). Earnings before interest, taxes, depreciation and amortization (EBITDA) were EUR 52.0 million (previous year: EUR 23.5 million) and net income amounted to EUR 10.1 million (previous year: EUR 5.0 million). This represents a major leap forward in revenues and EBITDA compared with the previous year and prompts us to raise our guidance for the year as a whole. We now expect full-year sales of EUR 90-100 million (previously: EUR 75-85 million) and EBITDA of EUR 85-90 million (previously: EUR 65-70 million). The result includes the successful sale of the majority of the assets in North Dakota, which led to a pre-tax earnings contribution of EUR 14.5 million from Salt Creek & Oil Gas.

Following the publication of our preliminary half-year figures on 6 August, we were often asked whether we would have made a loss without the sale of Salt Creek. That is not the case. Some negative effects on earnings are directly attributable to the sale. Without the sale, we would therefore have achieved a net income of around EUR 5.0 million.

The US oil price WTI fluctuated between USD 58 and 72 per barrel in the first half of the year. We achieved an average sales price after transport costs of approx. 62.51 USD per barrel. High demand combined with OPEC's cuts in production and the prospect of future sanctions against Iran ensured relatively stable prices. For the rest of the year, we continue to expect a moderately positive development of the oil price.

In the case of base metals, the price rally that began in 2016/2017 did not continue. Copper dropped around 15% in the first half of the year. Zinc lost 14% over the same period and continued to decline in the third quarter. Wolfram APT, which is important for our significant shareholding Almonty Industries, grew strongly in the first half of the year. Compared to June 30, 2017, the price almost doubled before consolidation began in the third quarter. The prices of selected rare earths such as neodymium and praesodymium recorded moderate gains of 7% and 1%, respectively.

STRONG GROWTH IN OIL AND GAS PRODUCTION IN THE USA

Oil and gas production in the USA exceeded expectations in the first half of the year. It amounted to 1.69 million barrels of oil equivalent (BOE, previous year: 1.0 million BOE). This corresponds to an average daily production of 9,309 BOE (previous year: 5,529 BOE). Oil production reached around 940,000 barrels in the first half of the year (previous year: 650,000 barrels), with natural gas and condensates accounting for the remainder. Elster Oil & Gas accounted for the largest share of production, contributing 768,150 BOE. Salt Creek produced 184,717 BOE and Cub Creek 737,830 BOE. In the case of Elster, sales of around USD 9 million can only be booked in the second half of the year. The reason for this is that the wells in which Elster is involved produce much more than expected. The service provider, which purchases the oil from Elster, had dimensioned the acceptance capacities on the basis of the original production expectations. Elster and the well operator assume that Elster will have received its entire share of production by the end of the year.

HIGH INVESTMENTS IN THE OIL AND GAS BUSINESS SEGMENT

All companies invested in future production in the first half of the year. Cub Creek has completed 16 wells from the Litzenberger drilling site, which went into production at the end of April. Elster increased its working interest in Magpie Drilling from approximately 23% to approximately 35% and acquired ownership in a non-operated pad in which it had previously not participated. All wells went into production between mid-February and the end of March. The total investment volume for Elster amounted to around USD 55.0 million.

Salt Creek signed a sales agreement for most of its North Dakota property at the end of April. The transaction was completed on June 6. The result was very pleasing: In the 18-month holding period in 2017 and 2018, Salt Creek was able to achieve a pre-tax profit of around USD 20 million. Part of the sale price (USD 12 million) was paid to Salt Creek in the form of shares of the buyer Northern Oil and Gas. The value of these shares on September 15 was approximately USD 19.0 million.

Our largest investment in the Metals & Mining Division, the Canadian company Almonty Industries, achieved significant operational growth in the current year. In the first nine months of the 2017/2018 financial year (30 September 2018), Almonty generated sales of CAD 50.5 million (previous year: CAD 28.2 million) and net income of CAD 8.1 million (previous year: CAD -9.0 million) or 5 cents per share. The increase in sales was due both to the sharp rise in prices, which Almonty secured by the end of 2018 through fixed-price contracts, and to higher production, especially at the mine in Portugal.

In June, Tin International announced that it had sold its remaining stake in Sadisdorf to its joint venture partner Lithium Australia for EUR 2 million. The contract was subject to the approval of the Mining Authority of the transfer of the licence. Approvals have been granted at the end of August, so that the contract became effective. Tin received EUR 500 thousand in cash and 23.3 million Lithium Australia shares, for which there is a graduated sales restriction. With 23 million shares, Tin now holds a 5% stake in Lithium Australia. Due to the good technological know-how of Lithium Australia across thelithium supply chain, Tin assumes that the shares mayincrease significantly in value in the coming years.

SHARE AND BONDS

Since the publication of the preliminary half-year results, our share has lost part of the profits it has made over the past 12 months. Many shareholders had expected a higher net income. The fact that some of Cub Creek's drill sites are producing worse than expected and therefore a higher depletion rate was used has caused some disappointment. However, it is part of the nature of our business that the results of a portfolio of wells do not always meet expectations.

Of course, our Denver team is working to improve and optimize Cub Creek wells. We have also indicated that Elster wells are producing significantly better than predicted, leading to higher overall production than expected.

In order to continue growing, we are actively looking for new investment opportunities at both Cub Creek and the newly founded Bright Rock. We expect to report further successes in the coming months.

We repaid the outstanding volume of bond 13/18 on time on July 18, 2018. Our 16/21 bond traded very stable at over 100%. In March, we placed a 5-year convertible bond with a volume of around EUR 11 million. It bears interest at 3.625% p.a. and can be converted at EUR 28 per share.

DIVIDEND RAISED

Three days after the Annual General Meeting in Mannheim on July 10, shareholders received the dividend for 2017 in the amount of 65 cents per share. Overall, dividends have totaled EUR 2.40 since 2013. We aim to continue paying attractive dividends in the coming years.

Our strong sales growth and the raised forecast show that our portfolio is developing well overall. With the sale of Salt Creek, we have once again succeeded in a very successful exit, which also frees up liquidity for new investments. With the foundation of Bright Rock, we now have another strong management team in our portfolio to make such investments. We also expect positive news in our Mining segment in the second half of the year.

Best regards from Mannheim

Thomas Gutschlag CEO	Jan-Philipp Weitz CFO

CONSOLIDATED **BALANCE SHEET**

	ASSETS	30 June 2018	30 June 2017	31 December 2017
		EUR	EUR	EUR
A.	FIXED ASSETS			
I.	Intangible assets			
1.	Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	14,011,200	32,843,864	30,565,937
2.	Goodwill	1,718,549	6,074,907	3,271,324
		15,729,749	38,918,771	33,837,261
II.	Property, plant and equipment			
1.	Petroleum extraction equipment	113,199,035	64,684,938	73,760,295
2.	Exploration and evaluation	2,745,634	11,963,104	40,556,515
3.	Plant and machinery	99,429	151,969	98,978
4.	Other equipment, furniture and fixtures	95,759	92,030	107,825
		116,139,857	76,892,041	114,523,613
III.	Financial assets			
1.	Equity investments	15,568,635	12,542,190	15,568,634
2.	Loans to other investees and investors	1,724,138	1,852,197	1,724,138
3.	Securities classified as fixed assets	5,246,256	7,587,726	5,417,574
		22,539,029	21,982,113	22,710,346
B.	CURRENT ASSETS			
I.	Inventories			
	Finished goods and merchandise	154,237	157,149	170,142
		154,237	157,149	170,142
II.	Receivables and other assets			
1.	Trade receivables	15,635,344	7,406,117	8,832,330
2.	Receivables from other investees and investors	384,681	887,809	258,122
3.	Other assets	478,241	2,280,078	1,324,443
		16,498,266	10,574,004	10,414,895
III.	Securities classified as current assets	15,473,096	1,762,224	1,331,301
IV.	Bank balances	42,872,549	37,723,298	28,367,692
C.	PREPAID EXPENSES	**718,404**	912,180	832,599
D.	DEFERRED TAX ASSETS	**1,153,649**	1,305,482	1,385,861
	TOTAL ASSETS	**231,278,836**	190,227,262	213,573,710

	EQUITY AND LIABILITIES		30 June 2018		30 June 2017		31 December 2017
			EUR		EUR		EUR
A.	EQUITY						
I.	Subscribed capital	5,063,072		5,063,072		5,063,072	
	./. less nominal value of treasury shares	-127,810	4,935,262	-127,810	4,935,262	-127,810	4,935,262
	Conditional capital: EUR 2,000,000 (prior year: EUR 2,000,000)						
II.	Capital reserves		29,827,395		29,757,158		29,827,395
III.	Equity differences from currency translation		1,347,498		2,314,508		-3,507,363
IV.	Consolidated net retained profit		26,099,934		18,002,609		17,992,523
V.	Non-controlling interests		7,623,021		11,889,747		7,426,885
			69,833,110		66,899,284		56,674,702
B.	DIFFERENCE FROM CAPITAL CONSOLIDATION		**0,00**		0,00		195,747
C.	PROVISIONS						
1.	Tax provisions		0,00		335,987		42,524
2.	Other provisions		9,503,867		6,870,329		27,954,071
			9,503,867		7,206,316		27,996,595
D.	LIABILITIES						
1.	Bonds, thereof convertible: 10,700,000 EUR (prior year: EUR 0)		93,040,000		74,155,000		82,340,000
2.	Liabilities to banks		24,525,341		15,429,881		24,235,641
3.	Trade payables		13,495,207		1,086,254		5,236,367
4.	Other liabilities		10,374,534		10,942,819		10,089,004
			141,435,082		101,613,954		121,901,012
E.	DEFFERED TAX LIABILITIES		**10,506,777**		14,507,708		6,805,654
	TOTAL EQUITY AND LIABILITIES		**231,278,836**		190,227,262		213,573,710

CONSOLIDATED **INCOME STATEMENT**

		01.01.–30.06.2018	01.01.–30.06.2017	01.01.–31.12.2017
		EUR	EUR	EUR
1.	REVENUE	54.118.638	32.119.772	53.746.053
2.	INCREASE OR DECREASE IN FINISHED GOODS AND WORK IN PROCESS	-15.905	3.405	12.066
3.	OTHER OWN WORK CAPITALIZED	1.102.723	1.650.067	2.432.262
4.	OTHER OPERATING INCOME	12.898.601	2.296.310	1.123.594
5.	COST OF MATERIALS	8.177.251	2.648.709	8.068.758
	Cost of purchased services	8.177.251	2.648.709	8.068.758
6.	PERSONNEL EXPENSES	1.841.309	2.593.029	4.710.596
	a) Wages and salaries	1.764.214	2.523.051	4.364.576
	b) Social security, pensions and other benefit costs	77.096	69.978	346.020
	– thereof for old-age pensions EUR 6,318 (prior year: EUR 7,940)			
7.	AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	35.004.566	15.170.673	30.000.951
	a) of intangible assets and property, plant and equipment	35.004.566	15.170.673	29.907.681
	b) of current assets	0,00	0,00	93.270
8.	OTHER OPERATING EXPENSES	6.066.271	7.343.683	8.397.022
9.	OTHER INTEREST AND SIMILAR INCOME	401.767	492.565	1.037.776
10.	AMORTIZATION OF FINANCIAL ASSETS AND SECURITIES CLASSIFIED AS CURRENT ASSETS	28.502	0,00	830.716
11.	INTEREST AND SIMILAR EXPENSES	3.461.040	2.238.993	5.049.436
12.	INCOME TAXES	-3.872.911	-1.527.959	6.378.593
	– thereof expenses from changes in recognized deferred taxes: EUR 3,829,829 (prior year: EUR 2,580,437)			
13.	EARNINGS AFTER TAXES	10.053.973	5.039.073	7.672.865
14.	OTHER TAXES	540	281	574
15.	NET INCOME FOR THE GROUP FOR THE YEAR	10.053.434	5.038.792	7.672.292
16.	PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (-) OR LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (+)	-1.945.355	-2.441.343	-2.123.772
17.	PROFIT CARRYFORWARD	17.991.856	15.405.160	12.444.003
18.	CONSOLIDATED NET RETAINED PROFIT	26.099.934	18.002.609	17.992.523

GROUP MANAGEMENT REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following is a condensed management report, which mainly deals with deviations from the consolidated financial statements for 2017. In this respect, we refer to the 2017 Annual Report and the comprehensive management report contained therein for a detailed presentation.

I. FUNDAMENTAL INFORMATION ABOUT THE GROUP

1. BUSINESS MODEL

There have been no changes to the business model described in the 2017 Annual Report. As of June 30, 2018, Deutsche Rohstoff Group consisted of the following Group companies:

There have only been minor changes since the 2017 Annual Report.

At Ceritech AG, the stake fell from 66.15% to 63.71% due to a capital increase.

At Tin AG, the share rose from 61.55% to 61.61% due to share purchases.

Deutsche Rohstoff AG shares have been traded in the Entry Standard since May 2010 and in the Scale Segment of the Frankfurt Stock Exchange since March 2017. The current number of shares amounts to 5,063,072, with a market capitalization of around EUR 125 million as of June 30, 2018 (June 30, 2017: EUR 92 million).

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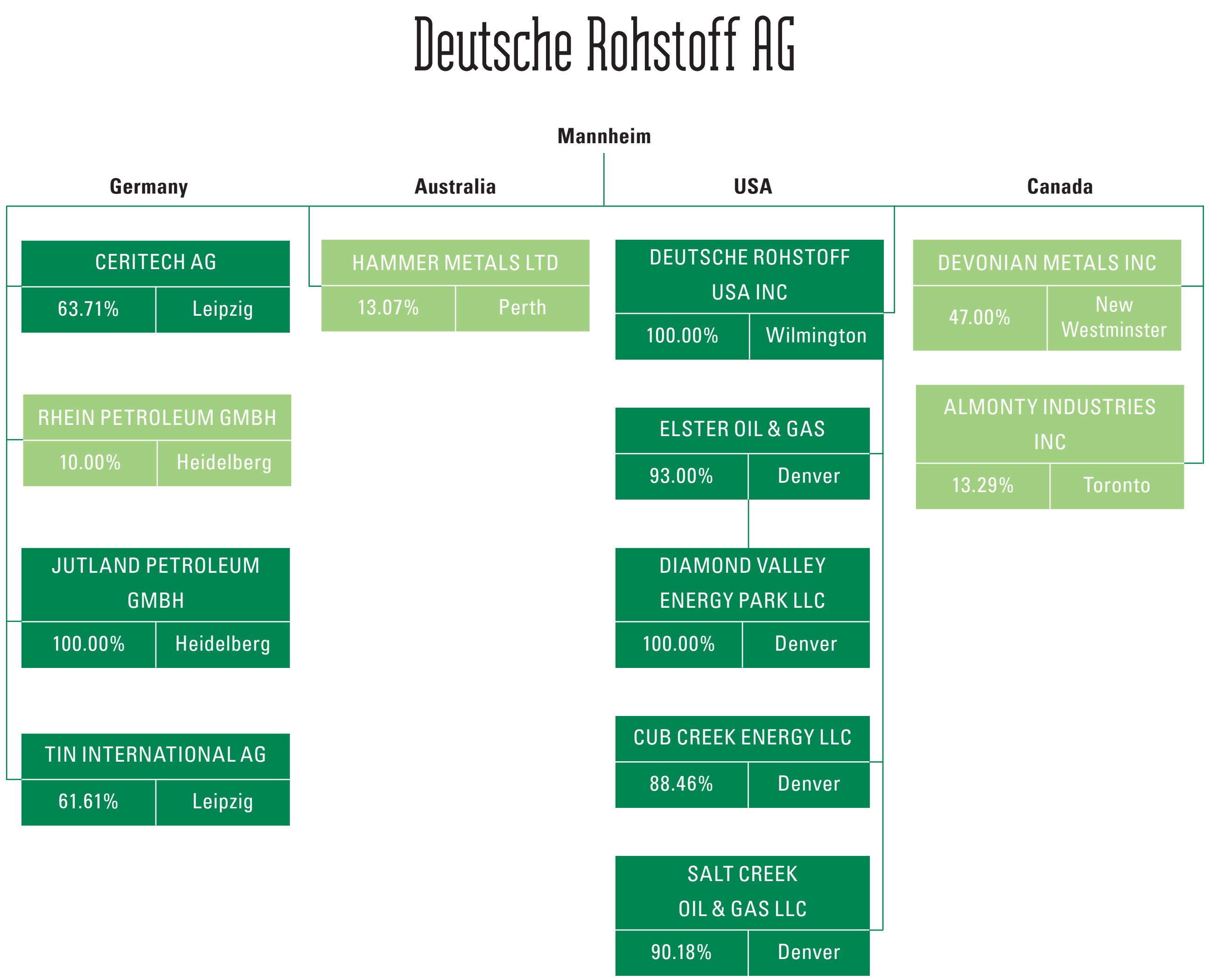

2. OBJECTIVES AND STRATEGIES

No changes.

3. RESEARCH AND DEVELOPMENT

No changes.

II. REPORT ON ECONOMIC POSITION

1. MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

The price of US oil (WTI) fluctuated between USD 58 and 72 per barrel in the first half of the year, in line with the Management Board's expectations. The EUR/USD exchange rate partially reversed the upward trend seen last year, reaching 1.1650 EUR/USD on June 30, 2018. For further information on the development of raw material prices, please refer to the comments in the letter to shareholders of this half-year report.

2. BUSINESS DEVELOPMENT

In the first half of 2018, production and thus also sales and EBITDA in the Oil & Gas segment increased significantly. The Group's oil and gas sales totaled BOE 1.690 million in the first half of the year. Oil accounted for 943,899 barrels, the remainder natural gas and condensates. Average daily production was 9,309 BOE. All quantities correspond to the Group's net interest after royalties and third party working interest.

Production resulted in US dollar sales of $66.4 million in the first half of the year, of which $54.2 million related to oil and $12.2 million to natural gas and condensates. The conversion into EUR took place at an average exchange rate of 1.2272, resulting in Euro sales of EUR 54.1 million.

The three companies accounted for the following quantities:

Cub Creek Energy: 737,830 BOE (379,896 barrels of oil)
Elster Oil & Gas: 768,150 BOE (415,169 barrels of oil)
Salt Creek Oil & Gas: 184,717 BOE (148,835 barrels of oil)

Cub Creek Energy completed 16 wells from the Litzenberger pad in March and April 2018 and started production at the end of April. In mid-June Cub Creek released the results from the first 30 days of stable production. It amounted to 5,632 barrels of oil equivalent or 4,704 barrels of oil. The pad consists of 16 one-mile horizontal wells in which Cub Creek owns 86%.

Cub Creek thus produced from a total of 44 wells on four well padsat the end of June 2018.

WELLS AT LITZENBERGER PAD

For a long time, the Vail pad had to struggle with high pressure in the gas pipeline into which the natural gas produced is fed. Production dropped faster than expected. Cub Creek was forced to flare off large quantities of natural gas. This problem was solved in the first half of 2018. The company uses a compressor that absorbs the excess gas and generates electricity from it. No more gas is burned off. Since then, oil production was stabilized.

As already reported last year, the Markham pad further south is well below expectations in terms of oil production. The wells produce significantly more gas than expected. In August/ September 2018 Cub Creek will install so-called gas lifts to increase or stabilize oil production.

The Haley pad has so far shown better oil production than Markham, but is also not reaching the oil production originally assumed. Here, too, gas production is higher than expected. Cub Creek will also install gas lifts on this well site in the coming months.

So far, the Litzenberger pad has only a short production history. Due to the proximity to Markham and Haley and the same drilling distances between the wells, Cub Creek expects production to be similar to these well sites without additional measures. It is therefore planned to start reworking the wells soon in order to improve oil production.

To take account of the results to date, Cub Creek has further increased depreciation per barrel oil equivalent produced. Instead of USD 22 per barrel oil equivalent in the first quarter, Cub Creek wrote off USD 26 per barrel oil equivalent retroactively for each barrel in the first half of the year. This depletion rate is expected to be maintained in the third and fourth quarters.

Elster Oil & Gas participated in drilling in the Magpie project area immediately north and northwest of the Vail drilling site at Cub Creek. Initially, 20 one and a half, two and a half and two and a half mile wells were drilled, in which Elster was involved with an average of 23%. In the first quarter of 2018, the opportunity arose to acquire shares in another well site and to increase the working interest in the existing wells. Elster took advantage of this opportunity and overall now has an average share of 35% in 36 wells.

The well operator started production in February and March 2018. The results up to the end of June were well above expectations. The 2 mile drill holes produced 774 BOEPD gross in the first 30 days, the 1.5 mile drill holes produced 740 BOEPD and the 2.5 mile drill holes even produced 1108 BOEPD.

In total, Elster accounted for around 535,000 barrels during this period. However, due to capacity restrictions imposed by the buyer of the oil, who installed facilities directly on site, Elster was only able to take delivery of around 415,000 barrels. The missing 120,000 barrels are expected to be delivered until the end of the year.

Elster's depreciation of 22 dollars per barrel oil equivalent was not adjusted in the second quarter.

Salt Creek Oil & Gas signed an agreement for the sale of its main assets at the end of April. The transaction closed on June 6, 2018, as all conditions were fulfilled. As compensation, Salt Creek received USD 40 million in cash, approximately USD 7.6 million in reimbursement for investments made and 6 million shares of the buyer, Northern Oil and Gas (NYSE: NOG), listed on the New York Stock Exchange. Since the number of shares had been fixed at the time the contract was concluded and the share price rose significantly between the signing of the contract and the closing of the transaction, the value of the shares increased by around USD 3 million at the time of closing. The price increase continued until mid-September 2018, which would currently result in additional profits before taxes of USD 5 million.

Salt Creek continues to hold smaller areas in North Dakota that have not been sold. The present value of these areas is currently around USD 1.3 million. The former CEO of Salt Creek, Tim Sulser, left the company at the end of August 2018 topursue new challenges. The company has repurchased the shares of Tim Sulser and the other minority shareholders, so that Deutsche Rohstoff USA is the sole remaining shareholder.

In mid-July 2018, Deutsche Rohstoff AG announced the formation of a new US oil and gas company, **Bright Rock Energy**. Bright Rock's management consists of Chris Sutton as CEO and Pam Bunz as COO, both of whom have gained many years of experience working at a large Canadian Oil and gas company called Crescent Point. Bright Rock's regional focus will be the oil and gas-bearing basins of the „Rockies" region with a special focus on Utah and North Dakota.

In the Metals Division, there was a significant upturn in activities both at the Group companies and at the shareholdings.

Almonty Industries reported very good results as of 30 June 2018 for the first nine months of the 2017/2018 financial year. Sales rose to CAD 50.5 million (previous year: CAD 28.2 million) due to higher prices and additional volumes sold. Net income reached CAD 8.1 million (previous year: CAD -9.0 million) or CAD 0.05 per share. At the end of May 2018, the company's shares moved to the more highly regulated main segment of the Toronto Stock Exchange. In July, trading also began on the OTCQX in New York. US investors can trade the share directly in the USA.

PRODUCTION PLANTS AT MARKHAM PAD

In March, Almonty reported that it had signed a 10-year purchase agreement for the tungsten concentrate produced at the Sangdong Mine in Korea. The contract contains a minimum price at which the buyer accepts the concentrate without limiting the price upwards. This provides Almonty with a minimum price guarantee over a long period of time. Prices for tungsten APT continued to rise significantly until July, reaching a peak of USD 350/ mtu. Since July they have dropped by about 20%.

In mid-June 2018, Tin International AG announced the sale of the Hegelshöhe and Sadisdorf licenses to its former joint venture partner Lithium Australia. Lithium Australia is an Australian-listed company (ASX:LIT) with a process for recovering lithium from lithium mica ores (so-called SiLeach technology) and a portfolio of lithium deposits. Tin receives EUR 2 million as sales price, of which EUR 0.5 million in cash and EUR 1.5 million in the form of Lithium Australia shares. The shares are subject to staggered sales restrictions of 6, 12 and 18 months. The transaction became effective at the beginning of September with the approval of the mining authority to transfer the licenses. Tin received an additional 21.3 million LIT shares through this transaction and thus holds approximately 5.0% of the company.

For further activities, please refer to the 2017 Annual Report and the comments in this interim report.

3. FINANCIAL PERFORMANCE, FINANCIAL POSITION AND ASSETS AND LIABILITIES

FINANCIAL PERFORMANCE

In the first half of the year, the Group generated sales of EUR 54.1 million. The vast majority came from oil and gas production in the USA. The individual subsidiaries accounted for the following revenues:

Cub Creek Energy: EUR 23.3 million
Elster Oil & Gas: EUR 24.7 million
Salt Creek Oil & Gas: EUR 6.1 million

In connection with the preparations for oil and gas production of the three US subsidiaries, own work capitalized in the amount of approximately EUR 1.1 million was reported. Of the other operating income of EUR 12.9 million, EUR 11.8 million resulted from the sale of the Salt Creek assets. A further effect of other operating income resulted from foreign exchange gains of EUR 0.7 million, which were, however, also offset by foreign exchange losses of EUR 3.1 million, which were recorded under other operating expenses.

Personnel expenses fell significantly in the first half of the year compared to the first half of 2017 from EUR 2.6 million to EUR 1.8 million This was due to lower salary expenses for fixed and variable remuneration components in the US subsidiaries.

Depreciation and amortization increased to EUR 35.0 million (previous year: EUR 15.2 million). Of this amount, EUR 32.0 million is attributable to current operating activities at Cub Creek, Elster Oil and Salt Creek. Another EUR 1.4 million on goodwill amortization at Salt Creek Oil and Gas and other amortization in the Group amounting to EUR 1.6 million.

Other operating expenses amounted to EUR 6.1 million in the first half of the year. Currency losses of EUR 3.1 million (previous year: EUR 5.2 million) played a significant role. Of this amount, EUR 1.5 million was attributable to the repayment of loans denominated in US dollars, which are to be taken into account at Group level, and EUR 1.6 million to Deutsche Rohstoff AG.

At EUR -3.1 million, the financial result was worse than in the previous year (previous year: EUR -1.7 million). The main reason for this is the increased interest expense of EUR -3.5 million (previous year: EUR -2.2 million). Interest expenses of EUR 0.9 million were incurred by the US subsidiaries and EUR 2.6 million by Deutsche Rohstoff AG.

The tax result was EUR -3.9 million (previous year: EUR -1.5 million). This result reflects the profits generated in the USA, which are offset by special tax write-downs and for which deferred tax liabilities must be recognized.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 52.0 million in the first half of the year (previous year: EUR 23.5 million). Adjusted for depreciation and amortization, earnings before interest and taxes (EBIT) amounted to EUR 17.0 million. (previous year: EUR 8.3 million). Earnings before taxes amounted to EUR 14.0 million (previous year: EUR 6.6 million).

Consolidated net income for the first half of 2018 amounted to EUR 10.1 million (previous year: EUR 5.0 million). Of this amount, EUR 2.0 million was attributable to minority interests.

FINANCIAL POSITION

Cash and cash equivalents (bank balances and securities held as fixed assets and current assets) amounted to EUR 63.6 million as of June 30, 2018 (previous year: EUR 47.1 million). Compared to December 31, 2017 (EUR 35.1 million), this represents an increase of EUR 28.5 million. The increase is mainly due to the sale of the assets of Salt Creek, the issue of a convertible bond and proceeds from the newly connected drilling operations in the USA. High cash outflows resulted from the repayment of a bank loan at Salt Creek in the amount of EUR 11.4 million and investments in the USA in the amount of USD 45.8 million. The Group's financial resources thus remain excellent.

ASSET AND LIABILITIES

The consolidated balance sheet total of EUR 231.3 million was again higher than in the previous year (EUR 190.2 million). On the assets side, there was a significant increase in property, plant and equipment, which amounted to EUR 116.1 million as of June 30, 2018 (previous year: EUR 76.9 million). This reflects the drilling activity in the US The investments were financed by an increase in liabilities, which had risen to EUR 141.4 million as of June 30, 2018 (previous year: EUR 101.6 million). Compared with 31 March 2018 (EUR 155.5 million), however, liabilities decreased by EUR 15.8 million due to the repayment of the Salt Creek loan. In mid-July, i.e. after the balance sheet date on 30 June 2018, Deutsche Rohstoff AG repaid the remaining outstanding volume of the 2013/18 bond, also amounting to EUR 15.8 million.

At EUR 69.8 million, equity increased slightly compared to the previous year (EUR 66.9 million). The equity ratio was 30.19%. It rose significantly compared with the end of 2017 (26.5%), but was still below the figure as of June 30, 2017 (35.2%).

OVERALL CONCLUSION

In the opinion of the Executive Board, the overall statement of the annual report that the economic and financial situation of the Group is excellent has not changed. The Group closed the first half of the year with a clearly positive result. At EUR 52.0 million, earnings before interest, taxes, depreciation and amortization (EBITDA) was more than twice as high as in the previous year and reflects the successful business in the USA. The Management Board expects business to continue to develop positively in the second half of the year.

III. FORECAST, OPPORTUNITIES AND RISK REPORT

Due to higher than expected production in the first half of the year, the Executive Board is raising its forecast for revenues and EBITDA for the full year. Instead of EUR 70-80 million, the Management Board now expects sales of EUR 90-100 million and EBITDA of EUR 85-90 million instead of EUR 65-70 million.

With regard to the opportunities and risks report, we refer to the 2017 Annual Report.

Mannheim, 17 September 2018

The Executive Board

Dr. Thomas Gutschlag Jan-Philipp Weitz

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

1. GENERAL

The headquarters of the parent company Deutsche Rohstoff AG is in Mannheim. The company is registered with the Mannheim District Court under the number HRB 702881.

The half-year consolidated financial statements of Deutsche Rohstoff as of June 30, 2018 were prepared in accordance with the accounting provisions of the German Commercial Code (§§ 290 ff. HGB). The interim consolidated financial statements do not include all disclosures and explanations required for the consolidated financial statements and should be read in conjunction with the consolidated financial statements as of December 31, 2017.

The consolidated income statement was prepared according to the total cost method in the reporting period. The accounting policies applied in the preparation of the interim consolidated financial statements are the same as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2017. Please refer to the notes to the consolidated financial statements for the fiscal year January 1, 2017 to December 31, 2017, printed in the Annual Report 2017, page 52 ff. (hereinafter: Annual Report). The half-year consolidated financial statements are presented in euros (EUR). Unless otherwise stated, all values are rounded up or down to one euro (EUR) in accordance with commercial rounding. Please note that differences may occur in the use of rounded amounts and percentages. These interim consolidated financial statements have not been audited or reviewed.

2. BASIS OF CONSOLIDATION

The scope of consolidation as of June 30, 2018 has not changed since December 31, 2017.

3. CURRENCY TRANSLATION

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

4. NOTES TO THE CONSOLIDATED BALANCE SHEET

The following table only shows items for which there were significant changes in the first half of the year from January 1 to June 30, 2018 compared with the previous year (December 31, 2017). Otherwise, reference is also made here to the comments in the annual report.

4.1. FIXED ASSETS

Due to the sale of the main operating assets at Salt Creek Oil & Gas LLC, the position „Concessions, industrial property rights and similar rights and assets and licenses" decreased from EUR 30.6 million as of December 31, 2017 to EUR 14.0 million.

Goodwill decreased from EUR 3.3 million as of December 31, 2017 to EUR 1.7 million, also due to the sale of the assets of Salt Creek Oil & Gas LLC. The goodwill formed at Group level when the company was founded was fully written off in the amount of EUR 1.4 million.

Following the start of commercial production at the Litzenberger pad of Cub Creek Energy LLC in April 2018, the capital of EUR 15.3 million incurred up to the start of production were reclassified from the item „Exploration and evaluation" to the item „Producing oil production facilities". Similarly, the production expansion on the „Magpie" project area of Elster Oil & Gas LLC resulted in a reclassification from the position „Exploration and Evaluation" to the position „Producing oil production facilities" in the amount of EUR 22.6 million. The item „Exploration and evaluation" thus decreased from EUR 40.6 million as of December 31, 2017 to EUR 2.7 million.

The item „producing oil production facilities" decreased by EUR 24.6 million compared to 31 December 2017 due to the sale of the main operating bases at the company Salt Creek Oil & Gas LLC. Nevertheless, this position increased by EUR 31.2 million at Cub Creek Energy LLC and EUR 32.8 million at Elster Oil & Gas LLC due to the start of production described above. As a result, the item „producing oil production facilities" increased from EUR 73.8 million as of December 31, 2017 to EUR 113.2 million.

4.2. CURRENT ASSETS

TRADE RECEIVABLES

Compared to December 31, 2017, this item rose from around EUR 8.8 million to EUR 15.6 million. The receivables relate primarily to reported sales revenues of Cub Creek Energy LLC and Elster Oil & Gas LLC, which are not paid by offtakersto the companies until the following month.

SECURITIES

Securities held as current assets increased mainly due to the receipt of 6 million shares in Northern Oil & Gas as part of the sale at Salt Creek Oil & Gas LLC. The book value of the shares at the time of acquisition was USD 2.54 per share. Securities held as current assets amounted to EUR 15.5 million as of June 30, 2018 (previous year: EUR 1.8 million).

BANK BALANCES

Bank balances increased from EUR 28.4 million as of December 31, 2017 to EUR 42.9 million. Despite high investments at Elster Oil & Gas LLC and Cub Creek Oil & Gas LLC in the first half of 2018, the increase is due to the cash inflow from the sale at Salt Creek Oil & Gas LLC and the issue of a convertible bond.

4.3. EQUITY

As of the balance sheet date, the Group's capital reserve was EUR 3.8 million higher than the capital reserve of the parent company. The item „Equity differences from currency translation" mainly includes the translation differences of the currency translation of the asset and liability items of the annual financial statements prepared in US dollars on the reporting date and the currency translation of the profit and loss accounts prepared in US dollars at the average exchange rate Due to the increased US dollar exchange rate, this item increased by EUR 4.9 million compared with December 31, 2017, so that it now amounts to EUR 1.3 million as of June 30, 2018.

4.4. LIABILITIES

Trade payables increased from EUR 5.2 million as of December 31, 2017 to EUR 13.5 million. This increase was mainly due to the investment costs, some of which are not yet due for payment, for the completion of the wells on the „Litzenberger" drilling site at Cub Creek Energy LLC.

The item „Bonds, non-convertible" includes liabilities from the issue of two corporate bonds. The first, non-convertible bond, matures on 11 July 2018 and bears interest at 8%. As of June 30, 2017, the proportion of this bond remained unchanged at EUR 15.7 million. The second, also non-convertible bond, is also due at maturity, has a term until July 20, 2021 and bears interest at 5.625 %. As of June 30, 2018, the proportion of this bond also remained unchanged at EUR 66.6 million.

The item „convertible bonds" includes liabilities from the issue of a convertible bond in March 2018 with a nominal amount of EUR 10.7 million as of June 30, 2018 and a five-year term until March 29, 2023. 100% of the nominal amount of the convertible bonds were issued and bear interest at 3.625%. The convertible bonds are initially convertible into 357,143 new or registered ordinary shares of Deutsche Rohstoff AG. Shareholders' subscription rights were excluded.

As a result, the item „Bonds" as of June 30, 2018 totaled EUR 93.0 million (previous year: EUR 74.2 million), of which EUR 10.7 million relates to a convertible bond (previous year: EUR 0).

A loan is reported under liabilities to banks as of June 30, 2018. This is a loan of EUR 24.5 million relating to Cub Creek Energy LLC. The loan is a collateral for the oil and gas reserves of Cub Creek Energy LLC. A credit line of USD 40 million was agreed here as of June 30, 2018, of which USD 28.5 million and EUR 24.5 million were drawn down as of June 30, 2018. The loan is due to mature on June 21, 2022 and will be used to finance ongoing oil and gas drilling. The interest rate is variable, with the weighted average interest rate as of June 30, 2018 being approximately 5.1%.

The loan received by Salt Creek Oil & Gas LLC from the Bank of Oklahoma N.A. was fully repaid in June 2018 as part of the sale of the main operating bases.

Other liabilities amounted to EUR 10.4 million as of June 30, 2018 (previous year: EUR 10.9 million) and consisted primarily of liabilities of Cub Creek Energy LLC from license obligations as well as interest liabilities of Deutsche Rohstoff AG in connection with the corporate bonds as of June 30, 2018. The other liabilities are exclusively liabilities with a remaining term of up to one year.

4.5. CONTINGENT LIABILITIES

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

5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

The following only shows items for which there were significant changes in the first half of the year from January 1 to June 30, 2018 compared with the previous year (January 1 to June 30, 2017). Otherwise, reference is also made here to the comments in the annual report.

5.1. REVENUES

Sales relate to 44 wells at four well sites at Cub Creek Energy LLC with an average share of 84.5% and sales of EUR 23.3 million, Elster Oil & Gas LLC with an average share of 34.5% in 36 wells and sales of EUR 24.7 million and Salt Creek Oil & Gas Energy LLC, which generated sales of EUR 6.1 million until the sale of the main operating bases. Revenues from oil wells are subject to production taxes, which are deducted directly from revenues in accordance with BilRUG requirements. Production taxes of EUR 3.3 million were incurred in the first half of 2018.

5.2. OTHER OPERATING INCOME

Other operating income mainly consists of the gain on disposal of EUR 11.8 million resulting from the sale of the main operating bases at Salt Creek Oil & Gas Energy LLC.

In addition, currency gains of EUR 700 thousand (previous year: EUR 2.2 million) were recorded at Deutsche Rohstoff AG level, offset by currency losses of EUR 3.1 million, which are reported under other operating expenses.

5.3. COST OF MATERIALS

As of June 30, 2018, expenses for purchased services in the amount of EUR 8.2 million (previous year: EUR 2.6 million) relate to production costs incurred in producing oil wells in the USA.

5.4. DEPRECIATION AND AMORTIZATION

Depreciation of EUR 35.0 million (previous year: EUR 15.2 million) mainly relates to depreciation of oil production facilities in property, plant and equipment (EUR 32.0 million), which is written down in line with the quantities of barrels of oil equivalent produced.

In connection with the sale of the main operating bases at Salt Creek Oil & Gas Energy LLC, the goodwill of EUR 1.4 million formed at Group level when the company was founded was fully written off. The depreciation is shown under the item „Amortization of intangible assets and depreciation of property, plant and equipment". Further depreciation of EUR 1.6 million was charged on other rights as well as own work capitalized and other assets in the Group.

5.5. OTHER OPERATING EXPENSES

Other operating expenses of EUR 3.1 million relate to currency losses incurred at Deutsche Rohstoff AG level. These currency losses of EUR 1.5 million arose from the repayment of loans denominated in US dollars. On the other hand, USD 1.0 million is attributable to currency losses in connection with hedging the currency risk in the EUR/USD area with so-called foreign currency futures. The remaining EUR 600 thousand relates to currency losses incurred in the course of transactions carried out in US dollar bank accounts during the year.

6. OTHER DISCLOSURES

SUBSEQUENT EVENTS

After the balance sheet date, the following events had a significant impact on the further course of business until mid-September 2018:

Bright Rock Energy LLC was founded in July 2018 in the USA and was able to announce the first acquisition of land in Uinta Basin in Utah as early as September.

On September 11, 2018, Tin International AG announced the completion of the sale of the Sadisdorf deposit to Lithium Australia for EUR 2 million.

The price of oil continued to range between USD 65 and USD 73 until mid-September. The price of tungsten fell from around USD 330 per mtu to around USD 290 per mtu in mid-September. The EUR/USD exchange rate moved sideways during the same period, mainly between 1.15 EUR/USD and 1.17 EUR/USD.

Mannheim, den 17. September 2018

Der Vorstand

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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.

This English version of the Semi-Annual Report is a translation of the original German version; in the event of any deviation, the German version of the Semi-Annual Report shall take precedence over the English version.

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