



Crown Energy AB: Year-end report 2016

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Fourth quarter– October-December 2016

- No sales were recognised.
- The operating loss totalled SEK -4,872 thousand (2,361), consisting primarily of employee benefit expenses and other external costs.
- Loss after tax was SEK -2,451 thousand (-3,733), corresponding to SEK -0.02 per share (-0.07), both before and after dilution.
- Investments in exploration and evaluation assets totalled SEK 1,733 thousand (641).

Full year – January-December 2016

- No sales were recognised.
- The operating loss totalled SEK -11,125 thousand (-8,644), consisting primarily of employee benefit expenses and other external costs.
- Loss after tax was SEK -3,083 thousand (-15,577), corresponding to SEK -0.04 per share (-0.35), both before and after dilution.
- Investments in exploration and evaluation assets totalled SEK 4,470 thousand (8,532).

Key events during the quarter

- The previously announced farm-out of shares in Block 2B in South Africa to Africa Energy was completed in October. The farm-out means that Crown Energy is left with a ten per cent share and that Africa Energy will be responsible for all costs associated with drilling the licence's first well.
- Crown Energy entered an agreement in the fourth quarter to acquire all of the shares of ESI Group SA. The acquisition includes a portfolio of property assets in Angola. The seller is, Yoav Ben-Eli, via his company YBE Ventures Ltd. The transaction was approved by an extraordinary general meeting in December 2016 and payment is being made by issuing approx. 364 million of the new share class, C shares, in Crown Energy. The acquisition is expected to be completed in the first half of 2017 and with that, the C shares can be converted into ordinary shares.
- Crown Energy granted ESI Group SA a short-term loan of USD 1 million in connection with the transaction. The purpose of the loan is to capitalise the Angolan company to which the underlying assets will be transferred, which is required under Angolan tax legislation.
- The composition of the Board changed in connection with the extraordinary general meeting and the change in ownership impending at that time; Nick Johnson resigned and Yoav Ben-Eli joined the Board.

CEO statement

Dear fellow shareholders,

Crown Energy carried out fundamental transactions in 2016 to create a robust, growth-oriented, cash flow-generating company in the oil industry.

In the two single largest transactions of the past year, Crown Energy raised a substantial amount of capital to pay off debts, to keep the Company running as a going concern, and for investments. The other major event is of course the acquisition of ESI Group, which is basically a reverse acquisition.

These transactions create a unique company in the oil industry in which growth is stimulated by individual performance in each business area and where synergies between business areas help generate new business for Crown Energy. We have chosen to call our business areas Energy, which covers our exploration business, and Property Development and Services, which provides seamless office and housing solutions for companies and organisations mainly operating in the oil industry.

The acquired business has a history of being well-run and has good client relationships. The entire concept and most of the revenue will come from the service provided in conjunction with property rentals. Long-term relationships and contracts ensure high project profitability. The fact that most clients are major Western companies while costs are local plays a part in this solid profitability.

We are now looking forward to closing the deal and thus incorporating ESI Group and its business into Crown Energy, and we hope to see this business continue to expand while retaining the same high profitability. The timetable for this is March/early April so that we can incorporate ESI and its business in the interim report for the first quarter of 2017. The management of Crown Energy and of ESI Group are currently working hard to complete the transaction and create a jointly functioning group with a larger organisation, greater total assets and higher operating cash flows.

The long-term plan is for Crown Energy to pay dividends while retaining high growth potential in terms of operations.

Incorporating ESI Group in a listed European company provides better access to the international capital market, which is important for faster growth and further expansion of the business to other markets besides Angola.

As a whole, 2016 was the most active and expansive year in the Company's history. An extraordinary general meeting was held in the first quarter which resolved to raise capital using a directed share issue to a small number of investors.

In the second quarter, an agreement was signed to conduct a directed issue of shares and warrants to Cement Fund, which helped us bring in a strong owner with contacts, knowledge and capital. This also enabled us to pay off outstanding convertibles to their holders in full as well.

During the third quarter, we published a prospectus for the directed share issue, which brought Cement Fund into the Company. Then we began the work that resulted in the announcement of the acquisition agreement with ESI Group. In addition, the farm-out of Block 2B in South Africa was finalised, so we are now formally partners with Africa Energy and look forward to this collaboration and future activities under this licence. The extraordinary general meeting held in mid-December resolved on the transaction with ESI Group.

Considering all this activity, the Company was also able to advance its positions in the Energy business area in the form of exploration licences.

Africa Energy has now filed an application with the authorities so we can move on to the next phase in South Africa – the phase we have been looking forward to for a long time, which will include new drilling in the licence area. In addition, we were able to be much more active with our licence in Iraq, where after many meetings we can look forward to the next phase with activities on site.

As part of the extraordinary general meeting in December, the Company brought entrepreneur Yoav Ben-Eli onto the Board, as a new shareholder through his company YBE Ventures Ltd., we gained a strong profile who built ESI Group into a well-run business with stable cash flows. At the same time, Nick Johnson left the board at his own request and we thank him for his excellent work for the Company.

Business decisions that affected the Company's performance

We will acquire a well-run company that is profitable and has great growth potential. The strong cash flow also increases our ability to develop existing operations in Crown Energy, as the end market in exploration operations and in the property services business consists largely of the same companies and customers, i.e. the oil and gas industry. As a larger joint company, we see new opportunities for generating future business in both business areas.

Outlook

The Company now continues its progress towards a larger and more stable foundation to stand on. Through the merger with ESI Group, we can reap the benefits of prominent contacts in the oil industry, and future cash flows should guarantee faster development of the Company's existing assets. Our capital and organisation are adapted to accommodate an exciting continuation of Crown Energy's development efforts.

We can now continue to take an active approach to our assets and assume a position of strength when new transactions arise going forward. This is the foundation for a bright future for the Company.

Financing

The issue of shares and warrants to Cement Fund in 2016 means the Company will continue to have adequate working and investment capital going forward.

The Board and management will also work to raise the Company's market visibility in 2017. This shall lead to adequate and strong trading in the Company's shares, which benefits the Company and its shareholders.

We look forward to continuing our efforts to capitalise on our assets, thus creating value for you, our shareholders.

Andreas Forssell
CEO, Crown Energy AB

This information constitutes such information as Crown Energy AB (publ) is required to disclose under the EU Market Abuse Regulation and the Securities Markets Act. The information was released for publication on 10 February 2017 on behalf of the contact person listed below at 8:30 CET.

MORE INFORMATION

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ABOUT CROWN ENERGY

Crown Energy is an international oil and gas company engaged in exploration in Africa and Middle East. Growth is created by developing assets in early stages and then maximizing value by introducing appropriate industry partners in the development and production stages. For more information please visit www.crownenergy.se