



**CROWN  
ENERGY**

# ANNUAL REPORT 2011

**CROWN ENERGY AB (PUBL)**



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# About Crown Energy

Crown Energy AB (publ) ("Crown Energy") is an international oil and gas group. Crown Energy focuses on exploration opportunities with great potential for recoverable reserves of oil and gas in underexploited areas, initially Africa. The Group has operations in Equatorial Guinea, South Africa, and Madagascar.

- Registered as a public company in September 2011. The company changed its name from Benchmark Förvaltnings AB to Crown Energy AB (publ), and Ulrik Jansson took over as CEO.
- On 5 August 2011, Crown Energy acquired all shares in Amicoh Resources Ltd, which owns an exploration license in Madagascar.
- On 5 August 2011, Crown Energy signed an agreement to acquire Thombo Petroleum Ltd, which owns 75 per cent of the Block 2B license in South Africa. Acquisition of the company is subject to regulatory approval and an initial purchase price of USD 14 million to be paid in cash on fulfilment of the terms of the agreement. Thombo Petroleum also concluded an agreement with Afren Plc, a major oil and gas player listed on the London Stock Exchange. The farm-out agreement with Afren means that Afren will step in and fund further 3D seismic exploration and two test drillings. On completion, Afren will own 50 per cent and take over the operatorship of the license.
- On 4 October 2011, Crown Energy signed an agreement to acquire five per cent of the exploration rights in Equatorial Guinea – Block P. The acquisition is subject to regulatory approval and has not yet been completed.
- The company was approved in December 2011 for listing on the Nordic Growth Market, Nordic MTF. Trading in the share began on 30 December 2011. The share is traded under the ticker symbol CRWN MTF.

# Introduction

Crown Energy is an international oil and gas group. Crown Energy focuses on exploration opportunities with great potential for recoverable reserves of oil and gas in underexploited areas, initially Africa. The Group runs projects in Equatorial Guinea, South Africa, and Madagascar.

## BUSINESS MODEL

Crown Energy initially focuses its activities on underexploited areas in Africa. With many years of experience and an extensive network, Crown Energy will create value by identifying, acquiring, and developing licenses and projects for future extraction and production of oil and gas. With a strategy of entering in early stages and further developing projects through exploration and resource optimisation, great value can be realised upon successful results. When and if a license or project is ready for production, Crown Energy intends to realise its potential increase in value by reselling the project to a major oil and gas player.

## PROJECT PORTFOLIO

Crown Energy's existing projects are located in Equatorial Guinea, South Africa, and Madagascar. Unlike South Africa and Madagascar, there is greater competition for exploration opportunities in West Africa. In this region, in Equatorial Guinea, Crown Energy has its most advanced project, in which it is working to finalise a development plan with a view to starting expansion of the oil field as a next step.

### Project overview

REGION	PROPORTION	STAGE	POTENTIAL (BOE)
Equatorial Guinea – Block P*	5%	Expansion	18 MMBOE
South Africa – Block 2B**	100%	Exploration	179 MMBOE
Madagascar – Manja Block 3108	100%	Exploration	400 MMBOE

\*The acquisition of a share of the license is subject to regulatory approval.

\*\*The acquisition of the company holding the license is subject to regulatory approval and payment of a cash amount.

## EQUATORIAL GUINEA

On 4 October 2011, Crown Energy signed an agreement to acquire five per cent of the exploration rights in Equatorial Guinea – Block P. The acquisition is subject to regulatory approval and has not yet been completed.

Block P, Equatorial Guinea – This block is in close proximity to the mainland in the Rio Muni Basin, which contains confirmed reserves, such as the oil-rich Ceiba Field and fields in Block G. These fields, located about 50 kilometres south, have reserves of

about 500 million barrels of oil. Another Ceiba Field and fields in Block G that are similar to sand reservoirs were identified and verified in the Venus Field in Block P.

Previous exploration drilling has also indicated potential for oil deposits in the area surrounding the Venus Field. Block P has proven oil finds and is therefore in the later phase of Crown Energy's business model.

Oil company Devon Energy discovered the Venus Field in 2005 and did further studies and exploration in 2005 and 2006. Crown Energy, in cooperation with other project partners, is now working to finalise a development plan. The development plan is built around a production option with three simple wells and production facilities on the seabed, and is based on the reserves in the field totalling 18 million barrels (P50).

## SOUTH AFRICA

On 5 August 2011, Crown Energy signed an agreement to acquire Tombo Petroleum Ltd, which owns 75 per cent of the Block 2B exploration rights in South Africa. The acquisition is subject to regulatory approval and has not yet been completed.

Block 2B, South Africa – The Company's exploration block in South Africa is located at sea on the Atlantic coast just south of the border with Namibia. A small oil find was previously discovered in the exploration area.

The exploration area was explored using two-dimensional seismic studies that were analysed and processed in recent years, and six new structures were identified within the license area that may contain oil. The next phase of development is to obtain three-dimensional seismic studies of the exploration area to get a better geological understanding of the prospect.

The oil-bearing reservoir in the license area was discovered by exploratory drilling in 1989 and tested 200 barrels of oil per day. Through Crown Energy's re-interpretation of existing data, it is estimated that the license area has the potential to contain about 180 million barrels of oil.

The other 25 per cent of the Block 2B exploration license in South Africa is held by Afren Plc, an oil company listed on the London Stock Exchange. Through a wholly owned subsidiary, Afren farmed into exploration license Block 2B for an initial 25 per cent, and in return they will fund the three-dimensional seismic study as per the licensing agreement. In an extension they have the option of also fully funding up to two exploration wells under the license. The value of Afren's commitments amount

to about USD 80 million. Afren announced that by their own estimates they believe there are up to 350 million barrels of oil or oil equivalents in Block 2B.

#### MADAGASCAR

On 5 August 2011, Crown Energy acquired the exploration rights in Block 3108 Manja, Madagascar, through the acquisition of Amicoh Resources Ltd.

Block 3108 Manja, Madagascar, which is located on the east coast of Africa, has historically been underexploited when it comes to oil and gas. There are some oil finds in Madagascar in the form of heavy oil, which proves that there is a working petroleum system on the island.

In recent years, exploration activities have increased due to finds of both oil and gas elsewhere in East Africa. The Manja block is located on the western side of Madagascar and covers an area of 7,180 square kilometres. In 2007 and 2008, 220 kilometres

of seismic data within the license area was acquired, and then processed and compiled.

Several structures were identified, of which the largest is located in the north-western part of the license area. This structure may contain up to three billion barrels of oil. The structure is situated at a depth of 3,500 metres. Gas was found in the southern part of the license area in the 1950s, and in recent years, major gas finds have been located in an adjoining license area to the south.

The next step in the development of the license is to drill a well on the prospect located in the north-western part of the license area. According to the terms of the license, this drilling must be carried out before 12 November 2012. Crown Energy has begun preparations for performing the drilling by the deadline. Crown Energy currently owns 100 per cent of the license and the company has, in accordance with its strategy, initiated the process of finding a partner to realise this project.



# Board of directors and senior executives



**ULRIK JANSSON**  
CEO and board member since 2011

Ulrik Jansson has a law degree from Uppsala University. He has many years of experience in the oil industry, including CEO at PA Resources and serving on the board of Tarrango Oil AB since 1998. He has also served on the boards of PreVentura AB and IGE Resources AB, and worked as legal counsel for AGA AB from 1985 to 1996 and at Uddeholm AB from 1982 to 1985.



**ANDREAS FORSSELL**  
CFO and Vice President since 2011

Andreas Forssell has a business degree from the University of Stockholm, which he attended 1992-1996. In 2000, he received his MBA from Cass Business School in London. He has 15 years experience in various senior management positions, and was until recently CEO of Tomsk Refining AB. Prior to that he held different types of management positions in various industries and has worked as a business advisor in corporate finance and M&A. He also serves on the board of Kopy Goldfields AB.



**PETER MIKKELSEN**  
Exploration Manager since 2011

Peter Mikkelsen has more than 30 years of experience in the oil industry, which includes more than 15 years in various management positions in exploration. He received his bachelor's degree in geology from Oxford University in 1976. After graduation, he worked at Carless Exploration Ltd, where he was primarily responsible for their on-shore discoveries in the UK. After becoming exploration manager for Carless' US subsidiary, he moved back to Britain in 1998 where he became an employee of Brabant Petroleum Ltd. As exploration manager at Brabant Petroleum, he was involved in several discoveries in the North Sea, including Malory, Hannay, and Goldeneye. He was also involved in Brabant's European and Tunisian expansions. He left Brabant in 1999, and has since worked as a consultant. He concentrates primarily on developing exploration projects in which the main focus is on

commercial and technical aspects, and on project implementation. For the last ten years, he has worked on a wide range of international projects with significant experience in areas such as Africa, north-west Europe, the Mediterranean, the Caribbean, and the US. He has also been a non-executive director at Kea Petroleum PLC since 2009 and an associate at Simco Petroleum Management since 2000.



**DAVID JONES**  
Legal adviser and corporate secretary since 2011

David Jones has a bachelor's degree in law and is a barrister. He has worked in the international oil industry since 1973, when he was hired by Total Oil Marine to work on the development of the Frigg Field. Before he became a legal consultant to the oil industry, he also worked at Bow Valley, Charterhall Plc, and Triton Resources Plc. He has worked in a variety of fields, from exploration and production agreements to sales agreements for international companies. He has also advised a number of national and state oil companies on legal matters. Besides his engagement at Crown Energy, he acts as legal advisor to PA Resources AB and is a director and legal advisor at Eastmed Energy Ventures.



**ALAN SIMONIAN**  
Chairman of the board since 2011

Alan Simonian received his law degree from Southampton University in 1988. He has been engaged by Crown Energy since 2011. His duties relate primarily to business operations and a variety of tasks related to his position as chairman. He has worked on many different international projects, mainly in Nigeria and South Africa. His strength in projects is in the initiation phase, when he works hard to build up the project so a measurable result can be attained. For example, he was involved in the start-up of Scotsdale Ltd, which received a number of licenses in the North Sea. The company was later acquired by PA Resource AB. His many years of experience in the oil industry include founding Simco Petroleum Management Ltd, a London-based oil services company, in 1996. Other posts include serving on the board of Thombo Petroleum Ltd and acting as CEO of Simco Petroleum Management Ltd.

**ANDREW HARRIMAN****Board member since 2011**

Andrew Harriman has been engaged by Crown Energy since 2011. From 2000 to 2004, he was a partner in Africa Oilfields Services, a company providing exploration solutions in Nigeria. He owns Nigerian Development & Construction Company Ltd, which has provided seismic explosives in Nigeria for the last 30 years.

# CEO's statement

To the shareholders

2011 was an eventful year for the shareholders of Crown Energy AB. During the year, the company acquired a number of assets and its share was listed on the Nordic Growth Market's Nordic MTF list in Stockholm shortly before year-end.

The company's current focus is Africa, where assets were acquired in Equatorial Guinea, South Africa, and Madagascar. The assets are in various stages of development. Africa is an exciting continent with great potential where assets can still be acquired on affordable terms.

The driving force for an oil company is its geological opportunities, and we focus on areas with proven petroleum systems, areas that are in an early exploration phase, and projects with great potential that can provide high shareholder returns on invested capital.

In early 2012, we began preparations for drilling a first well on our large, not yet tested structure in Madagascar, as we look for a project partner. Seismic surveys in the Thombo license area in South Africa are being prepared for the end of the year, and the expansion planning for Block P is progressing as planned. Besides our existing projects, we are always looking to expand the company with additional exciting opportunities.

We expect 2012 to be an exciting year for the company and our shareholders.

Regards,

Ulrik Jansson





# Directors' report

## INFORMATION ABOUT THE OPERATION

Crown Energy is an international oil and gas group that focuses on exploration opportunities with great potential for recoverable reserves of oil and gas in underexploited areas, initially Africa. The Group has operations in Equatorial Guinea, South Africa, and Madagascar. The parent company is located in Stockholm, Sweden.

The parent company was registered in April 2010 and was dormant until June 2011. The Crown Energy Group was founded in June 2011 through acquisition of its subsidiary Crown Energy Ventures Corporation Ltd. In August 2011, Crown Energy Ventures Corporation Ltd acquired subsidiary Amicoh Resources Ltd, which holds an exploration license in Madagascar.

## RISKS

Crown Energy is exposed to various financial risks in its operation. The principal identifiable financial risks are currency, price, and liquidity risks. Price risk exists in our financial investments and liquidity risk in the event we need to make additional investments and do not have adequate funds.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Crown Energy was registered as a public company in September 2011. The company changed its name from Benchmark Förvaltnings AB to Crown Energy AB (publ), and Ulrik Jansson took over as CEO.

On 5 August 2011, Crown Energy acquired all shares in Amicoh Resources Ltd, which owns an exploration license in Madagascar.

On the same date, Crown Energy also signed an agreement to acquire Thombo Petroleum Ltd, which owns 75 per cent of the Block 2B license in South Africa. Acquisition of the company is subject to regulatory approval and an initial purchase price of USD 14 million to be paid in cash by 31 May 2012 on fulfilment of the terms of the agreement. Thombo Petroleum also concluded an agreement with Afren Plc, a major oil and gas player listed on the London Stock Exchange. The farm-out agreement with Afren means that Afren will step in and fund further 3D seismic exploration and two test drillings. On completion, Afren

will own 50 per cent and take over the operatorship of the license.

On 4 October, Crown Energy signed an agreement to acquire five per cent of the exploration rights in Equatorial Guinea – Block P. The acquisition is subject to conditional regulatory approval and has not yet been completed.

In December 2011, the parent company received a conditional shareholder contribution of SEK 4 million to cover the loss incurred in 2011 and the anticipated loss in 2012.

In Q4, gratuitous shares were distributed to the shareholders of the former parent company, Commodity Quest AB (publ). This meant about 1,700 new shareholders in Crown Energy AB, which was a step in the process of listing the company. Crown was approved in December for listing on the Nordic Growth Market, Nordic MTF ("Nordic MTF"). Trading in the shares began on 30 December 2011. The share is traded under the ticker symbol CRWN MTF.

## ADDITIONAL INFORMATION ABOUT PROJECTS AND THEIR STATUS

In 2012, work will begin on the Madagascar license's first test drilling under Crown Energy's direction. To fund this drilling, Crown Energy will most likely look for a farm-in partner, so the company will have limited capital requirements for its Madagascar project. A small additional purchase price is obliged to be paid in the case of commercial finds.

The farm-out agreement with Afren means that Afren will step in and fund further 3D seismic exploration and two test drillings. On completion, Afren will own 50 per cent and take over the operatorship of the license. There is also a question of additional payments in this project when exploration efforts start to mature and the development phase of the project is moved forward significantly. The company does not believe that funding these additional payments will be problematic, since they are only paid if there are positive developments in the project.

Crown Energy's project in Equatorial Guinea will receive an initial payment of USD 150 thousand upon receipt of regulatory approval. The company has pledged additional acquisition pay-

ments to this project that will be paid in pace with project development. Crown may choose to pay these additional payments in cash or with its own shares.

#### FUTURE TRENDS

Crown Energy's listing on the Nordic MTF is an important step in its quest to become an independent oil and gas player with significant reserves and resources. The listing will help make Crown Energy visible to international investors and enable increased institutional ownership. This in turn means that Crown Energy can expand its operations significantly faster than it could have in an unlisted environment.

Under present conditions, it is estimated that shareholder contributions of SEK 4 million and proceeds from a directed new share issue in January 2012 of SEK 3.4 million will cover the company's capital requirements for administration and other running costs during the next financial year.

#### SIGNIFICANT EVENTS AFTER YEAR-END

After the closing date, the company implemented two directed issues to Moco Resources Ltd, an international commodities trader based in Geneva and London. One was a cash issue that provided Crown with SEK 3.4 million in January, where Moco received 181,666 new shares in Crown Energy AB at an issue price of about SEK 18.60 per share. The other was an offset issue of SEK 17.0 million as partial payment of Crown's acquisition of Amicoh Resources Ltd, which holds the Manja 3108 exploration license in Madagascar, resulting in Moco receiving 1,135,411 new shares at an issue price of SEK 15 per share. Both of these issues were registered on 1 March 2012 and have increased the number of shares by 1,317,077 to a total of 18,348,245.

Additional capital is required for the new investments that have been announced and are scheduled for 2012 and beyond. The company works continuously with funding operation of the company as well as with funding that will take the projects forward in their development. Ulrik Jansson, the principal owner, is also committed to providing funding as part of normal working capital over the next 12 months. Crown Energy is in contact with several players in the financial market and assesses the possibilities of obtaining the necessary financing as very good.

#### THE SHARE AND OWNERSHIP STRUCTURE

##### Share capital

According to Crown Energy's articles of association, the issued share capital should be no less than SEK 500,000 and no more than SEK 2,000,000. The number of shares should be no less than 17,000,000 and no more than 68,000,000. Each qualified shareholder is entitled to as many votes as the full number of shares he or she owns without any voting right restriction. Each share carries equal rights to the company's assets and profit and all shares are freely transferable. Crown Energy shares are denominated in the Swedish krona and are issued in accordance with Swedish law, and the owners' rights related to the shares may only be amended in accordance with the procedures specified in the Swedish Companies Act (2005:551).

As at 31 December 2011, Crown Energy's share capital amounted to SEK 500,034.3 allocated over a total of 17,031,168 shares. Par value per share is SEK 0.03.

##### Ownership structure

The table below shows the shareholdings of the ten largest owners and the combined shareholdings of other owners:

NAME	NUMBER OF SHARES	PROPORTION (%)
Ulrik Jansson, via company	12,109,161	71.1
Comtrack Ventures Ltd	2,145,927	12.6
Alan Simonian	1,072,964	6.3
SIX SIS AG, W8IMY	269,388	1.6
Joakim Christiansson	186,471	1.1
Tindrin Ltd	123,431	0.7
Edelfors AS	117,647	0.7
Gimmersta AB	69,150	0.4
Lannion AB	66,417	0.4
Försäkringsaktiebolaget, Avanza Pension	55,857	0.3
Other shareholders	814,755	4.8
	17,031,168	100.0

**GROUP AND PARENT COMPANY IN BRIEF**

## Financial position in brief

	2011	2010
<b>Group</b>		
Operating costs, SEK thousand	-2,229,002	-
Loss after financial items, SEK thousand	-1,886,727	-
Total assets, SEK thousand	50,527,922	-
Number of employees	1	-
Equity/assets ratio, %	2.8	-
Equity per share	0.08	-
Earnings per share, SEK	-0.34	-
Return on equity, %	neg	-
Return on total capital, %	neg	-
<b>Parent company</b>		
Operating loss, SEK thousand	-1,495,748	-1,041
Loss after financial items, SEK thousand	-2,998,231	-1,041
Total assets, SEK thousand	40,142,026	100,000
Number of employees	1	-

Key ratio definitions are found in Note 1.

**PROPOSED APPROPRIATION OF PROFITS**

The following profit is at the disposal of the AGM:

Retained profits	3,998,959
Share premium reserve	2
Loss for the year	-1,497,993
<b>SEK</b>	<b>2,500,968</b>

The board proposes that the profit be

distributed so that this amount is carried forward	2,500,968
<b>SEK</b>	<b>2,500,968</b>

# Consolidated income statement

	NOTE	1 JAN 2011 -31 DEC 2011
Other operating income		342,275
<b>Operating costs</b>		
Other external costs	2	-2,112,046
Employee expenses		-116,956
<b>Total operating costs</b>		<b>-2,229,002</b>
<b>Operating loss</b>		<b>-1,886,727</b>
<b>Earnings from financial items</b>		
Other interest income and similar items		182,447
Interest expenses and similar items		-1,268
<b>Total earnings from financial items</b>		<b>181,179</b>
Loss after financial items		-1,705,548
<b>Loss for the year</b>		<b>-1,705,548</b>
Average number of shares, basic		15,315,568
Average number of shares, diluted		15,315,568
Basic earnings per share, SEK		-0.34
Diluted earnings per share, SEK		-0.34

# Consolidated balance sheet

	NOTE	31 DEC 2011
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible non-current assets		
Other intangible non-current assets	3	48,086,886
<b>Total non-current assets</b>		<b>48,086,886</b>
<b>Current assets</b>		
Current receivables		
Other current receivables		587,182
Prepaid expenses and accrued income		290,476
		<b>877,658</b>
Cash and bank balances		1,563,378
<b>Total current assets</b>		<b>2,441,036</b>
<b>TOTAL ASSETS</b>		<b>50,527,922</b>

	NOTE	31 DEC 2011
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	4	
<b>Restricted equity</b>		
Share capital		500,034
<b>Unrestricted equity</b>		
Share premium reserve	2	2
Profit brought forward	3	3,788,710
Loss for the year		-1,705,548
		<u>2,083,164</u>
<b>Total equity</b>		<b>2,583,198</b>
<b>Provisions</b>		
Deferred taxes	5	11,011,570
<b>Total provisions</b>		<b>11,011,570</b>
<b>Non-current liabilities</b>		
Other non-current liabilities	6	17,298,738
<b>Total non-current liabilities</b>		<b>17,298,738</b>
<b>Current liabilities</b>		
Accounts payable		503,048
Other current liabilities		18,587,991
Accrued expenses and deferred income		543,377
<b>Total current liabilities</b>		<b>19,634,416</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>50,527,922</b>
Pledged assets		None
Contingent liabilities		None

# Consolidated cash flow statement

	1 JAN 2011 -31 DEC 2011
<b>Operating activities</b>	
Operating loss before financial items	-1,886,727
Interest received	182,447
Interest paid	-1,268
	<u>-1,705,548</u>
Increase/decrease in other current receivables	-559,687
Increase/decrease in other current operating liabilities	894,682
<b>Cash flow from operating activities</b>	<u>-1,370,553</u>
<b>Investing activities</b>	
Investments in subsidiaries	-19,246,365
<b>Cash flow from investing activities</b>	<u>-19,246,365</u>
<b>Financing activities</b>	
New share issue	450,036
Shareholder contributions	4,000,000
Loans raised	17,631,409
<b>Cash flow from financing activities</b>	<u>22,081,445</u>
<b>Cash flow for the year</b>	<u>1,464,527</u>
Cash and cash equivalents at year's start	98,959
Exchange-rate differences in cash and cash equivalents	-108
<b>Cash and cash equivalents at year-end</b>	<u>1,563,378</u>



# Income statement – parent company

	NOTE	1 JAN 2011 –31 DEC 2011	14 APR 2010 –31 DEC 2010
<b>Operating costs</b>			
Other external costs	2	-1,495,748	-1,041
<b>Total operating costs</b>		<b>-1,495,748</b>	<b>-1,041</b>
<b>Operating loss</b>			
		<b>-1,495,748</b>	<b>-1,041</b>
<b>Earnings from financial items</b>			
Interest expenses and similar items		-2,245	-
<b>Total earnings from financial items</b>		<b>-2,245</b>	<b>0</b>
<b>Loss after financial items</b>			
		<b>-1,497,993</b>	<b>-1,041</b>
<b>Loss for the year</b>		<b>-1,497,993</b>	<b>-1,041</b>

# Balance sheet – parent company

	NOTE	31 DEC 2011	31 DEC 2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Financial assets</b>			
Participating interests in Group companies	7	500,000	-
Receivables from Group companies		21,243,738	-
		<b>21,743,738</b>	<b>0</b>
<b>Total non-current assets</b>		<b>21,743,738</b>	<b>0</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from Group companies		15,934,000	-
Other current receivables		270,957	-
Prepaid expenses and accrued income		47,100	-
		<b>16,252,057</b>	<b>0</b>
Cash and bank balances		1,094,727	98,959
<b>Total current assets</b>		<b>17,346,784</b>	<b>98,959</b>
<b>TOTAL ASSETS</b>		<b>39,090,522</b>	<b>98,959</b>

	NOTE	31 DEC 2011	31 DEC 2010
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	4		
<b>Restricted equity</b>			
Share capital		500,034	100,000
<b>Unrestricted equity</b>			
Share premium reserve		2	-
Profit brought forward		3,998,959	-
Loss for the year		-1,497,993	-1,041
		<b>2,500,968</b>	<b>-1,041</b>
<b>Total equity</b>		<b>3,001,002</b>	<b>98,959</b>
<b>Non-current liabilities</b>			
Other non-current liabilities	6	17,298,738	-
<b>Total non-current liabilities</b>		<b>17,298,738</b>	<b>0</b>
<b>Current liabilities</b>			
Accounts payable		503,049	-
Other current liabilities		17,987,733	-
Accrued expenses and deferred income		300,000	-
<b>Total current liabilities</b>		<b>18,790,782</b>	<b>0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>39,090,522</b>	<b>98,959</b>
<b>Pledged assets</b>			
Pledged assets		None	None
<b>Contingent liabilities</b>			
Contingent liabilities		None	None

# Cash flow statement – parent company

	1 JAN 2011 -31 DEC 2011	14 APR 2010 -31 DEC 2010
<b>Operating activities</b>		
Operating loss before financial items	-1,495,748	-1,041
Interest paid	-2,245	-
	<b>-1,497,993</b>	<b>-1,041</b>
Increase/decrease in other current receivables	-316,892	-
Increase/decrease in other current operating liabilities	2,855,617	-
Cash flow from operating activities	<b>1,040,732</b>	<b>-1,041</b>
<b>Investing activities</b>		
Investments in subsidiaries	-500,000	-
Increase/decrease in loans to Group companies	-21,243,738	-
Cash flow from investing activities	<b>-21,743,738</b>	<b>0</b>
<b>Financing activities</b>		
New share issue	450,036	100,000
Shareholder contributions	4,000,000	-
Loans raised	17,248,738	-
Cash flow from financing activities	<b>21,698,774</b>	<b>100,000</b>
Cash flow for the year	<b>995,768</b>	<b>98,959</b>
Cash and cash equivalents at year's start	98,959	-
Cash and cash equivalents at year-end	<b>1,094,727</b>	<b>98,959</b>

# Notes, applicable to the parent company and Group

## NOTE 1 ACCOUNTING POLICIES AND VALUATION PRINCIPLES

Crown Energy's annual report was prepared in accordance with the Swedish Annual Accounts Act and the general recommendations of the Swedish Accounting Standards Board, excluding BFNAR 2008:1. The accounting policies are unchanged from last year.

### Consolidated accounts

The consolidated accounts include subsidiaries in which the parent company, directly or indirectly, holds more than 50% of the voting rights or otherwise has significant influence. The Group's annual accounts are prepared using the acquisition method, which means that a subsidiary's equity at acquisition, assessed as the difference between the assets and the fair value of liabilities, is eliminated in its entirety. Thus, Group equity includes only that portion of the subsidiary's equity that arises after the acquisition.

During the year, acquired companies are consolidated using amounts related to the period after the acquisition. All foreign subsidiaries are presented as independent subsidiaries, so the closing method is used for translation of their annual accounts. This means that the foreign subsidiaries' assets and liabilities are translated at the closing rate. All income statement items are translated at the average rate. Translation differences are carried directly to Group equity. Intra-Group profits are eliminated in full.

### Foreign currencies

Assets and liabilities denominated in foreign currencies are valued at the closing rate.

### Income

During the financial year, no production of oil or gas occurred, so no net sales were recognised. Other income relates to technical services performed by outside consultants on Crown's behalf, but which will be shared with other third parties.

### Income taxes

Recognised income taxes include tax to be paid or received for the current year, adjustments for prior years' taxes, changes in deferred tax, and share of associated companies' tax. All tax liabilities/assets are measured at nominal amounts and in accordance with the tax rules and rates that have been enacted or that have been announced and are reasonably certain to be adopted.

Accordingly, for items recognised in the income statement, related tax effects are also recognised in the income statement. Tax effects of items recognised directly in equity are recognised in equity.

Deferred tax is calculated using the balance sheet method on all temporary differences arising between recognised and written-down values of assets and liabilities. The temporary differences arose mainly through acquired intangible assets.

Deferred tax assets on loss carry-forwards or other future tax deductions are recognised to the extent it is probable that the deduction can be offset against future taxation.

### Intangible assets

Accounting of oil and gas operations is done through capitalisation of all costs for acquisition of rights, planning, investigation, evaluation,

drilling, and expansion of these activities. Costs directly attributable to expansion drilling are capitalised until the value of the reserves has been evaluated. If it is determined that a commercial deposit does not exist, the costs are recognised in the income statement. No depreciation is taken during the exploration and expansion phase. Capitalised costs of producing entities are depreciated with regard to the utilised volume during the period in relation to estimated total proven reserves of oil and gas. No production has occurred during the financial year, and no depreciation has been taken. Costs for routine maintenance and repairs for producing assets are recognised in the income statement when incurred.

### Impairment

When there is an indication that an asset or group of assets has declined in value, an assessment is made of its carrying amount. If the carrying amount exceeds the estimated recoverable amount, the carrying amount is immediately written down to the recoverable amount.

### Financial assets

Financial assets that are intended for long-term investments are carried at cost. If a financial asset has a lower value than the carrying amount on the closing day, the asset is written down to this lower value if it can be assumed that the impairment is permanent.

### Receivables

Receivables with due dates longer than 12 months after the closing day are recognised as non-current assets, others as current assets. Receivables are recorded at the amounts expected to be paid after individual assessment.

### Cash flow statement

The cash flow statement is prepared using the indirect method. The recognised cash flow only includes transactions that involve cash payments. Besides cash and bank balances, cash and cash equivalents include short-term financial investments that are exposed to insignificant risk of value fluctuations and

- are traded on the open market at known prices or
- have a remaining term shorter than three months from the acquisition date.

### Transactions with related companies

Andreas Forssell AB, which is owned by Andreas Forssell, CFO and Vice President of Crown Energy, invoiced the company for SEK 960 thousand related to his duties as Crown Energy's CFO during the period. The position was changed to permanent employment in January 2012.

During the year, the parent company acquired Crown Energy Ventures Corporation for SEK 500 thousand from Ulrik Jansson, Comtrack Ventures Ltd, and Alan Simonian. Ulrik Jansson is CEO and Alan Simonian serves on the board of Crown Energy AB. At the time of acquisition, none of the parties had any involvement in the parent company, Crown Energy AB.

During the financial year, the parent company took an interest-free loan from Ulrik Jansson (via Varukungen AB) of SEK 18,299,000. The loan carries no interest and is renegotiated annually with the first due date in January 2013. In conjunction with the annual accounts, Ulrik Jansson submitted a conditional shareholder contribution of SEK 4 million.

**NOTE 2 REMUNERATION OF AUDITORS**

	Group	Parent company	
	1 JAN 2011 -31 DEC 2011	1 JAN 2011 -31 DEC 2011	14 APR 2010 -31 DEC 2010
<b>PwC</b>			
Audit engagement	60,000	60,000	-
Auditing aside from audit engagement	4,950	4,950	-
<b>Total</b>	<b>64,950</b>	<b>64,950</b>	<b>0</b>

In 2010, auditor fees were paid by another Group company.

**NOTE 3 OTHER INTANGIBLE NON-CURRENT ASSETS**

	Group 1 JAN 2011 -31 DEC 2011
Acquisitions during the year	48,086,886
Closing accumulated cost	48,086,886

**NOTE 4 CHANGE IN EQUITY**

GROUP	SHARE CAPITAL	UNRESTRICTED RESERVES	TOTAL
Equity 1 Jan 2011	100,000	-1,041	98,959
Correction of opening balance	-50,000	-	-50,000
<b>Adjusted opening balance 1 Jan 2011</b>	<b>50,000</b>	<b>-1,041</b>	<b>48,959</b>
New share issue	450,034	2	450,036
Conditional shareholder contribution	-	4,000,000	4,000,000
Translation difference related to existing subsidiaries	-	-210,249	-210,249
Loss for the year	-	-1,705,548	-1,705,548
<b>Equity 31 Dec 2011</b>	<b>500,034</b>	<b>2,083,164</b>	<b>2,583,198</b>

Accumulated translation differences recognised directly in shareholder equity totalled SEK -210,249.

PARENT COMPANY	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER NON- RESTRICTED EQUITY	TOTAL
Equity 1 Jan 2011	100,000	-	-	100,000
Correction of opening balance	-50,000	-	-	-50,000
<b>Adjusted opening balance 1 Jan 2011</b>	<b>50,000</b>	<b>0</b>	<b>-1,041</b>	<b>48,959</b>
New share issue	450,034	2	-	450,036
Conditional shareholder contribution	-	-	4,000,000	4,000,000
Loss for the year	-	-	-1,497,993	-1,497,993
<b>Equity 31 Dec 2011</b>	<b>500,034</b>	<b>2</b>	<b>2,500,966</b>	<b>3,001,002</b>

Share capital consists of 17,031,168 A shares with a par value of 0.029.

Shareholders have submitted conditional shareholder contributions amounting to SEK 4,000,000 (0).

**NOTE 5 DEFERRED TAX**

	Group
	1 JAN 2011 -31 DEC 2011
Deferred tax liability attributable to the difference between the written down carrying amounts for intangible assets.	11,011,570

The parent company recognises an unused tax loss of SEK 1,498 thousand. The estimated unused tax loss in the Group amounts to SEK 15,000 thousand. The exact figure for carry-forwards of unused tax losses that may be used in the future cannot be calculated, as the recognised loss carry-forwards that may be used by the Amicoh subsidiary are dependent on approval of prospecting investment costs by the tax authorities in Madagascar. Investment expenses are assessed by the tax authorities in Madagascar first when production begins. Because of the uncertainty of whether the loss carry-forward will be able to be used in the Group within the near future, no deferred tax asset was recognised in the parent company or Group.

**NOTE 6 BORROWINGS**

The parent company's and Group's non-current liabilities amount to SEK 17,298,738 and are furnished in SEK. The loan carries no interest and is renegotiated annually with the first due date in January 2013.

The long-term loan of SEK 17,298,738 is a loan from Varukungen AB, a company controlled by Ulrik Jansson, who is CEO and a major shareholder of Crown Energy AB.

**NOTE 7 PARTICIPATIONS IN GROUP COMPANIES**

	31 DEC 2011	31 DEC 2010
Opening cost	-	-
Investments in participating interests	500,000	-
Closing cost	500,000	0

NAME	SHARE OF EQUITY, %	SHARE OF VOTING POWER, %	NUMBER OF SHARES	CARRYING AMOUNT 31 DEC 2011	CARRYING AMOUNT 31 DEC 2010
Crown Energy Ventures Corporation, reg. no. 79456, British Virgin Islands	100	100	1,000	500,000	-
<b>Total</b>				<b>500,000</b>	<b>0</b>

The income statement and balance sheet will be presented at the AGM on 29 May 2012 for adoption.

Stockholm, 27 April 2012

Ulrik Jansson  
CEO

Andrew Harriman

Alan Simonian  
Chairman of the board

Our audit report was submitted on 27 April 2012.

Öhrlings PricewaterhouseCoopers AB

Peter Burholm  
Authorised Public Accountant  
Auditor in charge

Mikael Winkvist  
Authorised Public Accountant

# Auditor's report

To the annual meeting of the shareholders of  
Crown Energy AB (publ), corp. id. 556804-8598

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Crown Energy AB (publ) for the year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 10-23.

### Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinions

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Crown Energy AB (publ) for the year 2011.

### Responsibilities of the the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

### Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we reviewed whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director are discharged from liability for the financial year.

Stockholm, 27 April 2012  
Öhrlings PricewaterhouseCoopers AB

Peter Burholm  
Authorised Public Accountant  
Auditor in charge

Mikael Winkvist  
Authorised Public Accountant





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