

Crown Energy AB: Operational Update and Correction for previous Q1 and Q2 reports from Crown Energy

PRESS RELEASE 29/11/2022

INSIDE INFORMATION: This is an update on the recent developments in Crown Energy's operations. The update includes a significant correction for Q1 and Q2 report, where the financial costs for the group were reported 94 MSEK too high, due to revaluation of a non-monetary liability. Also, Crown Energy would like to inform that it will not pursue the negotiation of Manja Licence in Block 3108 in Madagascar, which will affect Crown Energy's financial statements in Q4 2022.

CORRECTION FOR FINANCIAL REPORTS FOR Q1 AND Q2

Crown Energy has identified a mistake in Q1 and Q2 reports. The payments that CE receives in accordance with the sale agreement of 20 October 2021 in accordance with IFRS rules are accounted for as prepaid income which adds to the company's liabilities on the balance sheet. This liability is of non-monetary nature and thus shall be accounted for at the spot value at the day of transaction. In Q1 and Q2 reports this position was revaluated at the quarterly closing rates, which generated an additional cost of approximately 94 000 TSEK. This cost was not reversed in respective period, and thus effects the accounts for the whole 9-month period of 2022. The report set to be published later today will include this correction.

A STRONG CASH POSITION

Regarding our cash position, Crown remains in a very positive and strong cash position with approximately 870 MSEK USD, 150 MSEK in fixed income investments and a secure income of \$16m per annum in accordance with the terms of our Sale and Purchase Agreement of October 2021 as well as continued payments for the C-view property in Angola. Crown is therefore very well positioned financially to pursue new projects and opportunities.

UPDATE ON CURRENT PROJECTS

ENERGY

GAZANIA-1 WELL IN BLOCK 2B IN SOUTH AFRICA

As previously communicated, our joint venture partners reported a disappointing outcome to the most recent drilling activity, with no commercially viable amount of oil to be found. Once the Operator has provided further advice and information on the well results, we will, together with our partners, decide if and how our involvement in this project should continue.

Crown Energy reminds the market that we were fully carried for the costs of the well. Though the result was not in line with our hopes and expectations, the financial costs and effects on Crown have been minimal.

MANJA LICENSE IN BLOCK 3108 IN MADAGASCAR

Since the current Licence came to an end in November 2019, there have been discussions with the Madagascar authorities to apply for another two-year extension to the Block 3108 Manja Licence.

Crown always tried to secure an industry partner to share in the risk and expenditure of the work programme. Going forward the authorities very much wanted to see a well being drilled on the Licence and cost estimates for such a well were around \$40m.

These costs have gone up dramatically during the later course of 2022 and we are especially conscious of this significant industry wide increase since the arrival of the drilling rig and commencement of operations for the Block 2 B well in South Africa.

No balanced and sensible decision could be made on the Manja Licence until the oil well on Block 2 B was drilled and so this situation has only now crystallised into a commercial reality for Crown. Therefore, we believe it is the correct decision at this time to impair the value attributed to Madagascar in our accounts in accordance with IFRS terms.

During the course of 2022 operational costs for frontier oil and gas exploration have outstripped the benefits of the increase in the oil price which is currently around \$85/bbl. The main reason for this is the lack of sufficient oil and gas related infrastructure to support drilling activities in the Madagascar and the Manja Licence. Crown always knew and had planned on the requirement to import equipment and materials from other countries.

However, Crown now believes that the costs of importing a land rig for the drilling of a well in addition to the supply of all materials and equipment to go with that, plus the costs of mobilising and transporting everything, will now be severe.

The recent and substantial price increases for materials associated with drilling activities has created this heavier cost burden - a development that has been noticeable as of late and which certainly could not be foreseen when Crown entered the project.

Additionally, we are very conscious now of the potentially adverse environmental effects of pursuing a future drilling on land in the area, which is not in line with the updated strategy of moving Crown in a direction that puts sustainability first.

Crown has made its wish clear to move away from oil and gas and towards a carbon neutral future. Thus, the board must re-evaluate the future involvement of Crown Energy in Madagascar.

Therefore, under the current circumstances as we see them, the Board of Crown no longer believes it is beneficial to our Company from a commercial or environmental standpoint to try to renegotiate the Manja Licence. The License and copies of all data acquired by Crown Energy will remain in the hands of the Madagascar authorities, and thus the asset will be impaired in Q4 2022.

As of 30 September 2022, for the purposes of the impairment, the value of the licence is 114,991 TSEK. The deferred tax liability is estimated at -19,307 TSEK. The total effect of the write down of the Licence value will be shown in the Q4 report.

BUSINESS TRANSITION UPDATE

As previously communicated, we intend to use this liquidity to make investments in fast-growing segments such as medical technology, telemedicine and in the longer-term CO₂-sequestration. We expect that a first investment in one of these areas will take place in the near future..

This disclosure contains information that Crown Energy is obliged to make public pursuant to the EU Market Abuse Regulation (EU nr 596/2014). The information was submitted for publication, through the agency of the contact person, on 29 November 2022 at 08.30 am CET.

MORE INFORMATION

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ABOUT CROWN ENERGY

Crown Energy is an international group providing customised solutions for housing, offices and associated services, as well as oil and gas exploration in Africa and the Middle East. For more information, please visit www.crownenergy.se