

# ANNUAL REPORT

# 2021



# Deutsche Rohstoff



## CORPORATE BODIES (AS OF 31/12/2021)



### EXECUTIVE BOARD

Dr. Thomas Gutschlag  
Jan-Philipp Weitz



### SUPERVISORY BOARD

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

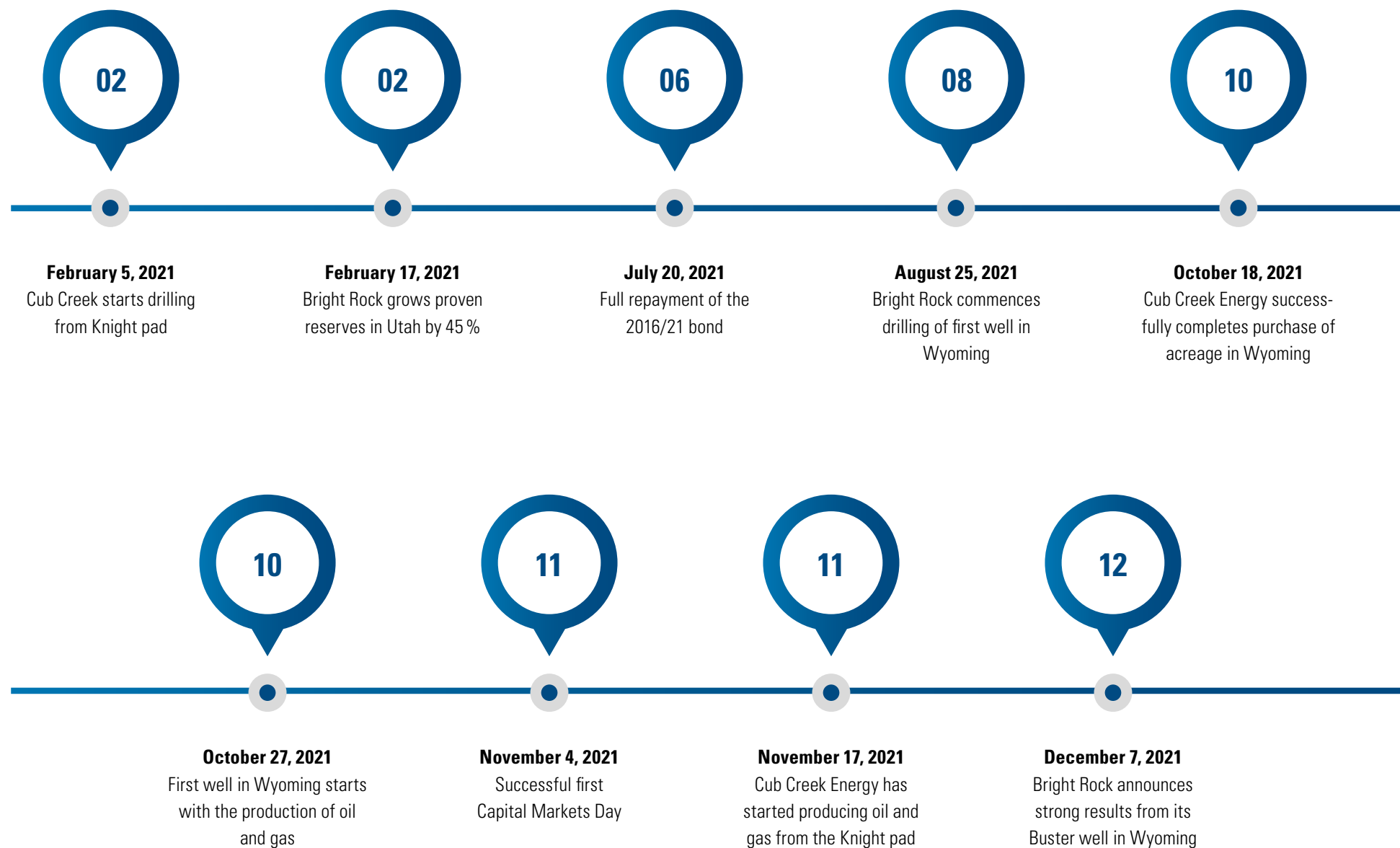


### DEUTSCHE ROHSTOFF GROUP AT A GLANCE (IN MILLION EUR)

Sales Revenue	+73,3
EBITDA	+66,1
Net profit	+26,4
Operating Cash Flow	+51,8
Liquidity	+37,1
Debt to Equity ratio in %	30,2

COMMODITIES ARE  
THE FUTURE

## HIGHLIGHTS 2021 DEUTSCHE ROHSTOFF GROUP



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### *Ladies and Gentlemen*

The fiscal year 2021 was a pleasing one for the Deutsche Rohstoff Group. With a net result of EUR 26.4 million, or EUR 5.32 per share, we achieved one of the best results in the company's history. A remarkable turnaround compared to 2020, when very low oil and gas prices put the entire industry under pressure. Our share price reflects these developments. With a gain of 139 percent compared to the end of 2020, our share was one of the top performers on the German stock market. In the first quarter of 2022, our share price temporarily increased a further 50 percent to a new record high of almost 31 EUR.

Oil and gas prices rose to multi-year highs during the year. Demand recovered faster than expected from the effects of the COVID-19 pandemic, while supply was slow to follow in many parts of the world. Supply management by OPEC+ countries has been very disciplined. At the same time, it is noticeable that investment in the development of new oil and gas reserves has fallen far short of required levels since 2015.

Production from the Olander well pad, which we restarted in January, was as expected and contributed significantly to annual production. The Knight well pad was completed in the fall and started production in November. Peak production is expected in the second quarter of 2022 and will contribute significantly to total annual production.

Our production from minority interests in Utah, Colorado and North Dakota also performed well. In Utah, operator drilling activity increased significantly, allowing our Bright Rock subsidiary to participate in 21 additional wells. These positive developments in Utah are expected to accelerate in the current year.

In our oil and gas core business, daily production increased by 68 percent year-on-year to 7,094 BOE. The majority of this, 5,380 BOE, came from Cub Creek, who brought the Olander well on stream in early 2021. Elster's production again ran very reliably, contributing 936 BOE to daily production. Bright Rock's production rose sharply last year from 264 to 712 BOEPD, while Salt Creek continued to contribute only a small share to total production with 66 BOEPD.

At the end of the year, our oil and gas reserves were valued at a combined total of approximately USD 368 million (previous year: USD 143 million). By 4 March 2022, however, the value had risen to USD 640 million due to higher oil and gas prices. The sharp increase is not only the result of the price upswing, but also of a volume effect primarily due to the acquisitions in Wyoming. The high reserve value is remarkable as it consists of 87 percent proven reserves and only 13 percent probable reserves. Contributions from the Oxy joint venture are not yet included as the transaction was completed in the new year. This will add further, substantial reserves by the next reporting



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

period. The same applies to the further development in Wyoming, which has so far only been reflected to a small extent in the reserves.

Group sales jumped 89 percent last year to EUR 73.3 million. At EUR 66.1 million, EBITDA (earnings before interest, taxes, depreciation and amortization) was almost three times higher as in the previous year. These very good results also

## LETTER TO SHAREHOLDERS

significantly improved our balance sheet. Shareholders' equity rose from EUR 45.6 million to almost EUR 80 million, and the equity ratio to 30 percent. We were able to reduce net debt to EUR 80.5 million, compared with EUR 92.4 million in the previous year. Therefore only 20 % higher at the end of the year than EBITDA in 2021. Due to this strong financial position we expect net debt/EBITDA, important to bondholders, to fall further in the current year, indicating a very solid financial position. Cash and cash equivalents remained at a healthy level of around EUR 37 million at the end of the year.



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

The securities portfolio made a very pleasing contribution to the result. In the course of the year, we realized a gain of EUR 17.7 million on the sale of securities. We have now completely sold the shares and bonds of oil and gas companies. The remaining portfolio consists mainly of companies in the gold and lithium sectors. We still see good potential to generate additional income. At the end of 2021, there were still unrealized gains of EUR 4.4 million.

The focus of our oil and gas development activities will undoubtedly shift from Colorado to Wyoming in the coming years. In Colorado, we have developed the last undrilled acreage with the Knight well pad. In Wyoming, on the other hand, we have very large undeveloped acreages following the acquisitions of Bright Rock in 2020 and 2022 and Cub Creek in 2021. These acquisitions allow for over 100 economically interesting wells to be drilled.

In the short term, we are also participating in 18 wells near our own acreage as part of the Oxy cooperation. Wyoming represents one of the most oil and gas friendly states. From a regulatory perspective, we do not expect any significant deterioration in investment conditions there, even in the long term.

At this year's Annual General Meeting we will propose the resumption of dividend payments for 2021, which we had sharply reduced or suspended for fiscal years 2019 and 2020

due to the uncertainty caused by the COVID-19 pandemic. We consider a dividend of 60 cents per share to be appropriate. It will be possible to receive the dividend in the form of shares. The payment of a reliable and, if possible, increasing dividend will remain a key objective of the Management Board in the future.

The restructuring of the Management Board and Supervisory Board that we announced in April will be an opportunity for Deutsche Rohstoff. The new distribution of roles fits very well with the experience and know-how of those involved. We will also add strong personalities to the management bodies who will help develop the potential that our company offers.

We look forward to the coming years and hope you will continue with us on this path!

Handwritten signature of Thomas Gutschlag in blue ink.

Thomas Gutschlag  
CEO

Handwritten signature of Jan-Philipp Weitz in blue ink.

Jan-Philipp Weitz  
CFO

## SHARE AND BONDS

### SHARE PRICE DEVELOPMENT AND DIVIDEND

In 2021, the Deutsche Rohstoff share developed very positively and rose steeply by 139 percent over the year. The share opened the trading year at EUR 8.50, which also marked the low for the year. However, the single-digit prices were soon over. In the first half of the year, the share price rose relatively steadily toward EUR 17.90. Throughout the summer, the share traded sideways in the range of around EUR 15 to 18. The foundation for the breakout from this trading range was laid with the publication of the guidance increase for 2022. The DRAG share price picked up speed again and marked its high for the year at EUR 25.80 in October. At the end of the year, together with a weaker oil price, the share price lost some ground again and

exited trading at EUR 20.30. Market capitalization at the end of the year was around EUR 103 million, almost two and a half times higher than in the previous year.

Trading volumes developed very positively in 2021. On average, around 24,200 shares were traded per day on the five exchanges with the highest turnover (XETRA, Tradegate, Stuttgart, Frankfurt, Quotrix). This corresponds to 56 percent more than in the previous year. In the final quarter in particular, trading volumes increased further and averaged around 36,000 shares per day. The day with the highest turnover was 14 October 2021, when 155,000 shares were traded. Tradegate accounted for the highest volumes with 46 percent, followed by XETRA with 45 percent.

### VIRTUAL ANNUAL GENERAL MEETING

On 23 June 2021, Deutsche Rohstoff held its second virtual Annual General Meeting in a row. As in the previous year, the Annual General Meeting was held at the Company's offices in Mannheim. At 20.61 percent, the shareholder attendance was again at pre-Corona level. The Annual General Meeting agenda was approved by a large majority and also approved the appointment of the auditor.

### SHAREHOLDER STRUCTURE

Issued shares of Deutsche Rohstoff AG amount to 5,081,747 at 31 December 2021, which are distributed in the equal amount of registered shares. The Management Board and Supervisory Board held around 10 % of the shares at the end of the year. Following two share buyback programs in 2014 and 2015, the company itself continues to hold 2.5 % of the shares. The remaining 87.5 % are distributed among more than 8,000 shareholders. Just under 20 percent of the shares were held by institutional investors. Around 90 percent of the shares are held by investors in Germany.

### BONDS

At the beginning of the reporting year 2021, Deutsche Rohstoff AG had two non-convertible bonds outstanding totaling EUR 103.7 million. The Company repaid the remaining EUR 16.7 million of the 2016/2021 bond (WKN: A2AA05) in full and on time on 20 July 2021. The second non-convertible bond 2019/2024 (WKN: A2YN3Q) was issued in 2019 and matures on

### SHARE DETAILS (AS OF 31/12/2021)

Total number of shares	5,081,747
Amount of share capital	EUR 5,081,747.00
Stock exchange	XETRA, Tradegate, Frankfurt, Berlin, Düsseldorf, Stuttgart
ISIN/WKN	DE000A0XYG76/A0XYG7
Stock exchange segment	Scale Standard (since 1 March 2017), Member of Scale 30
Designated Sponsor	ICF Bank AG



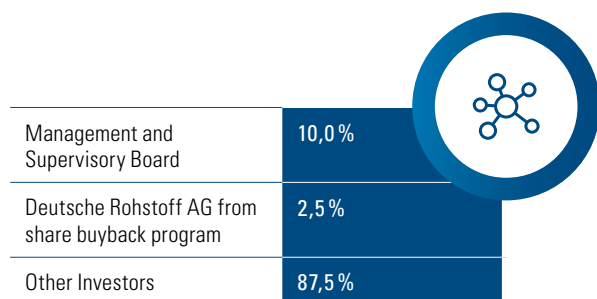
## SHARE AND BONDS

6 December 2024. It bears interest at 5.25 %. The outstanding volume as of 31 December 2021, amounted to EUR 87.1 million. The 2019/2024 bond traded between 96 and 107 percent in the reporting year. The price rose over the course of the year and traded at an annual average of 103 percent. At the end of the year, the bond was trading at 102 percent. At the beginning of February, the company placed a further EUR 13 million in bondy. The volume issued thus amounts to EUR 100 million.

The convertible bond issued in March 2018 carries a coupon of 3.625 percent and can initially be converted into up to 382,142 shares of Deutsche Rohstoff AG at a price of EUR 28. The outstanding volume amounts to EUR 10.7 million and is due in March 2023.

### CAPITAL MARKET COMMUNICATIONS

In 2021, investor meetings and roadshows were held partly virtual and partly as face-to-face meetings. The Executive Board of the Company was in discussions with investors on more than 30 days. In addition to individual appointments, the Executive Board also presented the Company and recent



developments at various conferences. In addition to traditional formats, the Executive Board also discussed developments in commodity markets and the company in various podcasts.

A premiere in the reporting year was the Capital Markets Day held on 4 November 2021.

Management discussed the profitability and future development of the group to over 130 registered private and institutional investors.

### ANALYST COVERAGE

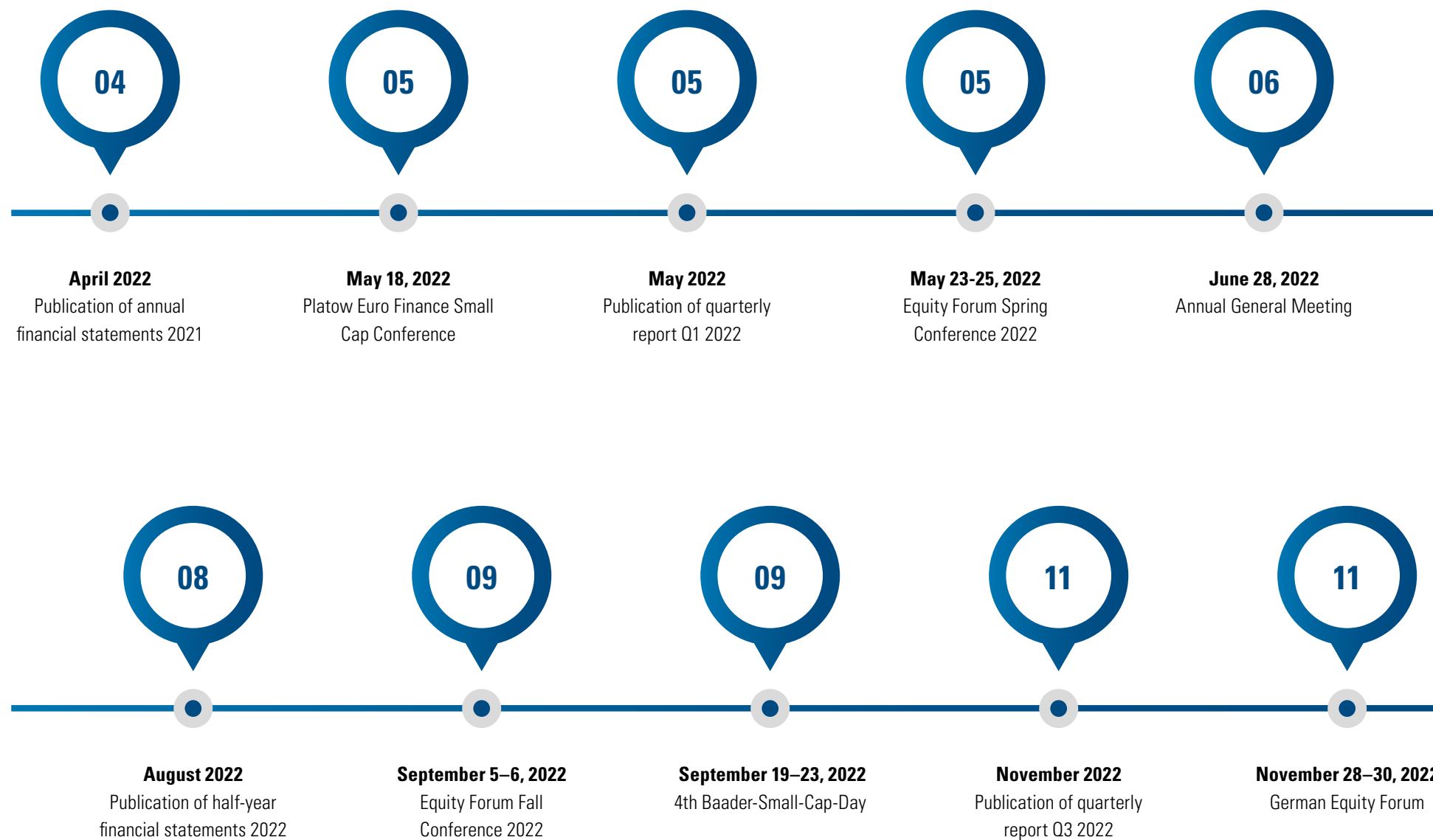
In the reporting year 2021, Deutsche Rohstoff AG share regular coverage by independent analysts from First Berlin and Kepler Chevreux. Kepler Chevreux resumed coverage after the publication of the Annual Report 2020. Both companies publish a comprehensive research report several times a year with independent share price targets.

#### BONDS (STATUS AS OF 31 DECEMBER 2021. THE BOND 2016/2021 WAS REPAID IN JULY 2021.)

	CONVERTIBLE BOND 2018/2023	BOND 2019/2024
Issuer	Deutsche Rohstoff AG	Deutsche Rohstoff AG
Issue Date	23 March 2018	4 December 2019
Issued volume	EUR 10.7 million	EUR 87.1 million
Outstanding Volume	EUR 10.7 million	EUR 87.1 million
Coupon	3.625 %	5.250 %
Initial/Current Strike	EUR 28/EUR 28	N/A
Interest payment	annual, 29 March	semiannual, 6 December and 6 June
Tenor	5 years	5 years
Denomination	EUR 1,000	EUR 1,000
ISIN	DE000A2LQF20	DE000A2YN3Q8
Exchange	Frankfurt Exchange, Open Market (Quotation Board)	Frankfurt Exchange, Open Market (Quotation Board)



## FINANCIAL CALENDAR 2022



## THINGS TO KNOW: ALMONTY INDUSTRIES

### ALMONTY INDUSTRIES ON ITS WAY TO BECOMING A GLOBAL HEAVYWEIGHT IN THE TUNGSTEN MARKET

#### SANGDONG, ONE OF THE MOST IMPORTANT TUNGSTEN MINES IN THE WORLD – OWNER: ALMONTY

Right now, Sangdong is in the construction phase, currently about 25% completed. Planned completion and start of production is 2023.

Due to the high concentration of individual players in the tungsten market, Sangdong will account for about 30% of global tungsten production outside China, or 7–10% of total

global production. The total production life of the mine can be extended to over 90 years in the best case scenario - without taking into account the large molybdenum deposit below the tungsten ore body.

#### TUNGSTEN PRODUCTION AND DEVELOPMENT OF VARIOUS PROJECTS IN SEVERAL COUNTRIES

Almonty is active in Spain, Portugal, South Korea and once Australia.

Panasqueira has been Almonty's base for many years. The tungsten and tin mine is located in Covilha, Portugal and is one of the longest producing tungsten mines in the world. It was

discovered accidentally at the end of the 19th century, as the stony ground was unfavorable for agriculture. At the beginning of the 20th century, tungsten production began, which is still going on today, more than 100 years later. According to current estimates, Panasqueira will continue to produce tungsten for at least 20 years.

Los Santos – Almonty's former tungsten production facility ceased production in 2019 after 12 years. The mine now has former waste products, known as „tailing“ which can be mineralized and therefore re-processed. According to estimates there are sufficient resources for approximately 5–6 years of production at 50% capacity equivalent to about half of Panasqueira.

Valtreixal – a development project in Spain that could be developed in the near future and put into production as early as the middle of the decade. Due to the large mineralized deposits, estimated resources account for more than 20 years of tungsten production..

#### SANGDONG – PHOENIX FROM THE ASHES

The Sangdong Mine, Almonty's main project, located 187km southwest of the capital of Seoul in Gangwon-do Province and about 70 km as the crow flies west of the Sea of Japan, is a historic mine. Originally discovered in 1916 by Mr. Sunwon Hwang, tungsten concentrate production began in the 1940s. The mine was the country's main economic driver in the 1950s – at times accounting for more than 50% of total export sales.

For nearly half a century, the mine successfully produced large quantities of tungsten, as well as additional bismuth and



PANASQUEIRA MINE, PORTUGAL

## THINGS TO KNOW: ALMONTY INDUSTRIES

molybdenum, until it was finally closed in 1994. Underground mining development was well maintained with portal entrances lined with cement to prevent cave-in and to facilitate future mining operations. This will allow Almonty to quickly reactivate the mine. The orebody begins at the mine portal.

The reactivation of Sangdong represents a milestone for the global tungsten market as well as South Korea. Like the phoenix from the ashes, South Korea's flagship mining project will soon rise from its slumber.



**“MONTY B PORTAL” ACCESS SHAFT,**  
SANGDONG MINE, SOUTH KOREA

### **ESG-FRIENDLY METAL PRODUCTION, IS IT EVEN POSSIBLE?**

Nowadays, there is increasing attention on more environmentally friendly mining methods, but is this even possible?

There are now many companies with a focus on ESG criteria. While for many progress is slow, Almonty has made environmental sustainability its main goal and implemented the following measures:

- International Finance Corporation, a subsidiary of the World Bank, has defined a set of 10 principles for environmental and social risk compliance for project financing – the „Equator Principles“, which were applied to debt financing by KfW-IPEX Bank.
- CO<sub>2</sub> neutrality of the Sangdong Mine will be achieved within a few years of the start of production, among other things by covering the electricity requirements from including using renewable energy.
- Extensive plans to minimize environmental footprint and minimize impacts on the air quality, flora & fauna, biodiversity, and groundwater.
- Almonty is in regular communication with local authorities and non-governmental organizations and enjoys great support from the local population.

### **LONGSTANDING PARTNERSHIP FOR ALMOST A DECADE**

Deutsche Rohstoff AG works closely with Almonty Industries. The two teams worked together to secure first-class and cost effective financing for the Sandong Mine from KfW-IPEX. This collaboration also secured a strategic partnership with Plansee GTP for offtake of the tungsten concentrate. The offtake agreement includes favourable terms and conditions including a minimum purchase price. This minimizes the market price risk for Almonty and thus secures the company's future net assets, financial position and results of operations.

### **APT PRICE AT MULTI-YEAR HIGH**

A supply shortage, bullish commodity prices, new technologies, declaration as a critical metals and other reasons have helped tungsten to multi-year highs. In early March, the APT price reached the USD 350 per MTU, prices last seen briefly in June 2018. The APT price has been, on average, around USD 250 per MTU since 2016.

### **INCREASING IMPORTANCE OF TUNGSTEN DUE TO NEW TECHNOLOGIES AND APPLICATION AREAS**

Nano Tungsten Oxide is the name of a processed product that is currently being touted by various major battery manufacturers as a potential game changer in the electromobility sector. A new process in which the graphite anode is replaced by an anode with tungsten components can significantly improve energy density, while at the same time improving heat resistance. If used in electric vehicles, the new technology could reduce charging time to less than 5 minutes and massively increase

## THINGS TO KNOW: ALMONTY INDUSTRIES

range, while at the same time improving safety due to lower heat generation.

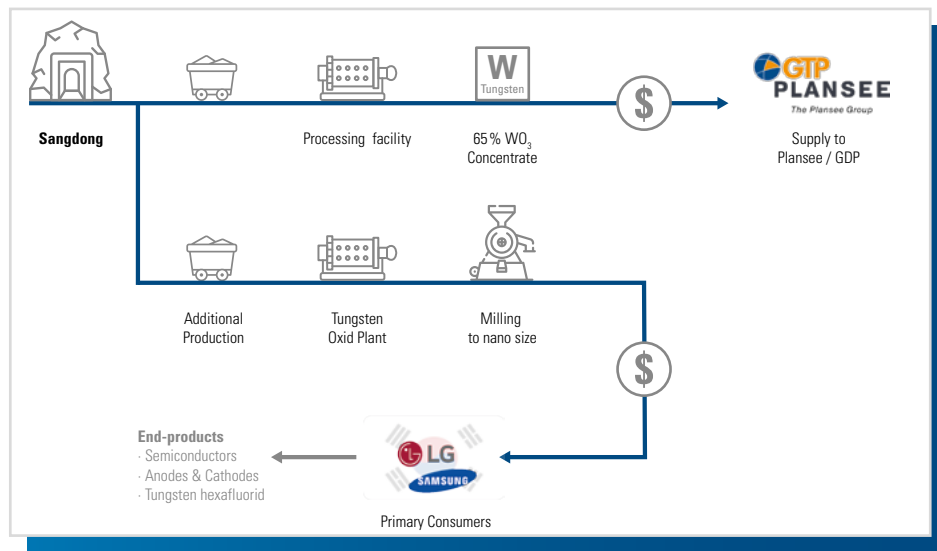
Another important and emerging market is the semiconductor market, in which tungsten hexafluoride gas (WF6) is used in the production process. South Korea is one of the most important countries in semiconductor production and currently accounts for about 94.7% of tungsten demand, primarily from China. For the above reasons, South Korea has declared tungsten as a critical metal, underscoring the strategic importance of Sangdong to South Korea – having one of the worlds largest tungsten mines domestically could reduce supply risks.

In addition, there are other important markets such as the 5G network infrastructure and the defense market, which will become even more important in the future

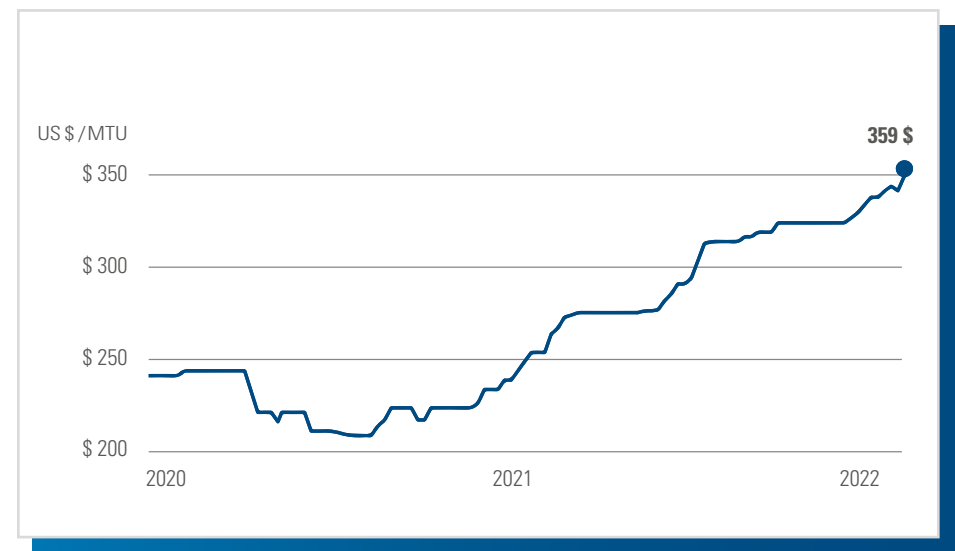
### PRODUCTION EXPANSION AT SANGDONG LEADS TO VERTICAL INTEGRATION OF DOWNSTREAM MARKET

Demand for the Nano Tungsten Oxide mentioned above continues to grow. Almonty signed an LOI for potential financing of up to USD 50 million for a downstream processing solution with KfW-IPEX Bank in January 2022. Plans to date are currently still in the conceptual design phase, but Sangdong

could noticeably increase tungsten production after a few years. The additional tungsten obtained in this way could be processed in a tungsten oxides plant and subsequently milled to produce tungsten nano-oxides. Which could then be marketed to well-known major customers in South Korea and used in the electromobility and semiconductor markets. Specifically, a plant with an annual capacity of 4,000 tons could be used. Almonty is developing this opportunity in parallel with completing the Sangdong mine.



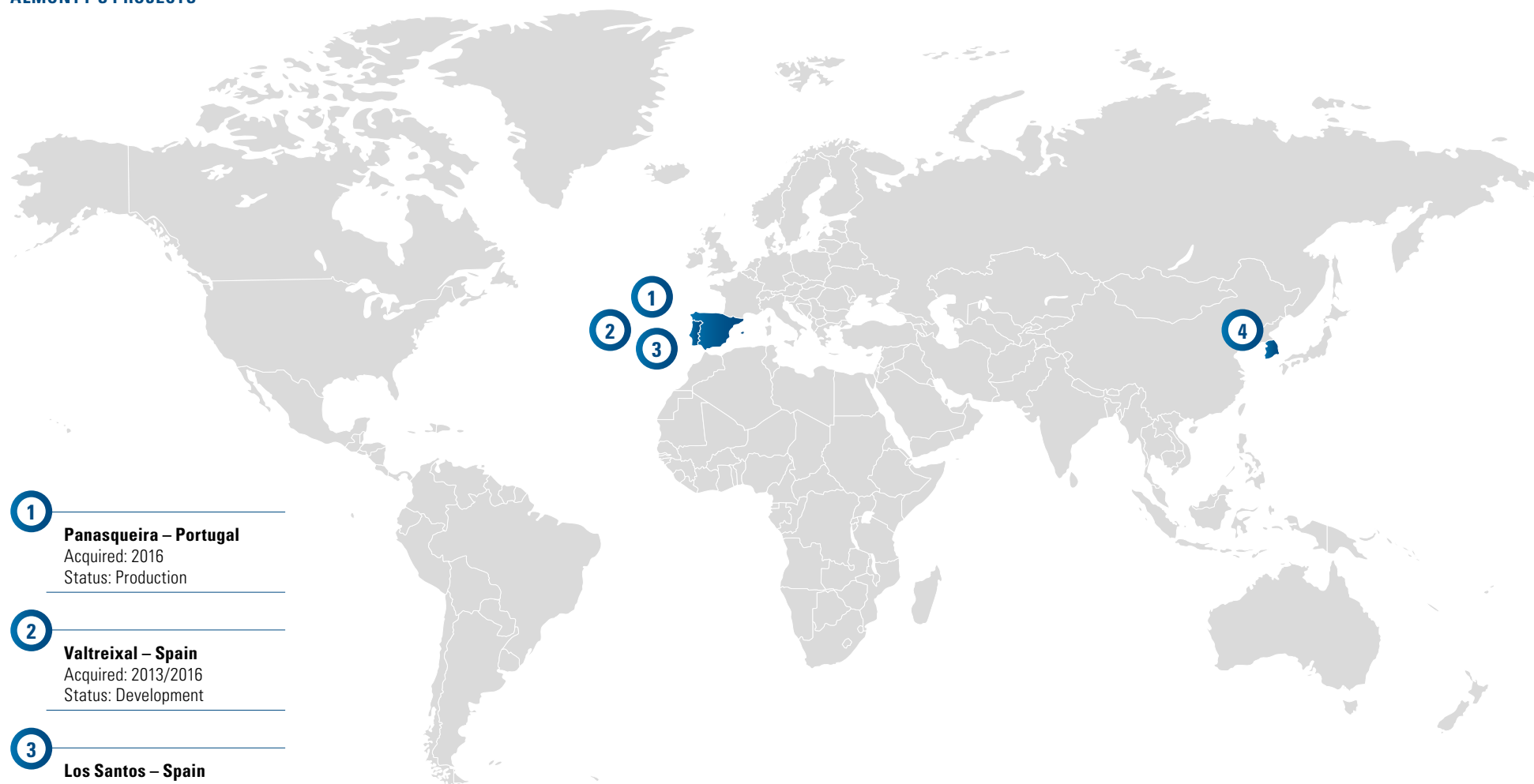
ALMONTY'S POTENTIAL DOWNSTREAM INTEGRATION



TUNGSTEN (APT) PRICE PER MTU

# THINGS TO KNOW: ALMONTY INDUSTRIES

## ALMONTY'S PROJECTS



**1**  
**Panasqueira – Portugal**  
Acquired: 2016  
Status: Production

**2**  
**Valtreixal – Spain**  
Acquired: 2013/2016  
Status: Development

**3**  
**Los Santos – Spain**  
Acquired: 2011  
Status: Production exp. 2023

**4**  
**Sangdong – South Korea**  
Acquired: 2015  
Status: Construction

# ANNUAL FINANCIALS

## CONSOLIDATED BALANCE SHEET

ASSETS	31/12/2021	31/12/2020
	EUR	EUR
<b>A. FIXED ASSETS</b>		
I. Intangible assets		
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	28,569,435	20,592,282
2. Goodwill	1,252,075	1,300,109
	<b>29,821,510</b>	<b>21,892,391</b>
II. Property, plant and equipment		
1. Petroleum extraction equipment	143,612,198	110,203,813
2. Exploration and evaluation	5,225,207	2,226,514
3. Plant and machinery	111,402	123,398
4. Other equipment, furniture and fixtures	107,480	224,530
	<b>149,056,287</b>	<b>112,778,255</b>
III. Financial assets		
1. Equity investments	14,551,553	17,772,529
2. Loans to other investees and investors	4,781,640	4,710,836
3. Securities classified as fixed assets	13,630,221	13,213,826
	<b>32,963,414</b>	<b>35,697,191</b>
<b>B. CURRENT ASSETS</b>		
I. Inventories		
Finished goods and merchandise	174,500	185,720
	<b>174,500</b>	<b>185,720</b>
II. Receivables and other assets		
1. Trade receivables	16,794,783	3,479,338
2. Receivables from other investees and investors	1,103,287	26,179
3. Other assets	8,529,081	7,326,503
	<b>26,427,151</b>	<b>10,832,020</b>
III. Securities classified as current assets	10,791,863	14,606,071
IV. Bank balances	12,699,856	8,209,518
<b>C. PREPAID EXPENSES</b>	<b>892,604</b>	<b>1,046,601</b>
<b>D. DEFERRED TAX ASSETS</b>	<b>2,163,570</b>	<b>1,474,195</b>
<b>TOTAL ASSETS</b>	<b>264,990,755</b>	<b>206,721,962</b>

## CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES		31/12/2021	31/12/2020
		EUR	EUR
<b>A. EQUITY</b>			
I. Subscribed Capital	5,081,747		
./ less nominal value of treasury shares	-127,810	4,953,937	4,953,937
Conditional capital EUR 2,200,000 (previous year: EUR 2,200,000)			
II. Capital reserves		29,999,609	30,019,333
III. Retained income		0	0
IV. Equity differences from currency translation		3,469,855	-5,058,738
V. Consolidated net retained profit		34,299,480	9,505,193
VI. Non-controlling interests		7,351,182	6,169,615
		<b>80,074,063</b>	<b>45,589,340</b>
<b>B. PROVISIONS</b>			
1. Tax provisions		34,028	0
2. Other provisions		18,808,319	7,335,409
		<b>18,842,347</b>	<b>7,335,409</b>
<b>C. LIABILITIES</b>			
1. Bonds, thereof convertible EUR 10,700,000 (previous year: EUR 10,700,000)		97,761,000	114,419,000
2. Liabilities to banks		19,630,556	13,962,402
3. Trade payables		20,764,318	2,900,515
4. Other liabilities		9,936,605	7,327,937
		<b>148,092,479</b>	<b>138,609,854</b>
<b>D. DEFERRED TAX LIABILITIES</b>		<b>17,981,866</b>	<b>15,187,359</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>264,990,755</b>	<b>206,721,962</b>



## CONSOLIDATED INCOME STATEMENT

	01/01/–31/12/2021	01/01/–31/12/2020
	EUR	EUR
1. REVENUE	73,321,380	38,683,301
2. INCREASE OR DECREASE IN FINISHED GOODS AND WORK IN PROCESS	-11,219	21,108
3. OTHER OPERATING INCOME	22,974,000	7,692,322
4. COST OF MATERIALS	18,106,479	11,629,977
Cost of purchased services	18,106,479	11,629,977
5. PERSONNEL EXPENSES	5,110,449	3,647,405
a) Wages and salaries	4,862,934	3,431,469
b) Social security, pensions and other benefit costs	247,515	215,936
– thereof for retirement plans EUR 4,989 (prior yea: EUR 4,858)		
6. AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	30,311,477	31,457,539
a) of intangible assets and property, plant and equipment	30,311,477	31,457,539
b) of current assets	0	0
7. OTHER OPERATING EXPENSES	7,008,829	7,184,585
8. OTHER INTEREST AND SIMILAR INCOME	743,356	565,060
9. AMORTIZATION OF FINANCIAL ASSETS AND SECURITIES CLASSIFIED AS CURRENT ASSETS	3,157,413	8,612,581
10. INTEREST AND SIMILAR EXPENSES	6,276,776	6,953,557
11. INCOME TAXES	698,920	-6,425,452
12. EARNINGS AFTER TAXES	26,357,174	-16,098,401
13. OTHER TAXES	10	243
14. NET LOSS/INCOME FOR THE GROUP FOR THE YEAR	26,357,165	-16,098,643
15. PROFIT (-)/LOSS(+) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	-1,562,878	589,268
16. PROFIT CARRYFORWARD	9,505,193	25,014,568
17. CONSOLIDATED NET RETAINED PROFIT	34,299,480	9,505,193

## CONSOLIDATED CASH FLOW STATEMENT

IN EUR	2021	2020
<b>NET INCOME FOR THE PERIOD (CONSOLIDATED NET INCOME / LOSS INCLUDING PROFIT SHARES ATTRIBUTABLE TO NON-CONTROLLING INTERESTS)</b>	<b>26,357,165</b>	<b>-16,098,643</b>
+/- Write-downs / write-ups of fixed assets	32,805,392	37,702,343
+/- Increase / decrease in provisions	-927,122	-11,410,946
+/- Other non-cash expenses / income	-815,798	2,842,589
-/+ Increase / decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	-12,542,148	4,935,073
+/- Increase / decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	19,449,043	-2,223,378
-/+ Proceeds from disposals of intangible assets	-736,312	-286,143
-/+ Gains / losses from the disposal of fixed assets	-18,092,902	-1,433,417
+/- Interest expenses / income	5,533,419	6,388,497
+/- Income taxes paid / received	791,643	-6,425,453
-/+ Income tax payments	0	0
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>	<b>51,822,381</b>	<b>13,990,524</b>
+ Cash received from disposals of intangible assets	1,632,670	117,278
- Cash paid for investments in intangible assets	-10,952,708	-6,110,441
+ Proceeds from disposals of intangible assets	0	1,937
- Cash paid for investments in property, plant and equipment	-41,875,773	-30,730,688
+ Cash received from disposals of fixed financial assets	1,088,052	415,976
- Cash paid for investments in fixed financial assets	-1,398,085	-4,347,648
+ Cash received in connection with short-term financial management of cash investments	47,890,645	20,013,784
- Cash paid in connection with short-term financial management of cash investments	-25,983,535	-28,222,728
+ Interest received	252,989	132,066
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>	<b>-29,345,745</b>	<b>-48,730,465</b>
+ Proceeds from contributions to equity by shareholders of the parent company	0	0
+ Cash received from equity contributions by other shareholders	181,423	0
- Cash from decrease in equity	-327,019	-96,555
+ Cash received from the issue of bonds and from loans	19,005,567	7,321,899
- Cash repayments of bonds and loans	-31,728,682	-16,658,000
- Interest paid	-6,514,712	-7,514,923
- Dividends paid to shareholders of the parent company	0	-495,394
- Dividends paid to other shareholders	-327,847	-248,947
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>	<b>-19,711,270</b>	<b>-17,691,920</b>
Change in cash and cash equivalents	2,765,366	-52,431,861
+/- Changes in cash and cash equivalents due to exchange rates and valuation	635,824	-639,402
+ Cash and cash equivalents at the beginning of the period	8,209,518	61,280,782
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>11,610,709</b>	<b>8,209,518</b>

# GROUP MANAGEMENT REPORT

## I. FUNDAMENTAL INFORMATION ABOUT THE GROUPS

### 1. BUSINESS MODEL

The Deutsche Rohstoff Group is active in the production of crude oil and natural gas. It also participates in mining projects. Its activities are limited to countries with a stable political and legal system. In the fiscal year 2021, all operations were located in the USA, Australia, Western Europe and Canada. The Group has a presence in these countries through subsidiaries, equity investments or cooperation agreements. As the parent company, Deutsche Rohstoff AG, Mannheim, manages the Group, initiates new projects, establishes subsidiaries and acquires interests in companies. It also finances activities or procures financing partners, decides on new investments and divestments, and handles public relations. Experienced managers, mostly specialized engineers and geologists with many years of experience in the sector, are responsible for the operational business on site.

As of December 31, 2021, the Deutsche Rohstoff Group consisted of the following Group companies and equity investments. Subsidiaries and investments that are to be held permanently are considered significantly.

Compared to the previous year, there were some changes in the legal structure of the Group and in the amounts of the shareholdings:

- DRAG's share in Tin AG increased from 82.89 % to 94.41 % due to the purchase of shares from other shareholders.

- Prime Lithium AG was formed from the conversion of the former Jutland Petroleum GmbH with a share capital of EUR 1 million.

- Due to capital contributions by Deutsche Rohstoff and a minority shareholder, the shareholding in Bright Rock Energy LLC decreased from 98.88 % to 98.86 %.

- The share in Almonty Industries decreased slightly from 13.69 % to 12.27 %.

- At the beginning of 2021, Suomi Exploration Oy was newly established in Finland.

- Due to capital measures at the level of Ceritech AG, the share increased from 63.71 % to 72.46 %.

The companies shown in the chart, Almonty Industries Inc. and Rhein Petroleum GmbH, were carried as investments at year-end 2021. All other companies were fully consolidated.

**Cub Creek Energy** produced exclusively in the Wattenberg oil field in Colorado in 2021. The Company began operations outside of Colorado for the first time in fiscal 2021 through the acquisition of a land package in Wyoming. Cub Creek Energy independently plans and operates oil wells as operator.

**Elster Oil & Gas** continued to be engaged solely in the production of crude oil in the Wattenberg oil field in Colorado in 2021. As a non-operator, Elster Oil & Gas is only involved in oil drilling operations of other companies.

**Salt Creek Oil & Gas** operates exclusively in the Williston Basin in North Dakota and participates as a non-operator in oil wells of other companies.

**Bright Rock Energy** acquired acreage in the Uinta Basin in Utah, U.S., in 2018 through 2021 and currently participates as a non-operator in oil drilling activities of other companies. In 2020, Bright Rock Energy also acquired acreage in the Powder River Basin in Wyoming.

All companies in the USA operate as subsidiaries of the US holding company and wholly owned subsidiary of Deutsche Rohstoff AG, Deutsche Rohstoff USA Inc.

Ceritech AG was originally active in the field of rare earths and worked until the beginning of 2020 with partners in Brazil and Lithuania on development projects for the construction of a production plant for the extraction of rare earths. These activities were discontinued in the course of 2020. In October 2021, the Company's shares were listed on the Regulated Unofficial Market of the Düsseldorf Stock Exchange.

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

Deutsche Rohstoff AG's shareholdings are also active in the oil & gas and mining sectors. Rhein Petroleum operates oil exploration and production in Germany.

Almonty Industries, an investment specializing in tungsten mining, operated the Panasqueira mine in Portugal in 2021 and is also developing other tungsten projects in Spain and South Korea.

## GROUP MANAGEMENT REPORT

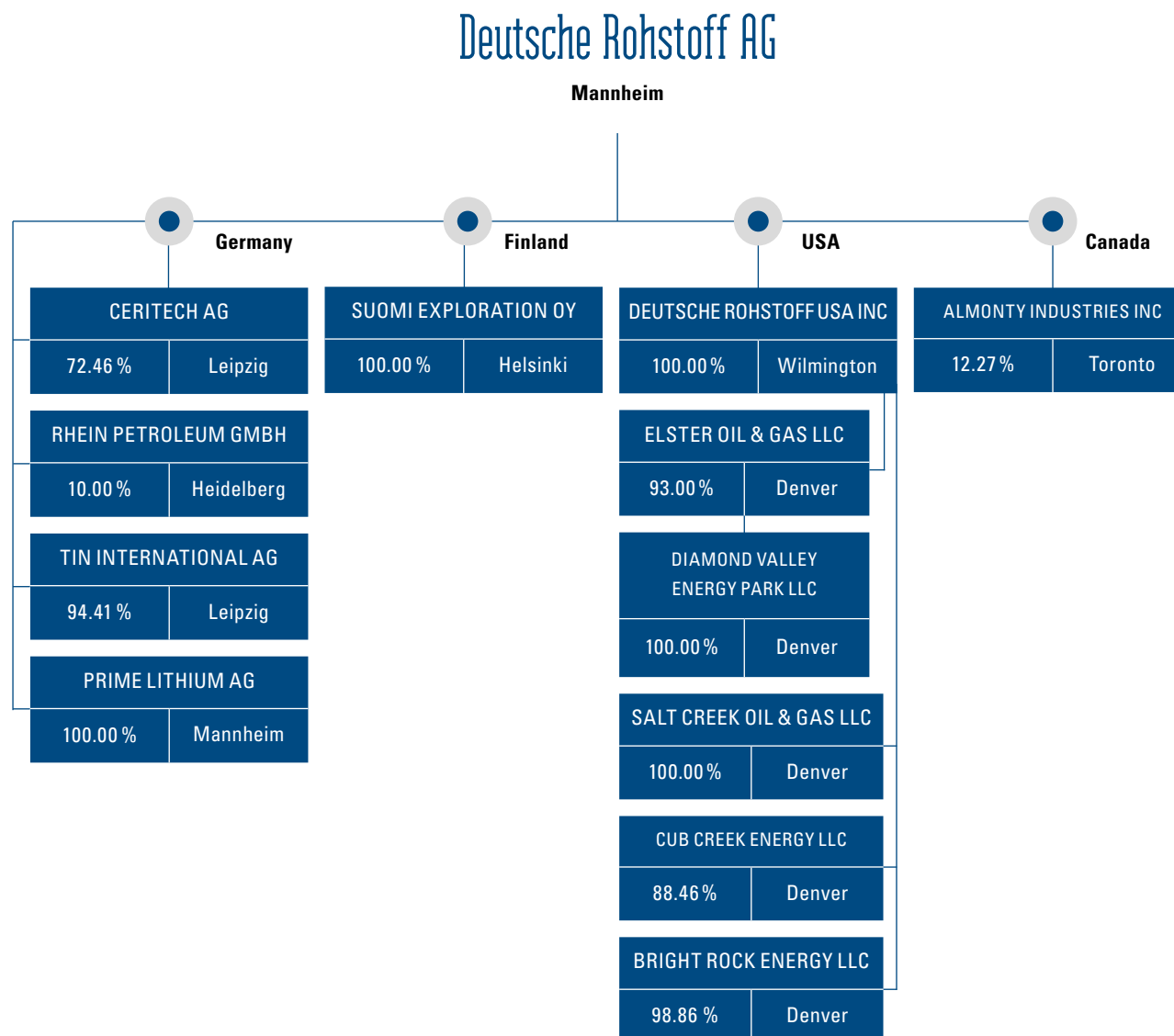
In fiscal year 2021, the Group generated revenues almost exclusively from the production of crude oil and natural gas in the USA. In addition to revenues from commodity production and associated rights, e.g. royalties, the business model also consists of the favorable acquisition, development and sale of commodity projects.

In the case of all exchange-traded commodities (gold, silver, oil, tin, copper, etc.), pricing is not a problem, as a buyer will pay the current exchange price provided that the product supplied meets the usual specifications. In these cases, the competitive position also plays a minor role, as buyers will usually purchase almost any quantity.

Customers for the oil produced are oil trading companies. Gas supply companies that maintain pipeline networks buy the natural gas produced. The price for the oil or natural gas supplied is based on the American WTI and Henry Hub grades. The price actually paid depends almost exclusively on the utilization of the transport infrastructure and the quality of the oil produced. The customers also receive a marketing fee.

The shares of Deutsche Rohstoff AG have been traded on the Frankfurt Stock Exchange since May 2010. They have been included in the „Scale“ trading segment since March 2017. Market capitalization amounted to EUR 100.6 million as of December 31, 2021 (previous year: EUR 42.1 million). The share price thus increased by around 139 % during the year. From December 31, 2021 to April 19, 2022, the share price rose to EUR 27.70.

### STRUCTURE OF THE CORPORATION AS OF 31 DECEMBER 2021



# GROUP MANAGEMENT REPORT

## 2. OBJECTIVES AND STRATEGIES

In the Group management report for 2015, the Company had stated an increase in market capitalization to between EUR 150.0 million and EUR 200.0 million as its overriding target for 2016/2017 on a 12-month horizon. Although this target was missed at the end of 2021, the market capitalization of EUR 100.6 million was significantly closer than a year earlier. The Executive Board assumes that this market capitalization can be achieved in the period up to the end of 2022, provided that commodity prices, in particular oil prices, continue to remain at the elevated level seen since the beginning of 2022. Further requirements for this are the achievement of the planned production volumes in the USA and the implementation of further development of the areas in the USA.

The focus of activities remains on oil and gas production in the USA. The company benefited from rising oil prices in the reporting year. Oil and gas production was expanded in the course of 2021 after being voluntarily curtailed in 2020. The Group has been producing at full capacity again since the beginning of 2021. At the end of 2021, the Group had interests in a total of 67 independently operated horizontal wells in the U.S. Wattenberg oil field, Denver-Julesberg Basin, Colorado, and a further 20 in the Powder River Basin, Wyoming, as well as over 200 wells operated by partners. In total, this corresponds to around 92.1 net wells, i.e. wells operated by the Group with a calculated share of 100 %.

In the Metals business segment, the Group has four subsidiaries and one equity investment with a share of over 10 %. For Tin International AG and Ceritech AG, the focus in recent years has been on securing their financing and developing them further with

as little expense as possible. Due to the significant fall in metal prices since the end of 2011, the Executive Board had decided to provide only limited funds for these companies. Instead, partners were to be sought for financing and shareholdings sold. This process has largely been completed. Together with the recently newly founded subsidiaries Prime Lithium AG and Suomi Oy (Finland), various projects in the metal sector are now being pursued in early phases in the subsidiaries. The goal is to develop possible business models that can make a significant contribution to the development of the Group in the medium term.

## 3. RESEARCH AND DEVELOPMENT

The group conducts very little research and development. Its R&D activities are aimed at supporting or optimizing existing projects. As a rule, oil and gas extraction and ore mining apply to existing, freely accessible procedures. The group makes use of service providers that perform the work using state-of-the-art technology.

## II. REPORT ON BUSINESS & ECONOMIC POSITION

### 1. MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

In 2021, global economic output reached a new high despite the effects of the ongoing COVID Pandemic. Compared with the weak prior year 2020, the global economy recorded growth of 5.9 % in 2021. At 5.6 %, economic growth in our sales market North America was only slightly slower by global standards.

Following their slump in 2020, commodity prices rose sharply in the course of 2021. Global oil and gas demand increased signifi-

cantly again, but supply did not expand at the same rate due to a variety of reasons. Key factors for limited supply expansion included production constraints due to COVID-19 measures, lack of investment in new production acreage in North America, lack of production capacity in many OPEC+ countries, and unwillingness of OPEC+ countries to erode high price levels through additional production. With regards to the gas market, high demand from Asia, cold weather and a limited supply of liquefied natural gas led to sharp increases in gas prices.

As a result, the spot price of WTI (Western Texas Intermediate) crude oil rose steadily from USD 47.47/barrel on January 4, 2021, to an intermediate USD 85.64 on October 26, 2021, to end the year at USD 76.83 on December 30, 2021. The authoritative gas price (Herny Hub) opened the new year at 2.62 USD/MMBTU. Due to a winter storm, frozen gas production facilities, and associated widespread power outages in the states of Texas and Oklahoma, the February 2021 spot gas price jumped to a multi-year high since February 2003 of USD 23.86/MMBTU on a daily basis. However, the gas price dropped back down to a price level of USD 2.80 in the following week. With the economic recovery and the resulting higher energy demand, the gas price rose to a high level between USD 5 to 6 by November 2021, but gave back some of these gains. At the end of the year, the gas price was quoted at USD 3.78, well below the interim high for the year of USD 6.12 on October 27, 2021.

The major industrial metals also continued their recovery from the 2020 lows and reached new multi-year highs. Copper, for example, started the year at a price of USD 7,918.50/ton, reached a level of USD 10,651.00 during the year, and ended 2021 at a price of USD 9,691.50. Gold was unable to regain its all-time high of USD 2,063/ounce from 2020 in 2021, but proved

## GROUP MANAGEMENT REPORT

to be relatively stable in price at a high level. The gold price started at 1,898 USD/ounce in January 2021 and fell to an annual low of 1,684.51 USD on March 9, 2021. Throughout the rest of the year, the gold price hovered between about 1,680 and 1,908 USD and ended the year at a price of 1,815.67 USD/ounce, about 4 % lower than at the same point in 2020. The tungsten APT price increased by more than 45 % from 232.5 USD to 336.5 USD within 2021.

Currency exchange rates have a significant impact on the Group's business performance. The EUR/US dollar exchange rate is of particular importance. All major commodities are invoiced in US dollars. A stronger US dollar means that commodities outside the USA become more expensive. As a result of the strong demand for almost all commodities, the basic correlation of falling demand for commodities and thus falling price levels with a rising dollar did not apply in 2021.

Over the course of the year, the Dollar strengthened significantly against the Euro. After a year-end level of just under 1.23 in 2020, only USD 1.13 was paid for one euro at the end of 2021.

## 2. CORPORATE DEVELOPMENT

In line with the corporate strategy, the Group focused on the oil and gas business area in fiscal year 2021 and here again mainly on activities in the USA. Deutsche Rohstoff AG as parent company did not distribute a dividend for the first time since 2014 due to the ongoing uncertainty caused by the COVID 19 pandemic.

### OIL & GAS DIVISION

Over the course of 2021, the business environment for oil and gas companies in the U.S. steadily improved:

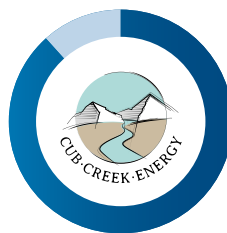
**Cub Creek Energy** had curtailed production from March 2020. From September 2020, Cub Creek began to ramp up the older well pads due to the renewed rise in prices and was producing at full capacity since October. The Olander pad, on the other hand, remained shut-in until the end of 2020. Production from the Olander wells was slowly ramped back up starting in early January 2021. By the end of the first quarter, the pad was back at full capacity.

Cub Creek produced a total of 1,963,641 barrels of oil equivalent (BOE) in 2021 (previous year 807,470 BOE), of which 821,221 barrels were oil (BO) (previous year 392,221 BO). For the purpose of reporting BOE, the volume of crude oil is totaled with natural gas. In accordance with industry standards, natural gas is converted into BOE by a factor of 6,000.

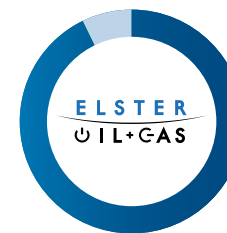
**Elster Oil & Gas** laid the foundation for massive growth in 2018 by increasing its share of Magpie acreage drilling in 2017. The number of net wells quadrupled from 5.5 to 22 wells. The Compa-

ny participated in an initial twenty additional wells in the so-called „Magpie project area“ since mid-2017. These are 14 wells with two miles of horizontal length and 6 wells with two and a half miles of length. These wells were brought on stream by the operator in February and March 2018. Elster's average interest in the wells was originally approximately 24.0 %. In early February 2018, Elster announced that it had acquired an additional approximately 11.0 % interest in these wells. These are so-called „non-consent“ interests where other owners had decided not to participate in the drilling. In addition, Elster was able to acquire an approximately 22.0 % interest in 5 one and one-half mile wells. From February to April 2018, all wells had been brought on line. The wells proved to be very productive and better than expected.

In 2021, wells in which Elster has an interest produced at full capacity for the entire year. In total, Elster produced 341,561 BOE in 2021 (prior year: 592,187 BOE), of which 112,731 barrels of oil were produced (prior year: 198,342).



**Share Deutsche Rohstoff**  
as of 31 December 2021  
**88.46 %**



**Share Deutsche Rohstoff**  
as of 31 December 2021  
**93.00 %**

## GROUP MANAGEMENT REPORT

**Salt Creek Oil & Gas**, a subsidiary formed in June 2015, manages acreage remaining after the 2018 transaction with Northern Oil & Gas and began acquiring new acreage in North Dakota in early 2019. In February 2019, the company announced the purchase of royalties for USD 5.4 million. This purchase increased production to approximately 200 barrels per day initially. Smaller acquisitions were completed during 2019. In 2020, some acquisitions were initially considered before few transactions took place due to low prices. Salt Creek produced 24,074 BOE in 2021 (prior year: 21,688 BOE), of which 14,960 barrels of oil were produced (prior year: 16,682 barrels of oil). In February 2022, Salt Creek announced its participation in 18 wells drilled by Oxy in Wyoming. This will involve an investment volume of approximately USD 65 million.

In July 2018, Deutsche Rohstoff partnered with geologist Chris Sutton to form **Bright Rock Energy**. The company maintains an office in Denver. The focus of the company's operations until 2020

was the acquisition of acreage and its development in the Uinta Basin, Utah. The Company's management had extensive experience in this Basin during their previous occupation. Based on very good drilling results in recent years, Bright Rock expected prices for attractive acreage to increase and growing interest from other oil companies.

During 2018 to 2021, the Company succeeded in acquiring extensive acreage in the Uinta Basin. It focused on a core area where the best results are achieved and the highest drilling activity is recorded. By the end of 2021, management had secured a total of approximately 6400 acres in the core area of the field. 3000 acres of these were royalties, which secure a share of production but do not require co-investment.

In June 2020, Bright Rock completed an acquisition in the Powder River Basin/Wyoming, USA. It involved approximately 28,000 net acres (11,300 hectares or 111 square kilometers) with 5 producing

wells that produced 300 barrels of oil in April 2020. Unlike in Utah, Bright Rock can act as operator in Wyoming because it has majority ownership of most of the acreage. Bright Rock announced that the purchase price reflects almost entirely the value of current production based on the current forward curve. The large number of potential additional wells was not significantly factored into the purchase price. The parties have agreed not to disclose the exact purchase price.

In August 2021, Bright Rock began drilling an initial well on newly acquired acreage in Wyoming. Production from this well began in October 2021. In the first month of production, the well averaged 864 barrels of oil per day, which was within expectations. In the first 90 days, the well averaged 805 barrels of oil per day, or 68,000 barrels total. Based on these results and high oil prices, Bright Rock expects the well to pay for itself in just over a year.

Bright Rock produced a combined 259,913 BOE of oil last year in Utah and Wyoming (previous year 120,729 BOE) of which 210,176 barrels of oil were produced (previous year 96,774 barrels of oil).

In February 2022, Deutsche Rohstoff published the results of a recalculation of the U.S. companies' reserves. The barrel oil equivalent (BOE) amount of the companies' proved reserves increased from 20.4 million BOE to 29.2 million BOE as of December 31, 2021, compared with the previous year. The present value of safe reserves jumped from USD 129 million to USD 318.2 million due to the additional reserves and higher year-end prices. The value of probable reserves increased from USD 14.6 million to USD 49.6 million. The average NYMEX forward curve oil price over the next 10 years used to calculate the present value was 60.81 at December 31, 2021, significantly higher than at December 31, 2020 (45.66).



**Share Deutsche Rohstoff**  
as of 31 December 2021  
**100.00%**



**Share Deutsche Rohstoff**  
as of 31 December 2021  
**98.68%**

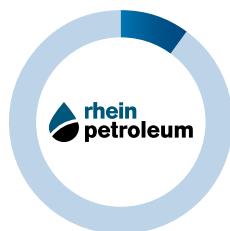
## GROUP MANAGEMENT REPORT

As of the beginning of March, due to further price increases, the value of total reserves amounted to USD 639.9 million, of which USD 503.8 million was safe reserves and USD 136 million was probable reserves.

The **Rhein Petroleum** investment continued to produce from the Schwarzbach and Lauben wells during 2021. However, the Schwarzbach well was not in operation for a large part of the year because the downhole pump failed. It resumed production in February 2022, with Rhein Petroleum's production share amounting to approximately 9,000 barrels of oil. In June 2019, the company brought down the Steig 1 well near Weingarten, Baden-Württemberg, Germany. In July, majority shareholder Tulip Oil reported that a significant discovery had been made at the well. In January 2020, Tulip published a first estimate for the so-called oil in place,

which amounts to at least 114 million barrels. In 2021, Rhein Petroleum filed a main operating plan with the goal of having additional wells permitted and thus advancing field development. At the time of this report, the main operating plan had not yet been approved.

Last year, Rhein Petroleum's parent company, Tulip Oil Netherlands, profitably sold all assets except for the shares in Rhein Petroleum and signaled that Rhein Petroleum would no longer be financed via the parent company but via Rhein Petroleum itself. Due to the high capital requirement, which can only be met through equity financing, and the associated increased corporate risk, the Executive Board has decided to write down the carrying amount (around EUR 2.5 million) by 50 % as a precautionary measure.



**Share Deutsche Rohstoff**  
as of 31 December 2021  
**10.00 %**



**Share Deutsche Rohstoff**  
as of 31 December 2021  
**100.00 %**

### METALS DIVISION

The **Almonty Industries** investment continued to develop positively during 2021. In the course of the COVID crisis, tungsten APT fell to around USD 210/mtu, but recovered significantly since spring 2020 and closed 2021 at USD 322.50/mtu. In the first quarter of 2022, the quotation moved up further to USD 350/mtu.

In fiscal year 2021, Almonty reported a 17 % decrease in sales to CAD 20.8 million (previous year: CAD 25.1 million). Nevertheless, an operating result of CAD 2.8 million was reported. Production costs decreased almost to the same extent as sales. The value of the Los Santos tailings increased due to higher tungsten prices as part of a CAD 4.1 million write-up. Net income improved year-on-year from minus CAD 9 million to minus CAD 7.7 million, corresponding to minus 0.04 cents per share (previous year: minus 0.05 cents per share).

Debt was significantly restructured in the past fiscal year. Current liabilities were reduced by around CAD 26 million and converted into non-current liabilities, which increased by around CAD 37 million. Equity increased by more than CAD 8 million to CAD 37.5 million due to various capital measures, which corresponds to an equity ratio of 23 %.

In December 2020, Almonty announced that the project financing had been signed with KfW-IPEX Bank for USD 76 million. It was not until February 2022 that all conditions attached to the loan, except for the equity portion, had been met.

Almonty's share price rose from CAD 0.64 at the end of 2020 to CAD 0.89 at the end of 2021, and the stock gained in the first quarter of 2022, reaching CAD 0.98 at the end of March.



## GROUP MANAGEMENT REPORT

**Ceritech AG** pursued a project for the extraction of rare earths together with a Brazilian partner in the years 2017-2020. However, the project was discontinued in 2020. The Management Board and Supervisory Board of Ceritech then decided to discontinue the project for the extraction of rare earths from gypsum. As a result, the work capitalized in this connection was largely written off. In November 2020, the Annual General Meeting of Ceritech resolved a capital cut and a subsequent capital increase as well as the relocation of the registered office to Mannheim. These measures were registered in March 2021. Hence, Ceritech currently has no operating business or development project.

In November 2021, the shares of Ceritech AG were listed on the Regulated Unofficial Market of the Düsseldorf Stock Exchange. It

is intended to bring an own or a third-party business into the Company. Until this is the case, the company will be traded as a „shell company“. Deutsche Rohstoff AG holds just under 75 % of the shares.

**Tin International AG** (TIN) sold the last license it still held Saxon Vogtland in February 2019. The buyer, the British company ASM, paid EUR 50,000 in cash and 2 million ASM shares. This corresponded to a share of around 3.5 % in ASM. ASM continued to develop its main Tellerhäuser-Hemmerlein project in the central Erzgebirge towards production in the years 2019 to 2021. In April 2022, the company went public on the London Stock Exchange under the name „First Tin“. In addition to the investment in First Tin, Tin International continues to hold a portfolio of shares in mining companies.

The Annual General Meeting of Tin International in March 2022 resolved a capital increase of up to 50 %. The capital increase was carried out in March and April 2022. Following the capital increase, Deutsche Rohstoff AG holds more than 95 % of the shares. It is planned to settle the remaining shareholders in a squeeze-out in the second quarter of 2022.

In 2021, **Deutsche Rohstoff AG** did not pay a dividend for the first time since 2014. The reason was the difficult situation in which the oil industry still found itself in spring 2021. Due to the clearly negative result in 2020, there was also no distributable profit. The intention is to resume dividend payments in the coming years.



**Share Deutsche Rohstoff**  
as of 31 December 2021  
**72.46%**



**Share Deutsche Rohstoff**  
as of 31 December 2021  
**94.41%**



**Share Deutsche Rohstoff**  
as of 31 December 2021  
**100.00%**

# GROUP MANAGEMENT REPORT

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

### FINANCIAL PERFORMANCE

Selected data from the income statement

Fiscal year ended December 31, 2021

IN MILLION EUR	2021	2020
Revenue	73.3	38.7
Total operating performance <sup>1</sup>	96.3	46.4
Gross profit <sup>2</sup>	78.2	34.7
EBITDA <sup>3</sup>	66.1	23.9
Operating result (EBIT) <sup>4</sup>	32.6	-16.1
Earnings before taxes	27.1	-22.5
Net loss / income for the year	26.4	-16.1

<sup>1</sup> Total operating performance is defined as revenue plus increase or decrease in finished goods and work in process plus own work capitalized plus other operating income.

<sup>2</sup> Gross profit is defined as total operating performance less cost of materials.

<sup>3</sup> EBITDA is defined as earnings for the period before interest, taxes, depreciation and amortization on property, plant and equipment and intangible assets.

<sup>4</sup> EBIT is defined as earnings for the period before interest and taxes.

In the past fiscal year, the consolidated net income amounted to EUR 26.4 million (previous year: net loss of EUR 16.1 million) with a total output of EUR 96.3 million (previous year: EUR 46.4 million).

Total output includes sales of EUR 73.3 million from the oil and gas production of the US subsidiaries. Hedging transactions on oil and gas (hedging) resulted in a loss of EUR -14.3 million (previous year: profit of EUR 12.0 million). Other operating income was incurred in the amount of EUR 23.0 million (previous year: EUR 7.7 million).

The main component of other operating income is income from the sale of shares in mining companies amounting to EUR 18.5 million, which are held by Deutsche Rohstoff AG, as well as currency gains amounting to EUR 2.7 million.

The cost of materials increased significantly to EUR 18.1 million in 2021 (previous year: EUR 11.6 million) in line with the higher business volume. Since the 2017 financial year, the operating costs of oil and gas wells have been reported under this item. Overall, gross profit amounted to EUR 78.2 million (previous year: EUR 34.7 million).

Personnel expenses increased to EUR 5.1 million (previous year: EUR 3.6 million). At the level of Deutsche Rohstoff AG, personnel expenses amounted to EUR 1.7 million. The increase in personnel expenses compared to 2020 was based on several factors. In 2020, management salaries in the Group had been reduced by 25% for six months as a result of the COVID-19 pandemic. In addition, no or only small bonuses were paid. These two factors ceased to apply in 2021. In addition, there was some hiring due to increased business volumes. No personnel expenses had to be accrued for the stock option program. Other operating expenses fell slightly to EUR 7.0 million (previous year: EUR 7.2 million). In addition to exploration expenses of EUR 1.1 million, other operating expenses include losses from the sale of shares in mining companies held by Deutsche Rohstoff AG of EUR 1.3 million and

currency losses of EUR 0.9 million. The currency losses are offset by currency gains as part of other operating income in the amount of EUR 2.7 million.

Earnings before interest, taxes, depreciation and amortization (EBITDA) jumped to EUR 66.1 million (previous year: EUR 23.9 million).

Depreciation and amortization of EUR 30.3 million (previous year: EUR 31.5 million) almost exclusively represents write-downs on the fixed assets of the producing oil and gas facilities in the USA. Scheduled depreciation included EUR 20.8 million for Cub Creek Energy, EUR 2.7 million for Bright Rock and EUR 3.6 million for Elster Oil & Gas. Salt Creek Oil & Gas accounted for EUR 0.1 million of scheduled depreciation and EUR 3.1 million of impairment losses.

Thus, total depreciation per BOE was USD 12.41/BOE for Cub Creek in 2021 and USD 11.08/BOE for Elster Oil & Gas.

Earnings before interest and taxes (EBIT) amounted to EUR 32.6 million (previous year: EUR -16.1 million).

The financial result of EUR -8.7 million (previous year: EUR -15.0 million) includes interest payments on the outstanding bonds at Deutsche Rohstoff AG and interest payments to US banks in connection with the lending of reserves totaling EUR -6.3 million (previous year: EUR -7.0 million). The expense was offset by interest income and income from investments totaling EUR 0.7 million (previous year: EUR 0.6 million). Impairment losses of EUR 2.5 million were recognized on the investment in Rhein Petroleum GmbH in fiscal year 2021 (previous year: EUR -6.5 million on shares in Nothern & Oil Gas).

## GROUP MANAGEMENT REPORT

The tax result was EUR -0.7 million and mainly includes the deferred tax expense on the results of the US subsidiaries.

The guidance for 2021 was adjusted several times during the year. In April 2021, it assumed a US oil price of USD 60, a gas price of USD 2.5, and an exchange rate of EUR/USD 1.20, sales of EUR 57–62 million, EBITDA of EUR 42–47 million, and a clearly positive net profit. The annual averages were USD 68.14 for US oil, USD 3.89 for gas, and EUR 1.18/USD.

Due to steadily rising commodity prices, high other operating income, as well as the good development of oil and gas production and the acquisition of acreage by Cub Creek Energy, the guidance for 2021 as a whole had been revised upwards twice, initially to sales of EUR 68–73 million and EBITDA of EUR 57–62 million.

Due to prices continuing to rise in the 4th quarter, the guidance was adjusted for the last time in January 2022 to the following figures only with regard to EBITDA:

- Sales: EUR 68 to 73 million (previous guidance EUR 68 to 73 million)
- EBITDA: EUR 64 to 67 million (previous guidance EUR 57 to 62 million)

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

### SELECTED NOTES ON THE CASH FLOW STATEMENT

Selected notes on the cash flow statement

Fiscal year ended December 31, 2021

IN MILLION EUR	2021	2020
Cash flow from operating activities <sup>1</sup>	51.8	1.0
Net cash used in investing activities <sup>1</sup>	-29.3	-28.8
Cash flow from financing activities	-19.7	-17.7
Increase / decrease in cash and cash equivalents	3.4	-53.1
Cash and cash equivalents at the beginning of the fiscal year	8.2	61.3
Cash and cash equivalents at the end of the fiscal year	11.6	8.2

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

Cash flow from operating activities amounted to EUR 51.8 million in 2021 (previous year:

EUR 14.0 million). This positive cash flow resulted mainly from sales of the US subsidiaries Cub Creek Energy (EUR 50.3 million), Elster Oil & Gas (EUR 10.8 million) Salt Creek Oil & Gas (EUR 0.9

million) and Bright Rock Energy (EUR 11.3 million). Cash income was offset by cash expenses from operating activities, primarily for drilling operating costs (EUR 18.1 million) and personnel expenses (EUR 5.1 million). The gain on the disposal/valuation of marketable securities (EUR 18.1 million) is fully eliminated from the operating cash flow and appears in the investing section of the cash flow statement.

Cash flow from investing activities in 2021 is mainly characterized by investments in the U.S. oil and gas activities and the investment in the equity and bond portfolio. Investments at Cub Creek Energy amounted to EUR 34.2 million and at Bright Rock Energy to EUR 18.4 million. Around EUR 26.0 million was paid into the share and bond portfolio, offset by sales of around EUR 46.7 million.

Cash flow from financing activities amounted to EUR -19.7 million (EUR -17.7 million). This was mainly due to the repayment of the 16/21 bond in the amount of EUR 16.7 million, the repayment of the USD credit line at Cub Creek Energy in the amount of EUR 15.1 million during the year, and the raising of the USD credit line at the end of the year in the amount of EUR 19.0 million.

As of December 31, 2021, cash and cash equivalents including marketable securities in the Group amounted to EUR 23.5 million (previous year: EUR 22.8 million). Cash and cash equivalents correspond to bank balances less current account liabilities at banks.

From today's perspective, the Board of Management believes that the Deutsche Rohstoff Group will continue to be in a position to meet its future obligations at all times and to make investments on the basis of very good equity and liquidity resources.

# GROUP MANAGEMENT REPORT

## ASSETS AND LIABILITIES

Selected balance sheet data

Fiscal year ended December 31, 2020

IN MILLION EUR	2021	2020
Fixed assets	211.8	170.4
Current assets	50.1	33.8
Equity	80.1	45.6
Liabilities	148.1	138.6
Provisions	18.8	7.3
Total assets	265.0	206.7

The consolidated balance sheet total increased from EUR 206.7 million to EUR 265.0 million in the reporting year. Property, plant and equipment increased from EUR 112.8 million to EUR 149.1 million due to the high level of capital expenditure. Intangible assets increased from EUR 21.9 million to EUR 29.8 million. As of December 31, 2021, intangible assets consist of subsidy rights amounting to EUR 28.6 million (previous year: EUR 20.6 million) and goodwill of EUR 1.2 million (previous year: EUR 1.3 million). Property, plant and equipment mainly comprises the producing oil production facilities in the amount of EUR 143.6 million (previous year: EUR 110.2 million).

Financial assets decreased to EUR 33.0 million (previous year: EUR 35.7 million) due to the impairment loss recognized on the investment in Rhein Petroleum.

The shares in Almonty Industries, which have a value of EUR 12.1 million, are a significant component of the financial assets.

Receivables with a term of up to one year and other assets amounted to EUR 26.4 million as of December 31, 2021 (previous year: EUR 10.8 million). The main item here is trade receivables with a value of EUR 16.8 million. (previous year: EUR 3.5 million). The US tax refund of USD 7.6 million reported under other assets was settled in April 2022.

Marketable securities amounted to EUR 10.8 million (previous year: EUR 14.6 million), still based on the stock and bond portfolio built up at the level of Deutsche Rohstoff AG in response to the COVID 19 crisis.

Bank balances amounted to EUR 12.7 million (previous year: EUR 8.2 million).

Deferred taxes break down as follows:

Deferred tax assets (esp. loss carryforwards)	2,164 TEUR
Deferred tax liabilities	29,159 TEUR
less	
Deferred tax assets from temporary differences	-2,083 TEUR
less	
Deferred tax assets on loss carryforwards (total)	- 9,093 TEUR
Net deferred tax liabilities	17,982 TEUR

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

Equity amounted to EUR 80.1 million as of December 31, 2021 (previous year: EUR 45.6 million). In addition to the positive result

of EUR 26.4 million in 2021, this increase is based on currency translations of EUR 8.5 million. The main reason for this is the reduction in the exchange rate from 1.2271 USD/EUR on December 31, 2020 to 1.1326 USD/EUR on December 31, 2021. The equity ratio thus amounts to 30.2 % in the financial year (previous year: 22.05 %).

Provisions amounted to EUR 18.8 million as of December 31, 2021 (previous year: EUR 7.3 million) and mainly relate to local taxes not yet due for US oil & gas companies, unbilled services of oil-field service companies, and provisions for dismantling obligations of US subsidiaries. Of this amount, EUR 2.1 million relates to Elster Oil & Gas, EUR 15.7 million to Cub Creek Energy, EUR 0.8 million to Bright Rock Energy and EUR 0.2 million to other companies within the scope of consolidation.

In addition to the two bonds (EUR 97.8 million), liabilities of EUR 148.1 million (previous year: EUR 138.6 million) consisted mainly of bank loans from Cub Creek Energy (EUR 18.6 million), interest liabilities from the bonds (EUR 0.6 million), trade payables (EUR 20.8 million) and other liabilities at Cub Creek Energy (EUR 7.2 million) and Elster Oil & Gas (EUR 1.8 million).

The bonds with a volume of EUR 97.8 million comprise a non-convertible bond and a bullet bond. The non-convertible bond matures on December 6, 2024 and bears interest at 5.25 %. As of December 31, 2021, this bond still has a volume of EUR 87.1 million. The convertible bond still has a volume of EUR 10.7 million, an interest rate of 3.625 %, a conversion price of EUR 28, and matures in 2023. In fiscal year 2021, the outstanding portions of bond 2016/2021 in the amount of EUR 16,658,000.00 were repaid on schedule. This bond was issued on July 20, 2016, had a maturity date of July 20, 2021, with an interest rate at 5.625 % p.a.

## GROUP MANAGEMENT REPORT

In the USA, the Group lent on Cub Creek Energy's reserves last year under an industry standard Reserved Based Lending Facility (RBL). In the case of Cub Creek, the interest rates are floating with a LIBOR linkage, with a weighted average interest rate of 4.5 % on December 31, 2021. The loan amounted to USD 21.0 million (EUR 18.5 million) on December 31, 2021.

Other liabilities mainly result from revenue payments at Elster Oil & Gas and Cub Creek Energy, which are still due to royalty owners and partner companies also involved in the drilling projects.

Subsequently, the Company provides an overview of other key figures that are not used for the direct management of the Company and are of particular importance for assessing debt service capacity. The figures are as of December 31, 2021.

### ADDITIONAL SELECTED FINANCIAL INFORMATION

Fiscal year ended December 31, 2020

	2021	2020
EBIT Interest Coverage Ratio <sup>1</sup>	5.2	-2.3
EBITDA Interest Coverage Ratio <sup>2</sup>	10.5	3.4
Total DEBT/EBITDA <sup>3</sup>	1.8	5.4
Total net Debt/EBITDA <sup>4</sup>	1.2	3.9
Risk Bearing Capital <sup>5</sup>	0.3	0.2
Total Debt/Capital <sup>6</sup>	0.6	0.7

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

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

equipment and intangible assets) to interest expenses and similar expenses.

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

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

<sup>5</sup> Ratio of liability capital (liability capital is defined as equity) to total assets.

<sup>6</sup> Ratio of financial liabilities (total debt) to financial liabilities plus equity.

### OVERALL CONCLUSION

The fiscal year 2021 developed well for the Deutsche Rohstoff Group. Oil prices rose throughout almost the entire year, reaching USD 76.83/barrel at the end of the year. The measures taken by the Group in 2020 to defy the low oil prices proved to be correct. In particular, the shutdown of the important Olander well in 2020 and the restart of production from January 2021 meant that reserves could be sold at much higher prices.

It was also possible to take advantage of the price weakness in 2020 and partly in 2021 to acquire several large acreage packages in Wyoming at favorable prices. The Group has thus significantly expanded its inventory of potential wells. At no time in the past has the Deutsche Rohstoff Group had nearly as extensive acreage and drilling opportunities.

In May 2020, the Bright Rock Energy subsidiary had acquired a land package of around 30,000 acres in the Powder River Basin in Wyoming. In October 2021, the subsidiary Cub Creek Energy followed with the purchase of further large areas in the same basin.

The purchase price was again very low and represented only the discounted value of existing production. Both acreage packages offer great potential for future drilling. Bright Rock drilled its first well on the newly acquired acreage last year. At Cub Creek, the first wells could be drilled in the current year.

The equity and bond portfolio, which was launched in April 2020 in response to the COVID 19 crisis, made a significant contribution to earnings in the amount of EUR 18.1 million in fiscal year 2021. At the end of the year, there was still unrealized income of EUR 4.4 million.

In the core oil and gas business, daily production climbed 68 % percent year-on-year to 7,094 BOE. The vast majority of this was accounted for by Cub Creek, which recommissioned the Olander well in early 2021. Elster's production ran very consistently throughout the year, contributing 936 BOE to daily production. Salt Creek and Bright Rock had a relatively small share, as expected, with 66 and 712 BOE per day, respectively.

Group sales amounted to EUR 73.3 million, an increase of 89.4 % over the previous year. EBITDA (earnings before interest, taxes, depreciation and amortization) was even 176 % higher than in the previous year at EUR 66.0 million. Consolidated net income reached EUR 26.4 million, following a loss in the previous year.

Oil prices recovered from the April lows in the course of the year. WTI closed at almost USD 77, significantly higher than most observers had thought possible at the beginning of the year. The first quarter of 2022 saw a further upward trend, partly due to the war in Ukraine. On March 8, WTI reached a multi-year high of almost USD 125/barrel.

## GROUP MANAGEMENT REPORT

Liabilities increased to EUR 148 million at the end of the year (end of 2020: EUR 139 million). In particular, Cub Creek Energy had to draw on the existing bank line at the end of the year in order to be able to settle the invoices in connection with the Knight pad. In balance sheet terms, however, the Group is on a sound footing. Shareholders' equity rose to EUR 80 million at the end of the year, compared with EUR 46 million in the previous year. With total assets of EUR 265 million, the equity ratio climbed back up to 30%. At around EUR 37 million, cash and cash equivalents remained at a very comfortable level at the end of the year. In the course of 2022, net debt, which amounted to EUR 80.5 million at the end of the year, should decrease significantly due to the high inflows from operating activities.

The Group again plans to invest heavily in oil and gas production in the current year. A key component of the investments is the cooperation with Oxy announced in February 2022. Salt Creek will invest around USD 65 million in 18 wells drilled by Oxy in Wyoming this year. Drilling has already started in February 2022.

Deutsche Rohstoff AG's bonds rose above 100% again in the first quarter of 2021. Bond 16/21 was repaid on schedule in July. Bond 19/24 was further placed in January 2022. With the raised volume of EUR 13 million, the bond is now valued at a total volume of EUR 100 million.

### 4. NON-FINANCIAL PERFORMANCE INDICATORS

Management strives to completely avoid incidents relating to HSE (Health, Safety, Environment). There are clear and detailed rules that employees and visitors must observe. The number of incidents in this area is the main non-financial performance indicator.

There were no such incidents in the Group last year. In this respect the target was achieved.

### III. SUBSEQUENT EVENTS

After the balance sheet date, the following events had a significant impact on the further course of business until the beginning of April 2022:

At the beginning of January, Deutsche Rohstoff AG increased its guidance for fiscal year 2022. Consolidated sales are now expected to be between EUR 126 and 134 million, EBITDA between EUR 97 and 102 million. In the context of this publication, the guidance has been adjusted again.

In early February, Salt Creek Oil & Gas, a wholly owned subsidiary, signed a contract to participate in 18 wells drilled by Occidental Petroleum („Oxy“). Salt Creek further announced that drilling will commence in Q1 2022. Over a 12-month period, Salt Creek expects to invest approximately USD 65 million.

Also in February 2022, Deutsche Rohstoff AG placed EUR 13 million of the bond 19/24, increasing the outstanding volume to EUR 100 million.

In mid-February, the Bright Rock Energy subsidiary announced that it had signed a purchase agreement for around 9,500 acres (38 km<sup>2</sup>) in the Powder River Basin/Wyoming. The parties to the contract agreed not to disclose the purchase price.



WIDE OPEN SPACES IN WYOMING

## GROUP MANAGEMENT REPORT

In early March, Deutsche Rohstoff AG announced the status of reserves as of December 31, 2021. Reserves doubled to around 49 million BOE, while the value of safe reserves increased to USD 318.2 million.

In March 2022, Deutsche Rohstoff AG announced that it had concluded a binding term sheet with the Australian company SensOre. The aim of the planned cooperation is to identify economically interesting lithium deposits in Western Australia with the help of SensOre's technology. In the same announcement, Deutsche Rohstoff AG also announced that it has transformed the former Jutland Petroleum GmbH into Prime Lithium AG. Prime Lithium AG is working on the development of a possible market entry in the field of processing of lithium precursors from mining.

Deutsche Rohstoff AG plans to make changes to the Executive Board and Supervisory Board at the end of this year's Annual General Meeting, which will be held as a virtual Annual General Meeting on June 28, 2022. Dr. Thomas Gutschlag, CEO and member of the company's Management Board, intends to stand for election to the Supervisory Board in the upcoming new election and to resign from his position on the Management Board. Jan-Philipp Weitz is intended as his successor for the position of CEO.

### IV. GUIDANCE, OPPORTUNITIES AND RISK REPORT

#### 1. GUIDANCE

The Group's business activities are focused on the production of oil and gas in the USA. At the end of 2021, 87 wells operated by the Group as operator and over 200 wells in which the Group has a minority interest were producing.

#### GUIDANCE 2022

The basis for the 2022 guidance is essentially the currently producing wells in Colorado, Utah and Wyoming. In addition, the guidance includes some shares in third-party wells that are not yet producing but are very likely to start production in the course of the year. This relates to wells from Bright Rock with an investment volume of around EUR 10 million and, in addition, the first months of initial production from the smaller of the pads in Wyoming developed jointly with Oxy.

Daily production in 2022 is expected to be about 9,300–10,000 BOE, of which about 51 % is oil and 49 % is natural gas and condensates.

#### GUIDANCE 2023

The basis for the guidance in 2023 are three main components:

1. The wells that are already producing in 2022.
2. The contribution from wells coming into production in late 2022 and early 2023 from the joint venture with Oxy.
3. A planned drilling program of 5 gross wells (approximately 80 % working interest) on the Wyoming acreage, which should begin production in the first half of 2023.

Due to the currently very tense situation of numerous supply chains, globally as well as locally in the USA, partly strongly increasing prices for relevant materials (e.g. steel for the casing of wells), as well as the scarce availability of drilling equipment or other materials, the times of commissioning of the planned 5 wells are subject to increased uncertainty.

The capital expenditure budget as part of the guidance for the Utah and Wyoming wells is EUR 58 million for 2022 and EUR 50 million for 2023.

Acquisitions or the drilling of or participation in new wells may result in additional new production and increased capital expenditures. However, such development projects and acquisitions are not included in the guidance.

The Group currently has no current production in the metals business area. Income can therefore only be generated through the sale of assets or investments. As such income is by nature difficult to forecast, it is not included in the guidance. The same applies to impairment losses.

The **base scenario** of the guidance is based on the following price assumptions:

- Oil price 2022 from Q2 85 USD, oil price 2023 75 USD
- Gas price from May 2022 4 USD
- EUR/USD 1.12

The **increased scenario** of the guidance is based on the following price assumptions:

- Oil price 2022 from Q2 92 USD, oil price 2023 85 USD
- Gas price from May 2022 4 USD
- EUR/USD 1.12

Assuming these premises, the Board of Management anticipates the following results for the two years:

# GROUP MANAGEMENT REPORT

## Baseline scenario

- Group sales in 2022 in a range of EUR 130–140 million
- Group sales in 2023 in a range of EUR 125-135 million
- Earnings before interest, taxes, depreciation and amortization (EBITDA) of around EUR 110-120 million in 2022
- Earnings before interest, taxes, depreciation and amortization (EBITDA) of around EUR 100 to 110 million in 2023

## Increased price scenario

- Group sales in 2022 in a range of EUR 140–150 million.
- Group sales in 2023 in a range of EUR 140–150 million
- Earnings before interest, taxes, depreciation and amortization (EBITDA) of around EUR 120-130 million in 2022
- Earnings before interest, taxes, depreciation and amortization (EBITDA) 2023 of around EUR 115 to 125 million.

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

## 2. RISKS AND OPPORTUNITIES

### MANAGING OPPORTUNITIES AND RISKS

Deutsche Rohstoff AG itself conducts only a subordinate operating business. All major activities take place in the subsidiaries and shareholdings, each of which has its own management. Activities

in the mining or oil and gas sector are subject to a variety of external and internal risks and opportunities. We try to identify and exploit opportunities at an early stage without neglecting or underestimating the associated risks. The management of Deutsche Rohstoff AG as well as the management of the group companies attach particular importance to identifying risks in good time, assessing the consequences of the occurrence of the respective risk, evaluating the probability of occurrence on an ongoing basis and quantifying it if possible.

The Executive Board of the holding company in Mannheim uses a range of instruments to identify opportunities, recognize risks and take countermeasures at an early stage:

- The annual financial planning is prepared for the holding company and the subsidiaries on a monthly basis and is subject to an ongoing target/actual comparison. Major deviations are taken as an opportunity to review the corresponding costs immediately or to adjust the planning if necessary.
- The credit and cash management of the subsidiaries is coordinated with the parent company in a timely manner. No major trades take place without the approval of the parent company.
- As the parent company, Deutsche Rohstoff AG is represented on all supervisory boards of the Group companies as well as its major investment holdings. Board meetings or supervisory board meetings are held at regular intervals, at which business policy is discussed in detail. In most cases, the representative of Deutsche Rohstoff chairs the supervisory board. In the case of companies in which the Group holds a majority interest, the Group representatives hold the majority of votes.

· Extensive telephone or video conferences are held with the management of the subsidiaries two to three times a month, or more frequently if necessary. In these conference calls, the Executive Board is informed about all current developments and discusses upcoming measures.

· The Chairman of the Supervisory Board of Deutsche Rohstoff AG is a member of the boards of the major US subsidiaries. He is thus involved in all important decisions for the Supervisory Board at an early stage.

In the context of personal visits on site or by the management of subsidiaries in Mannheim, there is also an opportunity to discuss the respective situation comprehensively and to plan the next months/years operationally. Under normal circumstances, such personal visits take place at least four times a year. Regular exchanges are also held with the shareholdings at management level, both as part of on-site visits and during the year by telephone and in writing.

### RISKS AND OPPORTUNITIES

The opportunities and risks are divided into five categories:

#### Systemic opportunities and risks

#### Industry opportunities and risks

#### Performance-related opportunities and risks

#### Financial opportunities and risks

#### Other opportunities and risks

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



## GROUP MANAGEMENT REPORT

minutes and discussions during on-site visits. It is generally the responsibility of the subsidiary's top management to assess significant opportunities and risks and to report regularly to the Group's management. Together with those responsible, the Group's management defines measures to limit the risks.

### Systemic opportunities and risks

This category includes one of the main risks arising in the raw materials business, namely the risk of falling prices for the raw materials produced. Falling prices have a significant impact on the profitability of mining and the liquidity requirements of the respective Group company. If the recoverable prices per unit produced fall permanently below the costs incurred to produce such a unit, the company's existence may be at risk.

In the Deutsche Rohstoff Group, the price risk currently relates mainly to crude oil and natural gas. For crude oil/natural gas, Cub Creek Energy, Elster Oil & Gas, Bright Rock Energy and Salt Creek Oil & Gas regularly use sensitivity analyses to calculate how earnings and cash flows change with different prices. If the price of WTI crude oil were to fall below USD 40/barrel on a sustained basis, new horizontal wells would not pay for themselves as quickly as management believes makes sense from an opportunity/risk perspective. In this respect, no new wells would be drilled at a price level below this threshold. Such a decision not to drill new wells would have an impact on the results of operations, financial position and net assets. At the balance sheet date, prices were above this threshold. A sustained or very long-term level of the oil price below USD 40 represents a significant risk to the business model of Deutsche Rohstoff AG, the further development of acreage in the USA and the overall economic situation of the Group.

One of the main operational risks in the production of shale oil is that the expected production rates will not be achieved. If such a case occurs, the result is a lower cash flow at the same oil price, and also a lower than expected return on investment. A well that fails to recoup the investment will result in a loss. In such a case, unscheduled write-downs of the capitalized value may be required, with the corresponding impact on earnings and assets. Conversely, production rates may exceed expectations, which represents an opportunity.

In 2021, the Group exercised the option under section 254 of the German Commercial Code (HGB) to recognize the economic hedging relationship in transactions hedging the WTI oil price and the Henry Hub gas price by forming a valuation unit. The effective portion of the hedge is accounted for using the net hedge presentation method. The hedging transactions are derivative financial transactions (portfolio hedges) to hedge the price risk of the commodities natural gas and crude oil.

The derivative financial instruments hedge a total production volume (underlying transaction) of 1.04 million BO and 4.55 million mcf. The transactions entered into hedge a decline in the price of crude oil below approximately USD 63.50 and the price of gas below approximately USD 2.90. As of March 31, 2022, the Group had hedged 600,000 BO at USD 64.11 for the remaining year, 143,250 BO at USD 69.72 for 2023 and 23,000 BO at USD 79.83 for 2024. Gas hedges as of March 31 were 2.92 million mcf for 2021 at USD 2.92, 1.22 million mcf for 2023 at USD 3.65, and 0.17 million Mcf for 2024 at USD 3.78. For the corresponding forward contracts, a gain arises if the price of the commodity is below the hedged value at the respective maturity date. If the price is higher, a loss results from the individual valuation of the unrealized forward contract at market prices. As of the reporting date, oil

prices were above the average value of the hedged corridor and accordingly resulted in an unrealized loss of USD 9.2 million as of December 31, 2021.

At the time of hedging, crude oil is already produced from existing production pads, so that the effectiveness of the hedging method is ensured and, in view of the reliably predictable volume and timing, anticipatory valuation units have been formed. The offsetting effects of the hedged item and the hedging instrument therefore offset each other with a high degree of probability in the hedging period. The volume hedged by the hedging transaction is offset by volumes of crude oil and natural gas produced in at least the same amount. The loss from the derivative financial instruments is therefore offset by income from the production of raw materials, as production can also be operated profitably at the hedged price level. The effective effect of the loss is therefore a reduction in sales. The risk that the hedged volume will not be matched by corresponding production of crude oil and natural gas is therefore considered to be extremely low.

Similar to oil and gas production, there is also a price risk in the production of tungsten concentrates. Should the price for the concentrates fall permanently below the production costs, this could result in a going concern risk for the investment Almonty Industries. Unlike oil production, the company has to cover relatively high operating costs, most of which are also fixed and can only be reduced with some advance notice. With the COVID crisis, prices for tungsten APT initially fell to around USD 210/mtu, before recovering slightly over the course of the year to close at USD 232.50/mtu.

The main risks arising from Almonty's business model are, in addition to the risk of the development of tungsten prices, the de-

## GROUP MANAGEMENT REPORT

velopment of exchange rates and costs in the countries in which Almonty operates. Furthermore, there is a risk that Almonty will not be able to implement the financing, construction or commercially successful operation of the Sangdong and Valtreixal mines as planned. Furthermore, there is a risk that the mine in Panasqueira cannot be operated profitably due to operational problems or price changes.

Overall, the Management Board of Deutsche Rohstoff continues to see the Almonty Industries investment on a good track. Tungsten prices have risen continuously since 2020 and are at a multi-year high. The war in Ukraine has once again made clear that a reliable supply from a mine located in a safe country is of great

advantage. The share price improved further in 2021 and in the 1st quarter of 2022. The stock market value of the investment continued to exceed the book value of Deutsche Rohstoff at the end of 2021. Currently, the value of the Company's investment in Almonty Industries is around EUR 25.2 million. In an extreme case, a large part or the entire investment could become worthless if many of the above-mentioned risks materialize. The Executive Board currently considers the risk of a permanent impairment of the shareholding or the convertible bonds to be average. Conversely, a rising price has a positive impact on the earnings, financial and asset situation of all Group companies and investments. It therefore represents a significant opportunity. The Executive Board expects to see moderately rising prices for crude

oil and the metals important to the Group in the further course of 2022. The value of the Group's assets will rise disproportionately in the event of price increases, as rising prices can be fully allocated to the earnings margin in the case of already profitable production.

The Company's investments are mainly denominated in US Dollars and, to a much lesser extent, in Australian and Canadian Dollars. The associated currency risk is considerable and is reflected both in the income statement and in the consolidated financial statements. In the opinion of the Executive Board, foreign exchange rates are one of the greatest ongoing risks for the Group. The development of the EUR/USD in the past year resulted in a currency gain of EUR 1.8 million.

Management is constantly reviewing opportunities to hedge or moderate currency risk. For this purpose, forward exchange contracts are regularly concluded in order to secure a certain exchange rate for foreign currency positions, the reflux of which is already scheduled. In addition, Deutsche Rohstoff has started to enter into future positions on EUR/USD.

The investment in Rhein Petroleum is active in the exploration of oil & gas. Exploration in the raw materials sector entails high risks in that the capital invested in the drilling of exploration wells may be completely lost in the event of uneconomic results, which could render the investment worthless.

### Industry opportunities and risks

As raw material deposits are tied to specific locations, there is a high degree of dependence on the political and legal framework. The Deutsche Rohstoff Group therefore only operates in countries



KNIGHT PAD IN COLORADO, USA

## GROUP MANAGEMENT REPORT

where a stable and reliable framework can be assumed. Nevertheless, regulatory changes may also occur in these countries that have a significant impact on the profitability of projects. Such an influence could become effective if the use of fracking technology were to be restricted in Colorado or other states. At present, however, management considers this risk to be low.

### Performance-related opportunities and risks

In the area of service provision, the sponsoring companies are exposed to the following significant risks, which may occur individually or in combination and each of which, but especially when they occur in combination, has a material impact on the Group's earnings, assets and finances:

**Production rates:** The commercial success of the oil companies' wells depends on the production rates or the total possible production that can be achieved. In general, the costs per well have decreased in recent years, while production rates have increased, in particular due to improved fracking methods. In combination, these two effects lead to a decreasing break-even of the wells and thus also to a decreasing risk.

The management of the U.S. companies constantly reviews its assumptions regarding potential production rates on the basis of new results obtained by itself or by competitors operating in the vicinity. This is to avoid poor drilling results and production rates. Of course, better than expected production rates represent an opportunity that has a positive impact on earnings.

By their nature, exploration results are only predictable to a limited extent. There is therefore a risk that the Group's exploration activities may not be as successful as hoped in drilling or other

types of exploration. As a result, the value of capitalized exploration expenses could decline or these expenses could become worthless altogether. However, due to the relatively low capitalized balance sheet values for exploration, the impact on the Group as a whole is in no case likely to jeopardize its continued existence. Conversely, exploration results that are better than expected can have a significant positive impact on the asset situation in particular.

### Financial opportunities and risks

The ability to finance project development is one of the key success factors in raw material extraction. At the end of 2021, Deutsche Rohstoff had a good equity base and sufficient cash reserves to service all financial obligations and finance the ongoing operations of all Group companies. Nevertheless, the parent company may need to raise additional funds to be able to drill future horizontal wells in the USA or acquire new projects. The funding requirement may also be higher than planned due to delays or cost increases in the projects. Whether additional funds can be raised, depends on the success of current and future project activities, capital market conditions and other factors. If it is not possible to raise funds on favorable terms, or at all, management may be forced to reduce operating expenses by delaying, curtailing or discontinuing project development.

The Deutsche Rohstoff Group generally attempts to counter financing risk by pursuing a very conservative financing policy. The range of available cash resources is calculated on an ongoing basis. By means of ongoing discussions with potential providers of equity or debt capital, attempts are made to create further financing possibilities which can also be utilized independently of the capital market.

Some Group companies have tax loss carryforwards or the ability to offset future investments against profits to a significant extent. This applies in particular to Deutsche Rohstoff USA and Deutsche Rohstoff AG. The Executive Board assumes that, based on current tax legislation, these loss carryforwards or tax offsetting opportunities can be carried forward and used to offset future or past profits in accordance with the tax framework (e.g. minimum taxation). If it is not possible to use the tax loss carryforwards in whole or in part, e.g. because it is not possible to operate raw material projects at a profit in the long term, due to changes in legislation at short notice, changes in capital resources or ownership structures, or other events, income tax payments would be incurred on the expected profits in the future if the respective subsidiaries develop successfully. These tax payments would have a negative impact on liquidity and the value of deferred tax assets could be impaired. The Executive Board therefore regularly reviews the recoverability of deferred tax assets on loss carryforwards. Local tax advisors in all countries in which the Group has its registered office have been engaged to identify and eliminate tax risks at an early stage.

### Other opportunities and risks

In the area of other risks, particular mention should be made of the risk of accidents affecting employees or third parties as well as the natural environment. Such accidents can lead to claims for damages and damage the company's reputation. Both can have a negative impact on the results of operations and financial position, and in extreme cases may even jeopardize the company's continued existence.

# GROUP MANAGEMENT REPORT

## Overall picture of the risk situation

The main risks for the business model of Deutsche Rohstoff AG are the oil price and the tungsten price, the currency risk, the recoverability of the other investments and the risks in the further development of the exploration companies. However, all risks are manageable in the opinion of the Executive Board. The Executive Board is therefore of the opinion that the overall corporate risk is low. The main risks are also offset by opportunities arising from the currently very high and potentially still rising raw material prices, from a favorable currency development or from a successful project development of the exploration companies. In addition, the company's solid liquidity position and good reputation on the capital market give it the opportunity to invest in new, promising activities.

Mannheim, April 25, 2022

The Board

Dr. Thomas Gutschlag

Jan-Philipp Weitz

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IN TEUR	EQUITY OF THE PARENT COMPANY						NON-CONTROLLING INTERESTS					GROUP EQUITY
	Subscribed Capital	Capital Reserves according to § 272 paragraph 2 nr. 1-3 HGB	RESERVES Total	Equity differences from currency translation	Consolidated profit/loss carried forward	Consolidated net profit/loss attributable to the parent company	Total	Non-controlling interests before equity difference from currency translation and net income	Currency translation difference attributable to non-controlling interests	Profit/loss attributable to non-controlling interests	Total	
<b>AS OF 01/01/2020</b>	<b>4,953,937</b>	<b>30,019,333</b>	<b>30,019,333</b>	<b>3,833,204</b>	<b>25,201,885</b>	<b>308,076</b>	<b>64,316,435</b>	<b>3,220,275</b>	<b>14,446</b>	<b>3,949,773</b>	<b>7,184,494</b>	<b>71,500,929</b>
Change through capital increase with participation of minority shareholders	0	0	0	0	0	0	0	0	0	0	0	0
Capital repayment and distribution to minority shareholders	0	0	0	0	0	0	0	-248,947	0	0	-248,947	-248,947
Dividend distribution	0	0	0	0	-495,393	0	-495,393	0	0	0	0	-495,393
Currency translation	0	0	0	-8,891,942	0	0	-8,891,942	0	-80,109	0	-80,109	-8,972,051
Other changes	0	0	0	0	308,076	-308,076	0	-96,555	0	0	-96,555	-96,555
Consolidated net profit/loss for the year	0	0	0	0	0	-15,509,375	-15,509,375	0	0	-589,268	-589,268	-16,098,643
<b>AS OF 01/01/2021</b>	<b>4,953,937</b>	<b>30,019,333</b>	<b>30,019,333</b>	<b>-5,058,738</b>	<b>25,014,568</b>	<b>-15,509,375</b>	<b>39,419,725</b>	<b>2,874,773</b>	<b>-65,663</b>	<b>3,360,505</b>	<b>6,169,615</b>	<b>45,589,340</b>
Capital increase Parent company			0	0	0	0	0	0	0	0	0	0
Capital repayment and distribution to minority shareholders	0	-19,724	-19,724	0	0	0	-19,724	-327,847	0	0	-327,847	-347,571
Dividend distribution	0	0	0	0	0	0	0	0	0	0	0	0
Currency translation	0	0	0	8,528,593	0	0	8,528,593	0	72,409	0	72,409	8,601,002
Other changes	0	0	0	0	-15,509,375	15,509,375	0	-125,873	0	0	-125,873	-125,873
Consolidated net profit/loss for the year	0	0	0	0	0	24,794,287	24,794,287	0	0	1,562,878	1,562,878	26,357,165
<b>AS OF 31/01/2021</b>	<b>4,953,937</b>	<b>29,999,609</b>	<b>29,999,609</b>	<b>3,469,855</b>	<b>9,505,193</b>	<b>24,794,287</b>	<b>72,722,881</b>	<b>2,421,053</b>	<b>6,746</b>	<b>4,923,383</b>	<b>7,351,182</b>	<b>80,074,063</b>

## CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS

### ACQUISITION AND PRODUCTION COST

IN EUR	01/01/2021	ADDITIONS	DISPOSALS	CHANGES IN BASIN OF CONSOLIDATION	RECLASSI- FICATIONS	FOREIGN CURRENCY TRANSLATION	31/12/2021
<b>I. INTANGIBLE ASSETS</b>							
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	33,508,870	10,918,434	-1,408,116	0	34,274	2,365,331	45,418,793
2. Goodwill	3,985,960	0	0	0	0	178,826	4,164,786
	<b>37,494,830</b>	<b>10,918,434</b>	<b>-1,408,116</b>	<b>0</b>	<b>34,274</b>	<b>2,544,157</b>	<b>49,583,579</b>
<b>II. PROPERTY, PLANT AND EQUIPMENT</b>							
1. Producing oil production facilities	223,414,123	12,927,422	0	0	38,739,227	19,441,516	294,522,288
2. Exploration and evaluation	4,133,354	40,251,257	0	0	-38,773,501	1,520,937	7,132,047
3. Technical equipment and machinery	411,895	15,067	0	0		83,884	510,846
4. Other equipment, operating and office equipment	660,324	14,024	0	0	0	41,981	716,329
	<b>228,619,696</b>	<b>53,207,770</b>	<b>0</b>	<b>0</b>	<b>-34,274</b>	<b>21,088,318</b>	<b>302,881,510</b>
<b>III. FINANCIAL ASSETS</b>							
1. Equity investments	19,682,890	22,609	-749,670 <sup>1</sup>	0	0	0	18,955,829
2. Loans to other investees and investors	4,838,895	248,811	-178,007 <sup>2</sup>	0	0	0	4,909,699
3. Securities classified as fixed assets	20,431,435	1,126,665	-710,270 <sup>3</sup>	0	0	0	20,847,830
	<b>44,953,220</b>	<b>1,398,085</b>	<b>-1,637,947</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,713,358</b>
	<b>311,067,746</b>	<b>65,524,289</b>	<b>-3,046,063</b>	<b>0</b>	<b>0</b>	<b>23,632,475</b>	<b>397,178,447</b>

<sup>1</sup> This item includes reclassifications from current to non-current assets totaling EUR 735 thousand relating to shares in Hammer Metals Ltd.

<sup>2</sup> This item includes reclassifications from non-current to current assets totaling EUR 178 thousand relating to loans to Surgical Intelligence Holding GmbH.

<sup>3</sup> This item includes reclassifications from non-current to current assets in the amount of EUR 148 thousand relating to shares in Surgical Intelligence Holding GmbH.

## CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS

### ACCUMULATED AMORTIZATION, DEPRECIATION AND WRITE-DOWNS

IN EUR	01/01/2021	ADDITIONS	DISPOSALS	CHANGES IN BASIN OF CONSOLIDATION	RECLASSI- FICATIONS	FOREIGN CURRENCY TRANSLATION	31/12/2021	NET BOOK VALUES	
								31/12/2021	31/12/2020
<b>I. INTANGIBLE ASSETS</b>									
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	12,916,588	3,419,044	0	0	0	513,726	16,849,358	28,569,435	20,592,282
2. Goodwill	2,685,851	149,853	0	0	0	77,007	2,912,711	1,252,075	1,300,109
	<b>15,602,439</b>	<b>3,568,897</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>590,733</b>	<b>19,762,069</b>	<b>29,821,510</b>	<b>21,892,391</b>
<b>II. PROPERTY, PLANT AND EQUIPMENT</b>									
1. Producing oil production facilities	113,210,310	26,564,485	0	0	0	11,135,295	150,910,090	143,612,198	110,203,813
2. Exploration and evaluation	1,906,840	0	0	0	0	0	1,906,840	5,225,207	2,226,514
3. Technical equipment and machinery	288,497	36,811	0	0	0	74,136	399,444	111,402	123,398
4. Other equipment, operating and office equipment	435,794	141,284	0	0	0	31,771	608,849	107,480	224,530
	<b>115,841,441</b>	<b>26,742,580</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,241,202</b>	<b>153,825,223</b>	<b>149,056,287</b>	<b>112,778,255</b>
<b>III. FINANCIAL ASSETS</b>									
1. Equity investments	1,910,361	2,493,915	0	0	0	0	4,404,276	14,551,553	17,772,529
2. Loans to other investees and investors	128,059	0	0	0	0	0	128,059	4,781,640	4,710,836
3. Securities classified as fixed assets	7,217,609	0	0	0	0	0	7,217,609	13,630,221	13,213,826
	<b>9,256,029</b>	<b>2,493,915</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,749,944</b>	<b>32,963,414</b>	<b>35,697,191</b>
	<b>140,699,909</b>	<b>32,805,392</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,831,935</b>	<b>185,337,236</b>	<b>211,841,211</b>	<b>170,367,837</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL

The consolidated financial statements of Deutsche Rohstoff AG were prepared in accordance with the accounting provisions of Secs. 290 et seq. HGB [“Handelsgesetzbuch”: German Commercial Code] as well as the supplementary provisions of the AktG [“Aktiengesetz”: German Stock Corporation Act].

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

For reasons of clarity, individual items of the consolidated statement of financial position and consolidated income statement have been combined. Within these notes they are broken down and explained separately. For the same reason, the disclosures relating to other items and notes thereto have also been made in this section.

The consolidated financial statements are presented in Euro (EUR). Unless otherwise stated, all figures are rounded up or down to the nearest Euro in accordance with commercial rounding principles. Please note that differences may arise from the use of rounded amounts and percentages.

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

## 2. BASIS OF CONSOLIDATION

The consolidated financial statements include Deutsche Rohstoff AG as well as three domestic and seven foreign subsidiaries. In the previous year, the consolidated financial statements com-

prised three domestic and six foreign subsidiaries. Please refer to 5.2. information on shareholdings.

As a result of share purchases from coshareholders, the shareholding in Tin International AG increased from 82.89 % to 94.41 %. As a result of capital measures at the level of Ceritech AG, the shareholding increased from 63.71 % to 72.46 %.

Due to capital contributions by Deutsche Rohstoff and by a minority shareholder, the shareholding in Bright Rock Energy LLC decreased from 98.88 % to 98.86 %.

## 3. CONSOLIDATION PRINCIPLES

Capital consolidation for companies consolidated for the first time as a result of an acquisition is performed using the purchase method as of the date on which the companies became subsidiaries.

The carrying amount of the shares belonging to the parent company is offset against the amount of the subsidiary’s equity attributable to these shares. Equity is recognized at the amount corresponding to the fair value at the date of consolidation of the assets, liabilities and prepaid expenses to be included in the consolidated financial statements. Any difference remaining after offsetting is recognized as goodwill if it arises on the assets side and, if it arises on the liabilities side, is shown separately in equity under the item „Difference arising on consolidation of investments“.

The relevant date for determining the fair value, the assets, liabilities and prepaid expenses to be included in the consolidated financial statements and the date for capital consolidation is generally the date on which the company became a subsidiary.

Receivables and liabilities, sales, expenses and income, as well as intercompany results within the scope of consolidation have been eliminated.

## 4. RECOGNITION AND MEASUREMENT POLICIES

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

The financial statements of the companies included in the consolidated financial statements have been prepared using uniform accounting policies.

**Purchased intangible assets** are carried at cost and, if subject to wear and tear, are amortized on a straight-line basis over their useful lives. The useful life is between 3 and 5 years. Intangible assets mainly comprise production rights and exploration and mining licenses. Exploration licenses are amortized on a straightline basis from the date of acquisition over the expected total exploration period. Mining licenses, on the other hand, are amortized on a straight-line basis over the expected remaining useful life of the deposit. An exception to the straight-line method of amortization exists in the case of production rights, which are amortized according to the degree of utilization. The degree of utilization reflects the economic course of depreciation.

Impairment losses are recognized if the impairment is expected to be permanent.

**Goodwill** arising from the initial consolidation of shares prior to January 1, 2016 is amortized pro rata temporis over a period of 5 years. For goodwill arising after December 31, 2015, explanations



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

on the determination of the respective useful life are provided in the notes on non-current assets in accordance with the provisions of the BilRUG. The estimated useful life is based on the expected subsidy periods and subsidy volumes, with the appropriateness of the useful life being regularly reviewed and adjusted downwards if necessary.

**Property, plant and equipment** are stated at cost and, where subject to wear and tear, are depreciated on a straight-line basis. The cost of self-constructed assets includes direct costs and a proportion of overheads.

Property, plant and equipment includes the classification item producing petroleum production facilities due to the specifics of a commodity producing company. The producing oil production facilities relate to production facilities operated by Cub Creek Energy LLC in the Wattenberg Field in Colorado (USA) and in the Denver Julesberg Basin in Wyoming (USA). This item also includes the producing oil production facilities in the USA in which the companies Elster Oil & Gas LLC, Salt Creek Oil & Gas LLC and Bright Rock Energy LLC hold interests. Specifically, these are interests in producing oil production facilities in the Wattenberg field in Colorado (USA) held by Elster Oil & Gas LLC, in the Williston Basin-Bakken oil field in North Dakota (USA) held by Salt Creek Oil & Gas LLC, and in the Uinta Basin in Utah (USA) and in the Powder River Basin in Wyoming (USA) held by Bright Rock Energy LLC.

The classification of property, plant and equipment also includes an exploration and evaluation classification item. This item includes expenses incurred in the exploration and evaluation phase that are directly related to a discovered, recoverable deposit and directly serve the extraction of raw materials for which future

cash flows are expected with a high degree of probability. Direct costs and proportionate overheads are capitalized.

From the date of commercial production, a reclassification is made to the respective fixed asset items. If, as a result of events or changes in circumstances, the estimated reserves of raw materials prove to be unsustainable or significantly lower, or if the yield is not sufficient for commercial production, the assets concerned are impaired against income.

Property, plant and equipment are generally depreciated on a straight-line basis over their expected useful lives. The useful life is between 8 and 25 years for technical equipment and machinery, and between 3 and 13 years for other equipment, factory and office equipment. An exception with regard to the straight-line depreciation method exists for producing oil production facilities, which are depreciated according to the degree of utilization. The degree of utilization reflects the economic course of depreciation.

Impairment losses are recognized if the impairment is expected to be permanent.

**Financial assets** are carried at the lower of cost or fair value.

**Inventories** are stated at the lower of cost or market.

**Finished goods and merchandise** are valued at manufacturing cost, taking into account direct material costs, direct labor and special direct costs as well as production and material overheads and depreciation. Interest on borrowings has not been included in the cost of production. General administration costs were also not capitalized.

In all cases, valuation was loss-free, i.e. deductions were made from the anticipated selling prices to account for costs still to be incurred.

**Receivables and other assets** are stated at nominal value less allowances for specific risks.

**Derivative financial instruments** are not recognized as pending transactions. Gains from hedging transactions that are not allocated to a specific underlying transaction are not realized until maturity. Unrealized losses from derivative financial instruments are accrued in the income statement, unless they are included in a valuation unit and the unrealized losses are not offset by offsetting changes in the value of the underlying transaction. The Company has exercised the option under § 254 of the German Commercial Code (HGB) to recognize the economic hedging relationship in transactions hedging the WTI oil price and the CIG natural gas price in the balance sheet by forming a valuation unit. The freezing method is used for this purpose. The offsetting positive and negative changes in value are recognized without affecting the income statement.

**Other marketable securities** are stated at the lower of cost or market value at the balance sheet date.

**Prepaid expenses** include expenses before the balance sheet date that represent an expense for a certain period after that date.

**Other provisions** take into account all uncertain liabilities and anticipated losses from pending transactions. They are recognized at the settlement amount required according to prudent business judgment (i.e. including future cost and price increases). Provi-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

sions with a remaining term of more than one year were discounted. Recultivation provisions were recognized mainly for field clearance and abandonment of wells. They are accrued in installments, taking into account expected future price and cost increases as well as discounting in accordance with the respective remaining term.

Provisions are discounted using an interest rate appropriate to the term of the provision in accordance with the Ordinance on the Discounting of Provisions.

**Liabilities** were recognized at the settlement amounts.

To calculate **deferred taxes** arising from temporary or quasi-permanent differences between the carrying amounts of assets, liabilities and prepaid expenses in the financial statements and their tax bases, or from tax loss carryforwards, the amounts of the resulting tax benefit and tax credit are measured using the tax rates applicable in the individual companies at the time the differences reverse and are not discounted. Differences resulting from consolidation measures pursuant to Sections 300 to 307 HGB are also considered; differences resulting from the initial recognition of goodwill or negative goodwill from capital consolidation are neglected. Deferred tax assets are recognized for tax loss carryforwards to the extent that it is expected that they can be offset within the next five years. Deferred tax assets and liabilities are netted to the extent permitted.

### CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currencies were translated at the average spot exchange rate on the balance sheet date. Where the remaining term to maturity is more than one year,

the realization principle and the historical cost principle have been applied.

With the exception of equity, the asset and liability items in the financial statements prepared in foreign currencies have been translated into euros at the mean spot exchange rate on the reporting date. Equity has been translated using historical exchange rates. Income statement items have been translated into euros using average exchange rates. The resulting translation difference is shown within consolidated equity under the item equity differences from currency translation.

## 5. NOTES TO THE CONSOLIDATED BALANCE SHEET

### 5.1. FIXED ASSETS

The development of fixed assets is shown in the statement of changes in fixed assets, together with details of depreciation and amortization for the financial year.

In the 2013 and 2014 financial years, shares in Elster Oil & Gas LLC were acquired from minority shareholders. As a result of these capital increases, hidden reserves totaling EUR 8,569 thousand were disclosed, which were capitalized in the item concessions, industrial property rights and similar rights acquired for consideration. In fiscal year 2021, an impairment loss of EUR 3,064 thousand was recognized on the non-current assets of Salt Creek Oil and Gas LLC (for further details, please refer to Note 6.4. Depreciation and amortization), of which EUR 1,726 thousand relates to the item concessions acquired for valuable consideration, industrial property rights and similar rights, and was therefore fully written off.

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

In October 2021, Cub Creek Energy LLC acquired new production rights totaling EUR 10,183 thousand.

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

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

Goodwill of EUR 1,252 thousand relating to the company Cub Creek Energy is still recognized as of December 31, 2021. This goodwill is amortized on a straight-line basis over a useful life of 15 years. The useful life was estimated on the basis of the average production periods of the oil wells of Cub Creek Energy.

For Bright Rock Energy LLC, investments in new wells in the development phase amounting to EUR 4,530 thousand are still reported under the item „Exploration and evaluation“.

The Exploration and Evaluation position is comprised of the following, see Table 5.1.2.

The item “Producing oil production facilities” is composed as follows, see Table 5.1.3.

The producing oil assets of Elster Oil & Gas relate to 39 wells in the Wattenberg field in Colorado/USA. which are economically attributable to Elster Oil & Gas to an average of 35.64 %.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

PROJECT/COMPANY	RESOURCE	2021	2020
Elster Oil & Gas LLC	Oil and gas	4,251,732	4,542,520
Salt Creek Oil & Gas LLC	Oil and gas	0	1,618,824
Cub Creek Energy LLC	Oil and gas	12,893,438	2,710,137
Bright Rock Energy LLC	Oil and gas	11,419,772	11,715,771
Other	Various	4,493	5,030
IN EUR		28,569,435	20,592,282

TAB 5.1.2. EXPLORATION AND EVALUATION

PROJECT/COMPANY	RESOURCE	2021	2020
Cub Creek Energy LLC	Oil and gas	484,091	1,796,560
Elster Oil & Gas LLC	Oil and gas	0	219,306
Bright Rock Energy LLC	Oil and gas	4,741,116	210,648
IN EUR		5,225,207	2,226,514

TAB 5.1.3. PRODUCING OIL PRODUCTION FACILITIES

PROJECT/COMPANY	RESOURCE	2021	2020
Elster Oil & Gas LLC	Oil and gas	17,985,518	19,297,215
Cub Creek Energy LLC	Oil and gas	108,139,233	83,924,916
Salt Creek Oil & Gas LLC	Oil and gas	3,536,994	4,590,294
Bright Rock Energy LLC	Oil and gas	13,950,453	2,391,388
IN EUR		143,612,198	110,203,813

TAB 5.2. INFORMATION ON SHAREHOLDINGS

	CURRENCY	SHARE HOLDING IN %	EQUITY IN NATIONAL CURRENCY	RESULT IN NATIONAL CURRENCY
<b>DOMESTIC</b>				
Tin International AG	EUR	94.41	2,223,777	781,156
Ceritech AG	EUR	72.46	205,168	-76,914
Prime Lithium AG (formerly Jutland Petroleum GmbH)	EUR	100.00	559,228	-443,516
<b>FOREIGN</b>				
Deutsche Rohstoff USA Inc., USA	USD	100.00	44,549,211	-2,813,347
Elster Oil & Gas LLC, USA <sup>1</sup>	USD	93.00	16,377,817	5,822,669
Diamond Valley Energy Park LLC, USA <sup>2</sup>	USD	100.00	1,791,657	0
Cub Creek Energy LLC, USA <sup>1</sup>	USD	88.46	52,464,603	2,789,672
Salt Creek Oil & Gas LLC, USA <sup>1</sup>	USD	100.00	5,830,881	905,937
Bright Rock Energy LLC, USA <sup>1</sup>	USD	98.86	33,674,588	7,405,136
Suomi Exploration Oy	EUR	100.00	0	-93,757
<b>OTHER (INVESTMENTS)</b>				
Almonty Industries Inc., Canada *	CAD	12.27	29,169,000	-9,057,000

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

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

\* as of the reporting date December 31, 2020

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cub Creek Energy's producing oil production assets relate to 68 wells in the Wattenberg Field in Colorado/USA, and 17 wells in the Denver-Julesberg Basin in Wyoming/USA. Economically, an average of 81.76 % of the 85 wells are attributable to Cub Creek Energy.

The producing oil production assets of Bright Rock Energy LLC relate to 137 wells in the Powder River Basin in Wyoming (USA), an average of 0.06 % of which are attributable to the company Bright Rock Energy LLC, and the well in Wyoming with a share of 100 %.

An impairment loss of EUR 1,337 thousand was recognized on the producing oil production assets of Salt Creek Oil and Gas LLC in fiscal year 2021 for the carrying amount to reflect the fair value (for more details, see Note 6.4. Depreciation and amortization).

### 5.2. INFORMATION ON SHAREHOLDINGS

The shares in Hammer Metals Ltd. were reclassified to current assets in fiscal year 2021 as the entire position was sold by the end of January 2022. As of December 31, the shareholding still amounted to 0.59 % or EUR 99 thousand.

An impairment loss of EUR 2,493,914.60 was recognized on the shares in Rhein Petroleum GmbH to reflect the fair value.

The investment in Almonty Industries Inc. was recognized at its carrying amount of EUR 12,129 thousand, exercising the valuation option pursuant to Section 253 (3) sentence 6 HGB.

The carrying amount of the investment as of December 31, 2021 continues to be based on an average market value of CAD 0.69 (EUR 0.48) per share at acquisition.

The market value as of December 31, 2021 was CAD 0.89/share (EUR 0.61/share), with a range of CAD 0.83/share (EUR 0.59/share) and CAD 1.03/share (EUR 0.73/share) in the first three months of 2021. The Executive Board therefore currently considers the risk of a permanent impairment below the carrying amount of the shareholding or the convertible bonds to be low. See Table 5.2.

### 5.3. INVESTMENT SECURITIES

Long-term securities increased during the year from EUR 13,214 thousand to EUR 13,630 thousand. This increase is due to the granting of a further convertible bond in the amount of EUR 865 thousand (USD 1 million) to Almonty Industries Inc. This increase is offset by partial sales of Northern Oil & Gas shares in the amount of EUR 556 thousand.

### 5.4. INVENTORIES

Inventories relate to gold in the finished goods area.

### 5.5. RECEIVABLES AND OTHER ASSETS

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

Other assets mainly comprise the tax refund from the US government in the amount of EUR 6.7 million (USD 7.6 million), which was received in April 2022, and accessories for oil production in the USA.

### 5.6. DERIVATIVE FINANCIAL INSTRUMENTS

There are transactions of a derivative nature. The transactions include derivative financial instruments in the form of costless

collars consisting of put and call options and swaps concluded to hedge the oil and gas price risk in the USA. Secondly, to hedge the currency risk in the EUR/USD area, transactions are carried out with so-called foreign currency futures. There were no foreign currency futures as of the balance sheet date.

Derivative financial instruments are measured at fair value based on published market prices. If no price quoted on an active market exists, other suitable valuation methods are used. The fair values of the oil price hedges were provided by the respective counterparties (financial service providers) with whom the hedges were concluded.

The fair value of the put and call options (costless collars) at the balance sheet date was also determined based on the values provided by the respective counterparty. The market value of put and call options (costless collars) is determined based on a mark-to-market valuation. The value of foreign currency futures is continuously determined on futures exchanges and made available.

The Company has exercised the option under section 254 HGB to account for the economic hedging relationship in transactions to hedge the WTI oil price and the CIG gas price by forming a valuation unit. The disclosures required under Art. 314 par. 1 No. 15 HGB are provided in the Group management report in section „IV. Environmental opportunities and risks“ in the Group management report.

### 5.7. PREPAID EXPENSES

These are mainly prepaid insurance and rental amounts and accrued interest expenses.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5.8. DEFERRED TAXES

For the calculation of deferred taxes, a tax rate of 24 % to 30 % was applied depending on local tax law. Deferred tax assets were capitalized on tax loss carryforwards at the local tax rate of 30 % or 24.10 % respectively. The theoretical Group tax rate is 24.34 %. Deferred tax assets are only recognized for tax loss carryforwards that are expected to be utilized within the next five years. The deferred tax assets and liabilities determined separately at the level of the individual countries are offset in the balance sheet at the level of the individual taxable entities, see Table 5.8.

### 5.9. EQUITY

The development of consolidated equity is presented in the consolidated statement of changes in equity (appendix 5).

As of December 31, 2021, the subscribed capital of EUR 5,081,747 (previous year: EUR 5,082 thousand) corresponds to the balance sheet item reported at the parent company.

As of December 31, 2021, the number of treasury shares acquired in 2015 and 2016 remained unchanged at 127,810, representing a notional share of the capital stock of EUR 127,810 (2.51 %).

The treasury shares were acquired to flexibly managing the Company's capital requirements and for what the Executive Board considers to be an inappropriate valuation at the time of the resolution.

The nominal amount of treasury shares was openly deducted from subscribed capital in accordance with Section 272 (1a) HGB (EUR 127,810.00).

TAB 5.5. RECEIVABLES AND OTHER ASSETS

			31/12/2021
IN EUR	< 1 YEAR	> 1 YEAR	TOTAL
Trade receivables	16,794,783	0	16,794,783
Receivables from companies in which an equity investment is held	1,103,287	0	1,103,287
Other assets	7,398,695	1,130,386	8,529,081
			26,427,151

			31/12/2020
IN EUR	< 1 YEAR	> 1 YEAR	TOTAL
Trade receivables	3,479,338	0	3,479,338
Receivables from companies in which an equity investment is held	14,241	11,938	26,179
Other assets	6,857,245	469,258	7,326,503
			10,832,020

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The capital reserve of the current year is EUR 19,724 lower than the capital reserve of the previous year (EUR 30,019,333). The change is based on disproportionate payments from minority shareholders in the context of the sale of shares in Ceritech AG.

In accordance with section 268 (8) HGB, the capitalization and recognition of deferred taxes results in a profit distribution block of EUR 719,051.13 (previous year: EUR 985,051.13) for the separate financial statements of Deutsche Rohstoff AG as of December 31, 2021, as the capitalized deferred taxes exceed the deferred tax liabilities.

### 5.10. PROVISIONS

The development of provisions is as follows, see Table 5.10.

Other provisions mainly relate to outstanding invoices and production taxes incurred by the US subsidiaries Cub Creek Energy and Elster Oil & Gas.

### 5.11. LIABILITIES

The item „Bonds, non-convertible“ includes liabilities from the issue of a corporate bond in the amount of EUR 87,061 thousand.

In the financial year 2021, the remaining outstanding shares of the bond 2016/2021 in the amount of EUR 16,658,000 were repaid on time. This bond was issued on July 20, 2016, had a term until July 20, 2021, and bore interest at 5.625 % per annum.

The outstanding non-convertible bond 2019/2024 was issued on December 6, 2019 and has a five-year term until December 6, 2024. It has a final maturity and bears interest at 5.25 % p. a.. The

TAB. 5.8. LATENTE STEUERN

IN EUR	31/12/2021	31/12/2020
<b>DEFERRED TAX ASSETS ON DIFFERENCES IN CARRYING AMOUNTS FOR</b>		
Property, plant and equipment	0	237,932
Other provisions	1,444,518	489,144
Liabilities	2,083,450	1,557,798
<b>TOTAL</b>	<b>3,527,969</b>	<b>2,284,874</b>
Deferred taxes on loss carryforwards	9,812,527	5,773,817
<b>TOTAL DEFERRED TAX ASSETS</b>	<b>13,340,496</b>	<b>8,058,691</b>
<b>DEFERRED TAX LIABILITIES ON DIFFERENCES IN CARRYING AMOUNTS FOR</b>		
Intangible assets	530,051	575,806
Property, plant and equipment	28,628,741	21,196,049
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>29,158,793</b>	<b>21,771,855</b>
<b>TOTAL DEFERRED TAXES, NET</b>	<b>-15,818,297</b>	<b>-13,713,164</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

TAB. 5.10. PROVISIONS

IN EUR	01/01/2021	UTILIZATION	CLOSING	ALLOCATION	CURRENCY	31/12/2021
Tax provisions	0	0	0	34,028	0	34,028
Other provisions	7,335,409	-5,375,889	-6,265	15,712,463	1,142,601	18,808,319
<b>TOTAL</b>	<b>7,335,409</b>	<b>-5,375,889</b>	<b>-6,265</b>	<b>15,746,491</b>	<b>1,142,601</b>	<b>18,842,347</b>

TAB. 5.11. LIABILITIES

DUE (IN YEARS)					31/12/2021		
IN EUR	< 1 YEAR	1–5 YEARS	> 5 YEARS	TOTAL	THEREOF SECURED		
Bonds, not convertible	0	87,061,000	0	87,061,000	0		
Bonds, convertible	0	10,700,000	0	10,700,000	0		
Liabilities to banks	1,089,147	18,541,409	0	19,630,556	18,541,409		
Trade payables	20,764,318	0	0	20,764,318	0		
Other liabilities	9,936,605	0	0	9,936,605	0		
– thereof for social security	21,895	0	0	21,895	0		
– thereof for taxes	285,158	0	0	285,158	0		

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

interest rate for the period from December 7, 2021 to May 6, 2022 is 5.75 % p. a. As of December 31, 2021, the bond has an outstanding volume of EUR 87,061 thousand.

The item „Bonds, convertible“ includes liabilities from the issuance of a convertible bond as of March 29, 2018 in the amount of EUR 10,700,000.00. The convertible bond has a five-year term until March 29, 2023, bears interest at 3.625 % p.a. and is initially convertible into 357,143 new or registered common shares of Deutsche Rohstoff AG. The subscription rights of the shareholders have been excluded.

Included in liabilities as of December 31, 2021 with a maturity of up to five years is a bank loan in the amount of 18,541,000, which relates to the company Cub Creek Energy. Cub Creek Energy utilizes the loan to finance the ongoing oil and gas drilling activities. It was concluded with BOKF N.A.. As of December 31, 2021, the line of credit, which is recalculated every six months, amounts to \$30.0 million, of which \$21.0 million, or \$18,541,000 respectively, had been drawn down. The interest rate varies, with a weighted average interest rate of 4.5 % at December 31, 2021. The loan has a maturity date of May 31, 2024.

The item other liabilities amounts to EUR 9,937 thousand and mainly comprises license obligations to landowners of the companies Cub Creek Energy and Elster Oil & Gas as well as interest liabilities in connection with the corporate bond.

### 6. NOTES TO THE CONSOLIDATED INCOME STATEMENT

#### 6.1. REVENUE

Sales mainly relate to the US companies Elster Oil & Gas, Cub Creek Energy, Bright Rock Energy and Salt Creek Oil & Gas and their interests in producing oil wells. Production taxes are incurred on sales revenues from oil wells, which are to be deducted directly from sales revenues in accordance with the requirements of BilRUG. Production taxes of EUR 9.6 million were incurred in fiscal year 2021. Losses from hedging transactions are also recognized as revenue and amounted to EUR 14.3 million in the financial year 2021.

Revenue by segment and region breaks down as follows:

IN EUR	2021	2020
Gold	65,400	14,402
Oil	47,894,666	28,817,333
Gas and condensates	25,361,314	9,851,566
	<b>73,321,380</b>	<b>38,683,301</b>

IN EUR	2021	2020
Germany	65,400	14,402
USA	73,255,980	38,668,899
	<b>73,321,380</b>	<b>38,683,301</b>

#### 6.2. OTHER OPERATING INCOME

Other operating income breaks down as follows, see Table 6.2.

Income from the sale of current assets includes gains from the sale of shares generated at the level of Deutsche Rohstoff AG.

#### 6.3. COST OF MATERIAL

As of December 31, 2021, expenses for purchased services are recognized in the amount of EUR 18.1 million. They mainly relate to current operating costs incurred for the 39 wells at Elster Oil & Gas, the 85 wells at Cub Creek Energy in 2021 and the 137 wells at Bright Rock Energy.

#### 6.4. AMORTIZATION AND DEPRECIATION

Scheduled depreciation and amortization amounts to EUR 27,248 thousand.

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### TAB. 6.2. OTHER OPERATING INCOME

IN EUR	2021	2020
Income from the disposal of intangible fixed assets	224,554	117,278
Income from the disposal of tangible fixed assets	0	1,935
Income from the disposal of financial assets	511,758	409,324
Income from the write-up of financial assets	0	212,713
Sale of items of the current assets	18,483,048	5,312,636
Exchange rate gains	2,717,974	633,503
Remaining other income	1,036,666	1,004,933
	<b>22,974,000</b>	<b>7,692,322</b>

### TAB. 6.6. OTHER OPERATING EXPENSES

IN EUR	2021	2020
Exploration effort	1,071,087	0
Expenses from exchange losses	930,285	2,300,024
Bond financing costs (previous year convertible bond)	0	150,457
Legal and consulting fees	760,022	518,696
Financial statement and audit costs	154,395	155,793
Rents and leasing	284,671	268,338
Insurance premiums	320,099	271,729
Losses from the sale of current assets	1,312,763	1,849,750
Remaining expenses	2,175,507	1,670,514
	<b>7,008,829</b>	<b>7,185,301</b>

### TAB. 6.7. TAXES ON INCOME

IN EUR	2021	2020
Current tax	34,000	0
Refund withholding tax	0	0
Income (-)/expense (+) from the change in deferred taxes	664,920	-6,425,452
	<b>698,920</b>	<b>-6,425,452</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6.5. EXTRAORDINARY WRITE-DOWNS

An impairment loss of EUR 3,064 thousand was recognized on the fixed assets of Salt Creek Oil & Gas to reflect the carrying amounts at fair value. Internal reserve reports and present value calculations were used to determine the write-down. The impairment loss is subject to an annual review.

Amortization is reported under the item „Amortization of intangible assets and depreciation of property, plant and equipment“.

The item „Write-downs of financial assets and marketable securities“ in the amount of EUR 3,157 thousand includes the impairment loss of EUR 2,494 thousand on the investment in Rhein Petroleum GmbH as well as the valuation of marketable securities at the balance sheet date in the amount of EUR 663 thousand, which is attributable to the companies Deutsche Rohstoff AG and Tin International AG.

## 6.6. OTHER OPERATING EXPENSES

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

Expenses from foreign exchange losses mainly are incurred at the level of Deutsche Rohstoff AG. These are mainly currency losses in connection with the sale of marketable securities and currency losses incurred on the repayment of interest by the US subsidiaries.

## 6.7. INCOME TAXES

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

## 7. OTHER NOTES

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

Cash and cash equivalents consist of the balance sheet item bank balances less short-term current accounts. In the financial year 2021, cash outflows resulted mainly from the repayment of the bond 16/21 in the amount of EUR 16.7 million and the repayment of a USD credit line in the amount of USD 17.9 million. Cash inflows mainly resulted from the raising of a USD credit line in the amount of USD 22 million.

### 7.2. RELATED PARTY TRANSACTIONS

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

## 7.3. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

### CONTINGENT LIABILITIES

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

### OFF-BALANCE SHEET TRANSACTIONS

See Table 7.3.1.

### OTHER FINANCIAL OBLIGATIONS

In addition to contingent liabilities, there are other financial obligations., see Table 7.3.2.

TAB. 7.3.1. OFF-BALANCE SHEET TRANSACTIONS

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

TAB. 7.3.2. OTHER FINANCIAL OBLIGATIONS

IN EUR	DUE IN <1 YEAR	DUE IN >1 YEAR	2021	DUE IN <1 YEAR	DUE IN >1 YEAR	2020
Rent for office space	163,844	562,194	726,037	197,672	123,965	321,636
Vehicle leasing	7,845	9,806	17,651	2,715	0	2,715
Other	855	3,419	4,273	2,171	181	2,351
			747,961			326,702

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## STOCK OPTION PROGRAM

Based on the resolution of the Annual General Meeting of Deutsche Rohstoff AG on July 10, 2018, the Board of Management is authorized to establish stock option programs until July 9, 2021 and to issue, on a one-off basis or in several tranches, up to 200.000 stock options with subscription rights to new no-par value registered shares of the Company with a pro rata amount of the share capital attributable to each share of EUR 1.00 per share with a term of up to seven years to members of the management board and members of the management of affiliated companies, selected employees of the Company and affiliated companies, subject to the proviso that each stock option generally grants the right to subscribe to one new share of the Company.

By resolution of October 2, 2018, the executive board made use of the authorization for the first time and issued 34,500 stock options to employees of Deutsche Rohstoff AG. By resolution of December 19, 2019, the executive board issued a further 21,000 stock options to employees. In fiscal year 2021, a further 94,500 options were issued to employees.

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

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

## 7.4. EMPLOYEES

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

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

TAB. 7.4. EMPLOYEES

NUMBER OF EMPLOYEES	2021	2020
Workers	0	0
Salaried employees	26	23
Trainees	0	0
<b>TOTAL</b>	<b>26</b>	<b>23</b>

## 7.5. CORPORATE BODIES

### MANAGEMENT BOARD

**Dr. Thomas Gutschlag** · Mannheim

**Jan-Philipp Weitz** · Mannheim

### SUPERVISORY BOARD

**Martin Billhardt** (Chairman) · Pfäffikon (SZ)/Switzerland

Managing Director Sidlaw GmbH

**Prof. Dr. Gregor Borg** · Halle

Head of the working group on petrology and economic geology (Fachgruppe für Petrologie und Lagerstättenforschung) at the University of Halle-Wittenberg

**Wolfgang Seybold** · Esslingen am Neckar

Banking professional, General Manager of AXINO Investment GmbH

## 7.6. TOTAL REMUNERATION OF THE MANAGEMENT BOARD

The remuneration of the Board of Management of Deutsche Rohstoff AG for the performance of their duties in the parent company and the subsidiaries amounted to EUR 978 thousand (previous year: EUR 685 thousand).

## 7.7. TOTAL REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board of Deutsche Rohstoff AG for the performance of its duties in the parent company and the subsidiaries amounted to EUR 163 thousand (previous year: EUR 185 thousand).

## 7.8. AUDITOR'S FEE

The total fees charged by the Group's auditor for the financial year amounted to EUR 80 thousand, of which EUR 69 thousand related to audit services, EUR 7 thousand to other assurance services and EUR 4 thousand to other services.

## 7.9. SUBSEQUENT EVENTS

After the balance sheet date, the following events had a significant impact on the further course of business until the beginning of April 2022:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At the beginning of January, Deutsche Rohstoff AG raised its forecast for the 2022 financial year, with consolidated revenue now expected to be between EUR 126 and 134 million and EBITDA between EUR 97 and 102 million.

In early February, Salt Creek Oil & Gas, a wholly owned subsidiary, signed a contract to participate in 18 wells drilled by Occidental Petroleum („Oxy“). Salt Creek further announced that drilling is scheduled to commence in Q1 2022. Over a 12-month period, Salt Creek expects to invest approximately USD 65 million.

Also in February 2022, Deutsche Rohstoff AG placed EUR 13 million of the bond 19/24, increasing the outstanding volume to EUR 100 million.

In mid-February, the Bright Rock Energy subsidiary announced that it had signed a purchase agreement for around 9,500 acres (38 km<sup>2</sup>) in the Powder River Basin/Wyoming. The parties to the contract agreed not to disclose the purchase price.

In early March, Deutsche Rohstoff AG announced the status of reserves as of December 31, 2021. Reserves doubled to around 49 million BOE, while the value of safe reserves increased to USD 318.2 million.

In March 2022, Deutsche Rohstoff AG announced that it had concluded a binding term sheet with the Australian company SensOre. The aim of the planned cooperation is to identify economically interesting lithium deposits in Western Australia with the help of SensOre's technology. In the same announcement, Deutsche Rohstoff AG also announced that it has transformed the former Jutland Petroleum GmbH into Prime Lithium AG. Prime Lithium AG is working on the development of a possible market

entry in the field of processing of lithium precursors from the mining industry.

Deutsche Rohstoff AG plans to make changes to the Executive Board and Supervisory Board at the end of this year's Annual General Meeting, which will be held as a virtual Annual General Meeting on June 28, 2022. Dr. Thomas Gutschlag, CEO and member of the company's Management Board, intends to stand for election to the Supervisory Board and resign from his position on the Management Board. Jan-Philipp Weitz is intended as successor for the position of CEO.

Mannheim, 25 April 2022

The Management Board

Dr. Thomas Gutschlag

Jan-Philipp Weitz

## REPORT OF THE SUPERVISORY BOARD

### DEAR SHAREHOLDERS,

Over the past fiscal year, the Supervisory Board of Deutsche Rohstoff AG (hereinafter also referred to as "company") performed its duties in accordance with law, the articles of incorporation and rules of procedure, and intensively supervised the Management Board's business conduct, thus fulfilling its advisory and regulatory role. In all decisions that were of fundamental importance to the company, the Supervisory Board was directly involved. Within the scope of fulfilling its duties, the Management Board reported to the Supervisory Board regularly, promptly and comprehensively, both in writing and orally and/or by telephone, on matters of corporate planning, the position and development of the company and its subsidiaries and affiliates, as well as all significant transactions. The Supervisory Board voted, after careful consideration and consultation, on the decisions or actions of the Management Board, which are subject to approval by law, the articles of incorporation and the rules of procedure of the Management Board, as well other decisions of fundamental importance.

Regarding the reports of the Management, I continuously maintained contact to the Management in my capacity as chairman of the Supervisory Board. I kept abreast of the latest business development within the corporate network, in particular about the development of oil and gas production in the USA, the equity and bond portfolio, and the liquidity and financing of the Group.

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

A total of five Supervisory Board meetings were held in fiscal year 2021. All members of the Supervisory Board attended all meetings. No committees were formed. The meetings of the

Supervisory Board in fiscal year 2021 focused in particular on the following topics:

- ongoing production of oil and gas in the U.S. at the various locations;
- the purchase of further acreage in Wyoming by the subsidiary Cub Creek Energy LLC;
- the development of the investment portfolio;
- the first well drilled in Wyoming by subsidiary Bright Rock Energy LLC;
- the adoption of the annual financial statements and the approval of the consolidated financial statements of Deutsche Rohstoff AG for the financial year 2020 at the balance sheet meeting on April 26, 2021, after detailed discussion with the auditor of the financial statements and the consolidated financial statements for the financial year 2020;
- the business development and financial situation of Almonty Industries Inc. and the extension of existing loans or convertible bonds by Deutsche Rohstoff AG;
- the results of the Company's interim financial statements as of June 30, 2021, and the quarterly report for the first nine months of 2021;
- price hedging of expected oil production in 2021 and 2022;
- the investment of the Company's cash and cash equivalents;

- the development of commodity prices, in particular the oil price in the USA and the European tungsten APT (ammonium paratungstate);
- the assessment of the currency development of EUR/USD in particular;
- the closing of the project financing of Almonty Industries with KfW-IPEX Bank and the granting of two loans to Almonty;
- the investment and budget planning of the Company and the Group for fiscal year 2022;

The budget planning for the 2022 financial year prepared by the Executive Board was reviewed and approved by the Supervisory Board. The strategic alignment of the Company and the Group was discussed, reviewed and adjusted on the basis of medium- and long-term corporate plans and scenarios. The Supervisory Board analyzed and reviewed the information received from the Executive Board in detail and discussed it with the Executive Board. Particular attention was paid to the risk situation and risk management.

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

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

## REPORT OF THE SUPERVISORY BOARD

- the authorization of the Board of Directors to make financing commitments to Almonty Industries Inc. in the amount of USD 2 million;
- the issue of a second tranche of stock options to the Executive Board and a third tranche of stock options to the employees of the Company, respectively, dated April 26, 2021.

### **ANNUAL FINANCIAL STATEMENTS, CONSOLIDATED FINANCIAL STATEMENTS, GROUP MANAGEMENT REPORT AND PROPOSAL FOR THE APPROPRIATION OF NET RETAINED PROFIT**

The audit firm Falk GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, headquartered in Heidelberg, Im Breitspiel 21, 69126 Heidelberg, Germany ("Falk"), was appointed by the Annual General Meeting on 23 Juni 2021 as auditor and group auditor for the 2021 financial year and subsequently commissioned by the Supervisory Board to audit the separate and consolidated financial statements of the Company. Falk audited the separate and consolidated financial statements (including the Group management report) for the 2021 financial year prepared by the Management Board and issued an unqualified audit opinion in each case.

All members of the Supervisory Board received the special documentation relevant to the financial statements, in particular the annual financial statements and consolidated financial statements, the associated audit reports by Falk, and the Executive Board's proposal for the appropriation of net income, in good time prior to the Supervisory Board's meeting to approve the financial statements on 25 April 2022. In preparation for this meeting, all members of the Supervisory Board dealt in detail with the aforementioned documents. At the financial statements meeting, the annual financial statements, the con-

solidated financial statements, the Group management report and the proposal for the appropriation of net income were discussed in detail with the Executive Board. The Supervisory Board independently examined the annual financial statements prepared by the Management Board as well as the consolidated financial statements and the Group management report for legality, correctness, expediency and economic efficiency, as well as the Management Board's proposal for the appropriation of net retained profits. The partner responsible at Falk and the audit manager also attended the balance sheet meeting on 25 April 2022. They reported on the audit, commented on the main points of the audit and were available to the Supervisory Board to answer additional questions and provide information.

Following a detailed examination of the annual financial statements and the consolidated financial statements as well as the Group management report for the 2021 financial year, the Supervisory Board raised no objections to this, nor to the Executive Board's proposal for the appropriation of net income. The supervisory board concurred with the audit result of Falk and approved the annual financial statements and the consolidated financial statements of Deutsche Rohstoff AG. The annual financial statements of Deutsche Rohstoff AG are thus ratified.

The Supervisory Board would like to thank the members of the Management Board and all the employees for their commitment and achievements in fiscal year 2021.

Mannheim, April 2022

On behalf of the Supervisory Board

Martin Billhardt  
Chairman

# AUDITOR'S REPORT

## TO DEUTSCHE ROHSTOFF AG, MANNHEIM

### AUDIT OPINIONS

We have audited the consolidated financial statements of Deutsche Rohstoff AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021 the consolidated statement of profit and loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2021 to 31 December 2021, and notes to the consolidated financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the group management report of Deutsche Rohstoff AG for the financial year from 1 January 2021 to 31 December 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2021, and of its financial performance for the financial year from 1 January 2021 to 31 December 2021 in compliance with German Legally Required Accounting Principles, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 paragraph 3 sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

### BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

### OTHER INFORMATION

The Supervisory Board is responsible for the Supervisory Board report. In all other respects, the executive directors are responsible for the other information. The other miscellaneous information comprises:

- Letter to the shareholders
- Comments on the share and the bond in the annual report
- Comments on Almonty in the annual report
- Report by the Supervisory Board

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

### RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law and that the consolidated financial statements, in compliance with German Legally Required Accounting Principles, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they, in accordance with

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German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures



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in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective [audit] opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

· Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.

· Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

· Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

· Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by

the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate [audit] opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Heidelberg, 25 April 2022

FALK GmbH & Co KG  
Wirtschaftsprüfungsgesellschaft · Steuerberatungsgesellschaft

Steffen Ahrens  
Wirtschaftsprüfer  
[German Public Auditor]

Bastian Wenk  
Wirtschaftsprüfer  
[German Public Auditor]

## 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.

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# Deutsche Rohstoff

