



**CROWN  
ENERGY**

**2016 Fourth Quarter and  
Year-End Report**  
**CROWN ENERGY AB (PUBL)**

**10 February 2017**

# Crown Energy AB (publ)

## 2016 Fourth Quarter and Year-End Report

The consolidated financial statements of the Crown Energy Group ("Crown Energy", "the Group"), of which Crown Energy AB (publ) with corporate identity number 556804-8598 is the parent company ("the Parent Company"), are hereby presented for the twelve-month period ended on 31 December 2016.

### 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.

### CONDENSED CONSOLIDATED FINANCIAL INFORMATION

	2016-10-01	2015-10-01	2016-01-01	2015-01-01
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
GROUP, ALL AMOUNTS IN SEK THOUSAND	Q4	Q4	FULL YEAR	FULL YEAR
Operating expenses	-4,872	-2,501	-11,125	-8,717
Operating profit/loss	-4,872	-2,361	-11,125	-8,644
Net financial items	2,421	-1,372	8,042	-6,933
Net profit/loss for the period, after tax	-2,451	-3,733	-3,083	-15,577
Earnings per share	-0.02	-0.07	-0.04	-0.35
Equity per share	0.43	2.34	0.43	2.34
Change in cash and cash equivalents	-16,293	-2,279	26,385	-34,543
Cash flow from investments in intangible assets	-1,662	-722	-3,106	-27,980

# 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 are in the process of acquiring 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 (publ)*

# Summary of accounts and operations, 2016 fourth quarter and full year

## INCOME STATEMENT

### Operating profit/loss

#### Q4

The Group did not have any revenue in Q4 2016 (2015). Other operating income for the period was SEK 64 thousand (140) and mainly relates to exchange rate effects on operating items.

Other external costs totalled SEK -3,488 thousand (-1,635). This large year-on-year increase is a result of the Company incurring substantial expenses related to the acquisition of the Angolan business in Q4 2016. Directly attributable acquisition costs incurred in 2016 came in at approximately SEK 1.9 million and mainly consist of legal expenses, asset valuation expenses, accounting expenses etc. These expenses must be recognised via the income statement because the acquisition will be classified as a business combination. The acquisition also led to higher expenses for investor relations etc.

Employee benefit expenses came in at SEK -1,440 thousand (-858). The reason for this increase is that one more person, Alan Simonian, was hired by the Company in August. Furthermore, in the comparable period in 2015 one person was on maternity leave for parts of the fourth quarter.

Depreciation of equipment in Q4 totalled SEK -8 thousand and is at the same level as compared year-on-year.

#### Full year January-December

The Group did not have any revenue or other operating income in full year 2016 (2015).

Other external costs in 2016 totalled SEK -6,090 thousand (-4,607). Crown Energy has, in general, cut its recurring external costs year-on-year. However, as mentioned above under Q4, the acquisition of the Angolan business led to higher expenses, both direct and indirect.

Employee benefit expenses came in at SEK -4,863 thousand (-4,077). The difference is due to the organisational changes that occurred in 2015 and 2016.

Depreciation of equipment in 2016 totalled SEK -33 thousand and is at the same level as compared year-on-year.

Other operating expenses of SEK -139 thousand (0) mainly relate to exchange rate effects on operating items. Exchange

rate effects had a positive effect in 2015 and were therefore recognised as revenue of SEK 73 thousand.

### Net financial items

#### Q4

Net financial items for Q4 2016 totalled SEK 2,421 thousand (-1,372). Net financial items comprise revenue in the amount of SEK 2,677 thousand (0), which mainly comprises exchange rate effects as resulting from restatement of internal transactions in foreign currency, and financial expenses amounting to SEK -256 thousand (-1,372), of which SEK 0 thousand (-1,049) was related to interest expenses due to the convertible loans.

#### Full year January-December

Net financial items for 2016 amounted to SEK 8,042 thousand (-6,933). The financial income of SEK 10,305 thousand in 2016 mainly comprises an accounting effect of SEK 6,204 thousand, since the buy-back option for Crown Energy Iraq AB expired in May 2016. The buy-back option was previously recognised as a provision in the balance sheet. Once the option expired without any shares being claimed, the provision was removed, which had a positive effect in the income statement. This income does not impact cash flow. Other financial income comprises exchange rate differences of SEK 4,101 thousand. The financial expenses of SEK -2,263 thousand (-9,380) mainly consist of interest expenses attributable to the convertible loans.

### Tax

No tax was recognised in the income statement in 2015 or 2016. See Note 9, Deferred tax, for more information.

### Earnings after tax

Loss (after tax) for Q4 2016 totalled SEK -2,451 thousand (-3,733), corresponding to SEK -0.02 per share (-0.07).

Loss (after tax) for full year 2016 totalled SEK -3,083 thousand (-15,577), corresponding to SEK -0.04 per share (-0.35).

## FINANCIAL POSITION

### Non-current assets

Property, plant, and equipment, in the form of office equipment, totalled SEK 33 thousand (66) after depreciation of SEK -33 thousand (-33) was taken for the period since year-end 2015 (2014).

Exploration and evaluation assets totalled SEK 187,370 thousand at 31 December 2016. The net change in exploration and evaluation assets since year-end 2015 (2014) was SEK 10,925 thousand (68,879). The change partially consists of new capital expenditures in the interim period in the amount of SEK 4,470 thousand (8,532) and translation and revaluation effects in the amount of SEK 9,263 thousand (5,099). In addition, the value of the Block 2B asset in South Africa decreased by SEK 2,808 thousand due to the farm-out to Africa Energy. See the more detailed disclosure on this in the section entitled Key events during the reporting period. These assets increased in 2015 by SEK 55,355 thousand due to the acquisition of Simbo Petroleum No.2 Ltd. The translation and revaluation effects are due to the fact that some of the assets were acquired in USD and were translated at the closing rate (see Note 5, Exploration and evaluation assets) and the fact that some of the subsidiaries have the USD as their functional currency. Because of the major changes that occurred over the past years in the rate between SEK and USD, the translation and revaluation effects between the periods were significant and affect the assets by increasing or decreasing them. These effects do not affect cash flow. See Note 5, Exploration and evaluation assets, for a breakdown of changes for the period.

### **Current assets**

Current receivables amounted to SEK 13,536 thousand, compared to SEK 791 thousand on 31 December 2015. This large change mainly consists of the loan of over SEK 9 million (nominal amount: USD 1 million) granted to ESI Group SA in Q4. See the more detailed disclosure on this in the section entitled Key events during the reporting period. The reimbursement from Africa Energy, which has been agreed on, but has not been paid yet, was recognised as a receivable of SEK 2.8 million in addition to the loan amount.

Cash and cash equivalents at the end of the period totalled SEK 26,541 thousand compared with SEK 156 thousand on 31 December 2015. The increase in cash and cash equivalents is due to the directed share issue conducted in Q2 2016. See Note 10, Cash flow, and the section entitled Key events during the reporting period.

### **Equity**

Equity totalled SEK 195,683 thousand. The increase since year-end 2015 is attributable to the two directed share issues completed in February and June 2016. The issues increased equity by a total of SEK 74,000 thousand before issue expenses. The discounted issue directed to Yoav Ben-Eli in December 2016 raised only SEK 1 in issue proceeds. It therefore had no net impact on equity. However, a transfer was made from the share premium reserve to share capital corresponding to the quotient value of the shares issued. This amount was SEK 10,684 thousand. Issue expenses totalled SEK 8,782 thousand for all three issues, thus reducing equity.

### **Non-current liabilities**

Deferred tax liabilities totalled SEK 15,791 thousand and are attributable to surplus values in exploration and evaluation assets. The increase since year-end 2015 is attributable to translation differences because some of the underlying assets were acquired in USD and translated using the closing rate.

Other provisions at 31 December 2016 totalled SEK 3,517 thousand compared with SEK 9,250 thousand at year-end 2015. The change since year-end is mainly attributable to the reversal of the previous provision of SEK 6,204 thousand for a buy-back option in Crown Energy Iraq AB. Other changes refer to revaluations to fair value attributable to other remaining provisions. For more information on provisions and reversals for the period, see Note 6, Provisions.

### **Current liabilities**

Loans from related parties amounted to SEK 5,054 thousand, a net decrease of SEK 1,650 thousand since 31 December 2015 due to repayments. The loans were reclassified from non-current to current in Q4 2016 because the loans were called in by the lender.

The convertible loans and associated interest were fully repaid in late June 2016 (see section entitled Key events during the reporting period). Crown Energy thus does not have any outstanding convertible loans.

Other current liabilities amount to SEK 7,435 thousand and consist principally of accounts payable, employee-related tax liabilities and miscellaneous accrued expenses.

## **CASH FLOW**

### **Q4**

Cash flow from operating activities for Q4 totalled SEK -4,362 thousand (-1,557). Cash flow from operating activities can vary significantly between quarters and years, which makes it difficult to compare periods. For this quarter, the invoices paid in relation to the acquisition of the business in Angola are the main reason for the variation.

Cash flow from investing activities for Q4 2016 totalled SEK 10,829 thousand (-722). Investments in exploration assets account for SEK -1,622 thousand (-722) of this item, while the short-term loan, amounting to SEK 9,097 thousand, granted to the ESI Group accounts for the rest of the item; see explanation in Note 14 Acquisition ESI Group. See Note 10, Cash flow, for a more detailed specification of the cash flow.

Net cash flow from financing activities for Q4 totalled SEK -1,102 thousand (0). In this quarter, cash flow comprises issue expenses of SEK -102 thousand and a repayment of SEK -1,000 thousand on loans to related parties. See Note 10, Cash flow, for a detailed specification.

## Full year January-December

Cash flow from operating activities for full year 2016 totalled SEK -11,132 thousand (-8,533). Cash flow from operating activities can vary significantly between quarters and years, which makes it difficult to compare periods. As mentioned above, a large part of the variation can be explained by the ongoing acquisition, which led to higher expenses in 2016.

Cash flow from investing activities in full year 2016 totalled SEK -12,273 thousand (-28,695). As mentioned above, a loan was granted in the amount of SEK 9,097 thousand in Q4 2016. There was an outflow in the amount of SEK -24,947 thousand in the comparison period of 2015 as a result of the acquisition of Simbo Petroleum No.2 Ltd. Cash flow otherwise consists of investments in exploration assets. See Note 10, Cash flow, for a more detailed specification.

Net cash flow from financing activities for full year 2016 totalled SEK 49,790 thousand (2,685). The positive cash flow can be explained by three directed issues totalling SEK 74,000 thousand, issue expenses of SEK -8,743 thousand, repayment of convertible loans (including interest) totalling SEK -13,817 thousand and repayments of SEK -1,650 thousand for loans to related parties. See Note 10, Cash flow, for a detailed specification.

## PROJECTS

### Block 2B – South Africa

Crown Energy's farm-out to Africa Energy Corp. ("Africa Energy") concerning a 30.5 per cent participating interest in Block 2B was completed on 21 October 2016. Crown Energy now holds a 10 per cent equity position and under the farm-out agreement, Africa Energy will be responsible for all costs associated with the licence's next drilling project, including any well testing. Africa Energy, which owns the other 90 per cent of the licence, has taken over the operatorship from Thombo Petroleum. Africa Energy has continued to work on the licence area to define the best location for drilling our first well and to start long lead preparations for the well. We have an approved Environmental Impact Assessment in place with the South African authorities. The operator, Africa Energy as of the end of January, has formally applied to the authorities to move our joint venture into the next extension period of the licence with a view to drilling the well.

### Block P PDA – Equatorial Guinea

Crown Energy has continued to liaise with other licence partners, independent oil company Valco Energy Inc. from Houston and independent oil company Atlas Petroleum from Lagos, to discuss and review the current situation regarding the licence and to obtain additional information from the licence operator about a possible work programme for 2017. The operator continues with technical activities within the licence area and we are awaiting formal

communication from the operator concerning firm plans for 2017. In the meantime, Crown Energy is also waiting for information about the operator's strategy. Crown Energy has not incurred any costs for the licence during the periods of inactivity, other than costs for time regarding discussions and reviews of the current situation.

### 3108 Manja – Madagascar

Crown Energy has completed preparations for conducting a technical exploration project on existing structures over the licence area, based on airborne gravimetric/magnetic surveys and in accordance with the licence commitments. Three quotes have been obtained from industry specialists in the field. As we reached the rainy season in 2016 Crown Energy decided it was prudent to postpone implementation of the project and wait until spring/summer and the 2017 dry season instead. The Company met the authorities in an annual update meeting in December 2016 and agreed to continue to work on finding a suitable partner to continue planned projects and take further joint steps in the future.

### Salah ad-Din – Iraq

Crown Energy is constantly tracking developments in Salah ad-Din and in Iraq in general and has a positive outlook on the improved security situation we have received reports on, which have been reported on in the international media. Crown Energy management has had several positive and encouraging meetings with the Salah ad-Din authorities over the past few months.

Crown Energy is now working on initiating concrete operating activities in the form of planning for initial on-the-ground geological, technical and engineering activities in the region covered by our Production Sharing Contract (PSC). The Company is examining existing infrastructure and technical facilities while also reviewing existing and past geological and geophysical activities. Because of this, the Board of Directors of Crown Energy has resolved to hire suitable contractors to prepare the development plans required and advised the local authorities accordingly. Given that the Company has the financing capacity to engage in technical activities on site, we are looking forward to commencing development work on the licence and PSC area.

## KEY EVENTS DURING THE REPORTING PERIOD

### Directed issue January 2016

On 26 January 2016, an extraordinary general meeting approved the directed issue proposed by the board in December 2015. The issue price for the shares was SEK 2 per share and a small number of investors selected in advance were entitled to subscribe for the shares, in deviation of shareholders' preferential rights. The issue raised SEK 11 million before issue expenses for Crown Energy.

## **Directed issue to new international investor**

In Q2 2016, a share issue was directed to a new international investor, Cement Fund SCSp (Société en Commandite Spéciale) (“Cement Fund”). Cement Fund subscribed for 31,500,000 units, with each unit consisting of one (1) share and one (1) warrant. The issue price was SEK 2 per unit, which allowed Crown Energy to raise a total of SEK 63 million before issue expenses. The issue was approved by the AGM on 4 May 2016. The directed issue had a dilutive effect of 34 per cent for existing shareholders.

The proceeds of the subscriptions were paid in June 2016. A prospectus was prepared due to the size and extent of the issue. This prospectus was approved by the Swedish Financial Supervisory Authority on 15 July 2016. In conjunction with this approval, 31,500,000 shares were admitted to trading on NGM Equity and delivered to Cement Fund’s subsidiary Cement Sweden S.a.r.l on 25 July 2016. The prospectus also included a requirement for an updated resource report. Read more about this report below.

As mentioned above, warrants were issued as well. For more information about the terms and conditions of these warrants and potential dilutive effects, please see Note 4 Earnings per share and number of shares.

## **2016 AGM**

The Crown Energy AGM was held on 4 May 2016. In addition to customary resolutions to adopt the income statement and balance sheet, appropriate profits, discharge the board and CEO from liability as well as a resolution on remuneration guidelines, a resolution was passed to approve the share issue to Cement Fund.

In addition, the composition of the board changed. Nick Johnson and Alan Simonian were re-elected as board members. Jean Benaim and Pierre-Emmanuel Weil were elected as new board members, with Pierre-Emmanuel Weil elected as the new chairman of the board. Andreas Forssell, CEO, declined to run for re-election and left the board.

## **Conversion and repayment of convertible loans**

The final conversion period for KV 1 2013/2016 was in March 2016. In total, six convertibles were converted into the same number of shares.

The board announced in April 2016 that it had decided to postpone repayment of convertible loan KV1 2013/2016 and associated interest. An interest payment for the convertible loan matured on 29 April 2016 and the convertible loan matured for final payment on 2 May 2016. The convertible loans and their interest were repaid when Crown Energy received payment for the aforementioned directed issue to Cement Fund. The convertible holders received additional compensatory interest of 18 per cent per year from the maturity date until 30 June 2016 on the

nominal amount and the overdue interest. Following the repayment, Crown Energy no longer has any convertible loans outstanding.

## **Publication of resource report**

On 7 July 2016 Crown Energy published a Competent Persons Report (CPR) of the Company’s assets. The report was prepared for the Company’s prospectus (see aforementioned directed issue to Cement Fund). The report shows that, except for the exploration and production licence in Iraq, the oil assets are unchanged since the Company’s most recent CPR from May 2015. The change in Iraq involves Crown Energy’s participating interest and the fact that an in-depth legal interpretation of the production licence agreement has been conducted. Per this change, Crown Energy is estimated to hold 60 per cent of the licence, in comparison to its previous 100 per cent. The change did not impair the carrying amounts of the licence.

## **Farm-out transaction with Africa Energy completed**

The previously announced transaction with Africa Energy Corp. (“Africa Energy”) regarding the acquisition of a 30.5 per cent participating interest in Block 2B in South Africa was completed on 21 October 2016. Africa Energy is reimbursing Crown Energy for costs previously incurred and will be responsible for and pay for all activities associated with drilling the next well in the licence area. Africa Energy also acquired the shares of the other partners, giving Africa Energy 90 per cent of Block 2B.

The completion of this transaction makes Africa Energy the operator.

Given that the asset being farmed out is classified as an exploration asset, the only impact of the farm-out on the 2016 financial statements is the cash payment received as reimbursement both for previously incurred expenses and for expenses paid by Crown Energy from signing of the farm-out agreement in Q4 2015 until takeover. The reimbursement has been recognised directly against the asset and Crown Energy retains the recognised share of the asset less the reimbursement received. No revenue was recognised regarding the farm-out. The reimbursement totalled USD 308 million (equivalent to SEK 2.8 million)

## **Acquisition of property development and management business in Angola**

Crown Energy announced that the Company entered into an agreement with YBE Ventures Ltd (“YBE Ventures”) on 10 November 2016 to acquire all of the shares in the Luxembourg-registered company ESI Group SA (“the ESI Group”). The transaction is a reverse acquisition since Crown Energy is using newly emitted shares to pay for the ESI Group shares, thus resulting in a new majority owner in Crown Energy.



The acquisition includes a portfolio of property assets in Angola, and after the deal is completed Crown Energy will consist of two business areas: Energy and Property Development and Services.

The motive for the acquisition is that Crown Energy will become a larger and more significant player in the oil and gas industry with a market value of approximately SEK 1,150 million (based on the acquisition price of SEK 2.50 per share). The transaction will result in increased opportunities to capitalise on existing assets through a stronger financial position and stronger customer relationships with several of the world's leading oil and gas companies. As part of a public group, the property and service business will gain access to the international capital market and thus have great potential for expansion and growth.

The transaction is described in detail in a separate note: Note 14 Acquisition of ESI Group.

### Observation listing

Crown Energy's shares were placed on the observation list in connection with the announcement of the acquisition of the business operations in Angola. The reason NGM Equity's management chooses to place shares on this list is to signal that there are special circumstances associated with the company or its shares of which investors should take note. In Crown Energy's case, the reason is the Company's impending large-scale organisational change. Crown Energy's observation listing lasts until a prospectus has been approved by the Swedish Financial Supervisory Authority, which cannot occur until the new business, ESI Group, has been incorporated into the Company's financial reporting. The preliminary timetable is to get a prospectus approved and registered after the Company has released its first interim report, i.e. after 12 May 2017.

### Extraordinary general meeting 12 December

An extraordinary general meeting was held on 12 December to resolve on a number of changes within Crown Energy as a result of the aforementioned transaction.

The EGM resolved to change the Company's articles of association regarding among other things the objects of the Company (to also include the real estate industry), introduction of new share classes (C shares), introduction of a conversion clause to enable conversion of C shares into ordinary shares and introduction of a redemption clause that allow for redemption of C shares through reduction of the share capital.

When above resolutions were made, the EGM continued to resolve upon an issue of 363 million C shares to YBE Ventures. The issuance should be carried out under the quota value whereby an amount of SEK 10,683 thousand, corresponding to the difference between the subscription

price (in total SEK 1) and the share's quota value, must be covered through transfer from unrestricted equity.

In addition, the meeting resolved to elect Yoav Ben-Eli, new owner via YBE Ventures, to the Board. Nick Johnson announced his resignation from the Board in conjunction with the extraordinary general meeting.

## EVENTS AFTER THE REPORTING PERIOD

### Change in number of shares and votes

In February 2017, 363,401,823 new C shares (and 363,401,823 votes) were transferred to YBE Ventures. The ordinary shares confer ten votes, and the new share class, the C shares, confer only one vote. Shares prior to the issue are ordinary shares. The number of shares after the issue was 455,949,202 and the number of votes was 1,288,875,613.

This gives Yoav Ben-Eli, who controls YBE Ventures, 79.7 per cent of the total number of shares and 28.2 per cent of the votes.

## OUTLOOK

### Operations

Crown Energy is well positioned with a balanced portfolio of exciting projects that have great potential for development. We are well equipped with assets located in geologically attractive areas with more reasonable development costs than many other projects around the world.

On 10 November, the Company announced that it had signed an agreement for the acquisition of ESI Group S.A. with a portfolio of cash flow generating property assets in Angola. When (on the condition that all the terms of the acquisition agreement are met by 30 June 2017) this transaction is carried out, which is expected to occur during the first six months of 2017, a new business area will be added to the existing oil and gas exploration area. This will expand operations and Crown Energy will have two business areas with very interesting prospects for both of them. Crown Energy will become a larger and more significant player in the oil and gas industry with positive cash flow and a diversified business, which means reduced risk. We see increased opportunities to capitalise on existing assets through a stronger financial position and stronger customer relationships with several of the world's leading oil and gas companies. The acquired business will also provide increased opportunities for expansion of property and service operations through access to the international capital market as a public company.

There are undoubtedly major challenges at the current oil price levels, but given that both property projects and oil development projects span such long cycles, we are not hesitating to continue believing in our assets and that we will be able to capitalise on them, even in the current oil price environment. The Company has also worked hard over the

past year to position itself in the current market conditions for its oil assets. The Company has an efficient organisation which is presently strongly driven by low costs, but which can still adequately bear investments in both its own assets and interests from external stakeholders. This is precisely what is required of a small listed exploration company in the current market climate.

Crown Energy will continue to focus on activities that create value. This has been demonstrated by acquisition agreements as well as various types of partnerships and new shareholders of the Company.

## **Financing and going concern**

Since the Group has not generated any revenue or profits, financing has historically been done through new share issues.

In the second quarter, the Company implemented a directed issue of shares and warrants for SEK 63 million to a maximum of SEK 126 million (see section entitled Key events during the reporting period). The investor initially subscribed for SEK 63 million and the issue proceeds were received in late June 2016. This investment has enabled Crown Energy to continue to take steps forward with the Company's growth and has secured financing for both the short and long term. The investment has and will continue to create opportunities for greater investments of capital and resources in existing projects. The investment also enabled Crown Energy to repay the outstanding convertible loan, including interest.

The interim report was prepared assuming a going concern, in view of the Company's existing operations, activities planned for the next 12-months and existing cash and cash equivalents.

Our Plan A is to extinguish all outstanding obligations within the next 12 months, i.e. investments, recurring administration and repayment of loans, using the already completed issues. However, it cannot be ruled out that the Company may need or want to raise capital from existing shareholders for investments beyond those described thus far. This may be done via new share issues, directed share issues or preferential rights issues, or via other offers to existing shareholders or a combination of the above. In addition, financing conditions may change significantly if the transaction for the acquisition of ESI Group S.A. is completed per the description in the Operations section and other sections.

## **RISKS AND UNCERTAINTY FACTORS**

A detailed description of the Company's risks can be found in Crown Energy's 2015 Annual Report. No pervasive modifications to significant risks and uncertainty factors were made during the period for the Group or the Parent Company. Following is a summary of some of the major risks.

Operational risks for Crown Energy are mainly linked to exploration licences. There are several risks associated with licence agreements, that is, agreements and permits that are prepared together with local authorities. Among other things, permits may be subject to restrictions and/or withdrawn, or they may be subject to interpretation and disputes. By maintaining a continuous, effective dialogue with local authorities, Crown Energy has as good control as possible over any changes to or new requirements for its licences.

The main risks related to the market and industry are those related to political, social, and economic issues in each country and/or region. Given that Crown Energy is engaged in and may expand its activities in developing countries, the Group can be affected by factors such as political, social, economic, and religious instability, including terrorism, military coercion, war, and general social and political unrest. This instability could have a very negative impact on operations as regards permits and partnerships. Another industry-related risk is the risk that the exploration work never leads to development and production and that the estimated volumes do not correspond with reality. To reduce the risk of misjudging a licence's potential, Crown Energy hires competent persons with good geological backgrounds and always follows established procedures and models for estimating reserves and resources.

Regarding financial risks, Crown Energy estimates that the greatest risk is the fact that oil and gas exploration is a capital-intensive business and funds may need to be raised during a less favourable market situation. Depending on operational developments in general, Crown Energy may need additional capital to acquire assets, to further develop the assets under favourable conditions, or to continue its operating activities. If Crown Energy cannot raise enough funds, the extent of its operations may be limited, which in the long run could result in the Company being unable to implement its long-term exploration plan. Crown Energy works continuously with its capital raising and refinancing.

## **MARKET**

Oil prices since the third quarter of 2016 and the start of this year have gone up again and have now settled above the USD 50 mark. There are several reasons for this, the main one being the decision by OPEC and non-OPEC countries such as Russia to cut oil production, thus stabilising the oil price at a slightly higher level. In addition, Saudi Arabia has formally made public statements that it believes the oil price will continue to rise over the course of the year. All this has been taken into consideration by the market. We continue to see a reduction in the difference between supply and demand, which is also having an effect. The number of existing production fields around the world continues to decline, and although new fields that were previously developed are still coming on stream, a minimum of new

exploration and development work is being carried out to replace these sources. So, our view also continues to be that oil prices will increase slowly over the rest of this year and into 2018.

## **PARENT COMPANY**

The Parent Company's revenue for full year 2016 totalled SEK 395 thousand (806). The revenue in both 2016 and 2015 was related to re-invoicing of expenses to subsidiaries. Q4 revenue came in at SEK 395 thousand (0).

The Parent Company's earnings before tax for full year 2016 totalled SEK 2,459 thousand (-4,447). Q4 earnings before tax totalled SEK 637 thousand (1).

Shares in group companies has increased by SEK 500 thousand, which is due to that the Parent company in December 2016 gave a shareholder contribution to the subsidiary, Crown Energy AB Iraq, with the same amount.

Current receivables reached SEK 12,499 thousand (563). The difference in comparison to 2015 is mainly the loan the Company granted to the ESI Group in the amount of SEK 9,097 thousand. Prepaid expenses of SEK 1,933 thousand related to the acquisition of the ESI Group were incurred in 2016 in addition to the loan amount. These expenses will be recognised on takeover as part of acquisition costs for shares in subsidiaries.

Cash and cash equivalents at 31 December 2016 totalled SEK 25,237 thousand compared with SEK 72 thousand at 31 December 2015. This increase is attributable to the

directed issue completed in June 2016, which raised SEK 63,000 thousand in cash and cash equivalents for the Company before issue expenses.

There were 3 persons (2) employed by the Parent Company at the end of the period. Alan Simonian was hired by the Company in August 2016, with retrospective salary from June. Alan is a member of the board, but will no longer receive any board fees due to his employment with the Company.

Equity at the end of the period was SEK 216,177 thousand compared with SEK 148,500 thousand at 31 December 2015. The change consists of the three issues during the period. For details, see the Parent Company's statement of changes in equity on page 16.

As mentioned previously, the Company repaid the entire convertible loan and associated interest in late June 2016, so there are no longer any convertible loans. See Note 8, Convertible loans, for more information.

Loans from related parties amount to SEK 5,054 thousand and have decreased by net SEK 1,650 thousand since 31 December 2015 due to repayments. In the fourth quarter of 2016, the loan was reclassified from a non-current to a current liability because the loan was called in by the lender.

## **DIVIDENDS**

The Board will not propose any dividend at the Annual General Meeting (AGM) on 12 May 2017.

# Condensed consolidated income statement

ALL AMOUNTS IN SEK THOUSAND	NOTE	2016-10-01	2015-10-01	2016-01-01	2015-01-01
		2016-12-31	2015-12-31	2016-12-31	2015-12-31
Revenue		-	-	-	-
Other operating income		64	140	-	73
Other external costs		-3,488	-1,635	-6,090	-4,607
Employee benefit expenses		-1,440	-858	-4,863	-4,077
Depreciation/amortisation and impairment of property, plant, and equipment and intangible assets		-8	-8	-33	-33
Other operating expenses		-	-	-139	-
<b>Operating profit/loss</b>		<b>-4,872</b>	<b>-2,361</b>	<b>-11,125</b>	<b>-8,644</b>
Financial income		2,677	-	10,305	2,447
Financial expenses		-256	-1,372	-2,263	-9,380
<b>Earnings before tax</b>		<b>-2,451</b>	<b>-3,733</b>	<b>-3,083</b>	<b>-15,577</b>
Income tax	9	-	-	-	-
<b>Net profit/loss for the period</b>		<b>-2,451</b>	<b>-3,733</b>	<b>-3,083</b>	<b>-15,577</b>
<b>Earnings per share and share related data</b>					
Average number of basic shares, thousands	4	132,048	55,547	86,276	45,001
Average number of diluted shares, thousands	4	132,048	55,547	86,276	45,001
Basic earnings per share, SEK	4	-0.02	-0.07	-0.04	-0.35
Diluted earnings per share, SEK	4	-0.02	-0.07	-0.04	-0.35

# Condensed consolidated statement of comprehensive income

ALL AMOUNTS IN SEK THOUSAND	NOTE	2016-10-01	2015-10-01	2016-01-01	2015-01-01
		2016-12-31	2015-12-31	2016-12-31	2015-12-31
<b>Net profit/loss for the period</b>		<b>-2,451</b>	<b>-3,733</b>	<b>-3,083</b>	<b>-15,577</b>
<b>Other comprehensive income</b>					
Translation differences		2,073	-230	3,371	2,699
<b>Total items that can be reclassified to profit or loss</b>		<b>2,073</b>	<b>-230</b>	<b>3,371</b>	<b>2,699</b>
<b>Other comprehensive income, net of tax</b>		<b>2,073</b>	<b>-230</b>	<b>3,371</b>	<b>2,699</b>
<b>Total comprehensive income for the period</b>		<b>-378</b>	<b>-3,963</b>	<b>288</b>	<b>-12,878</b>
<b>Total comprehensive income attributable to:</b>					
Parent Company shareholders		-378	-3,963	288	-12,878
<b>Comprehensive income for the period</b>		<b>-378</b>	<b>-3,963</b>	<b>288</b>	<b>-12,878</b>

# Condensed consolidated statement of financial position

ALL AMOUNTS IN SEK THOUSAND	NOTE	2016-12-31	2015-12-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
Equipment, tools, fixtures, and fittings	11	33	66
Exploration and evaluation assets	5, 11	187,370	176,445
<b>Total non-current assets</b>		<b>187,403</b>	<b>176,511</b>
<b>Current assets</b>			
Other receivables	7	13,536	791
Cash and cash equivalents		26,541	156
<b>Total current assets</b>		<b>40,077</b>	<b>947</b>
<b>TOTAL ASSETS</b>		<b>227,480</b>	<b>177,458</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to Parent Company shareholders</b>			
Share capital		13,405	1,633
Other contributed capital		236,722	183,276
Reserves		12,484	9,112
Accumulated earnings		-63,845	-48,267
Net profit/loss for the period		-3,083	-15,577
<b>Total equity</b>		<b>195,683</b>	<b>130,177</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans from related parties	2, 7	-	6,704
Deferred tax liabilities	9	15,791	14,498
Other provisions	6, 7	3,517	9,250
<b>Total non-current liabilities</b>		<b>19,308</b>	<b>30,452</b>
<b>Current liabilities</b>			
Loans from related parties	2, 7	5,054	-
Convertible loans	7, 8	-	11,209
Other current liabilities	7	7,435	5,620
<b>Total current liabilities</b>		<b>12,489</b>	<b>16,829</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>227,480</b>	<b>177,458</b>

# Condensed consolidated statement of changes in equity

ALL AMOUNTS IN SEK THOUSAND	2016-12-31	2015-12-31
<b>Opening equity</b>	<b>130,177</b>	<b>57,090</b>
Net profit/loss for the period	-3,083	-15,577
Other comprehensive income, net of tax	3,371	2,699
<b>Comprehensive income for the period</b>	<b>288</b>	<b>-12,878</b>
Transactions with shareholders:		
Conversions, KV1 2013/2016 1)	0	-
Option component, KV1 2013/2016	-	3,219
Directed issue, January 2016	11,000	-
Directed issue, June 2016 2)	63,000	-
Shares 2)	44,100	-
Warrants 2)	18,900	-
Directed issue (discount), December 2016	0	-
Preferential rights issue	-	4,913
Offset issues	-	79,432
Issue expenses 3)	-8,782	-1,599
<b>Closing equity</b>	<b>195,683</b>	<b>130,177</b>
<b>Attributable to:</b>		
Parent Company shareholders	195,683	130,177
<b>Total equity</b>	<b>195,683</b>	<b>130,177</b>

1) The conversion amounts are less than SEK 1 thousand.

2) The issue price for 1 unit (consisting of one [1] share and one [1] warrant) was SEK 2. There was no allocation made between the value of shares and warrants in the acquisition agreement with Cement Fund. In accordance with applicable accounting regulations, there was an allocation made in equity between shares and warrants, based on an option valuation calculated under Black & Scholes. Each warrant was valued at SEK 0.60.

3) Deferred taxes on issue expenses were not recognised.

# Condensed consolidated statement of cash flows

ALL AMOUNTS IN SEK THOUSAND	NOTE	2016-10-01	2015-10-01	2016-01-01	2015-01-01
		2016-12-31	2015-12-31	2016-12-31	2015-12-31
<b>Cash flow from operating activities</b>		<b>-4,432</b>	<b>-1,557</b>	<b>-11,202</b>	<b>-8,533</b>
<b>Cash flow from investing activities</b>	10	<b>-10,759</b>	<b>-722</b>	<b>-12,203</b>	<b>-28,695</b>
<b>Cash flow from financing activities</b>	10	<b>-1,102</b>	<b>-</b>	<b>49,790</b>	<b>2,685</b>
<b>Cash flow for the period</b>		<b>-16,293</b>	<b>-2,279</b>	<b>26,385</b>	<b>-34,543</b>
Cash and cash equivalents at start of period		42,834	2,296	156	34,626
Cash flow for the period		-16,293	-2,279	26,385	-34,543
Exchange gains/losses on cash and cash equivalents		0	139	0	73
<b>Cash and cash equivalents at end of period</b>		<b>26,541</b>	<b>156</b>	<b>26,541</b>	<b>156</b>

# Consolidated key ratios

For definitions of key ratios, see pages 30-31.

## QUARTERLY SUMMARY – GROUP

Quarterly summary of the last eight quarters:

ALL AMOUNTS IN SEK THOUSAND UNLESS OTHERWISE STATED	NOTE	2016-10-01	2016-07-01	2016-04-01	2016-01-01	2015-10-01	2015-07-01	2015-04-01	2016-01-01	2014-10-01
		2016-12-31	2016-09-30	2016-06-30	2016-03-31	2015-12-31	2015-09-30	2015-06-30	2015-03-31	2014-12-31
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<b>Earnings</b>										
Other operating income		-	46	-	-	140	-	-	-	-
Operating profit/loss		-4,872	-1,907	-2,490	-1,856	-2,361	-1,975	-2,517	-1,791	-3,370
Net profit/loss for the period, after tax		-2,451	-1,283	4,724	-4,073	-3,733	-2,418	-6,599	-2,827	-6,489
<b>Earnings yield</b>										
Return on equity, %		neg	neg	neg	neg	neg	neg	neg	neg	neg
Return on capital employed, %		neg	neg	neg	neg	neg	neg	neg	neg	neg
<b>Financial position</b>										
Equity/assets ratio, %		86.0%	86.5%	84.2%	73.4%	73.4%	74.5%	74.9%	31.2%	38.3%
Net debt/equity ratio, times		-0.18	-0.22	-0.27	0.04	0.08	0.06	0.07	1.01	0.37
Net asset value per share, SEK		0.43	2.12	2.13	2.21	2.34	2.41	2.42	2.07	2.03
Total assets		227,480	226,701	233,956	183,612	177,458	179,947	174,871	187,813	149,083
Equity		195,683	196,202	196,927	134,814	130,177	134,139	131,044	58,521	57,090
Cash flow from investments		-10,759	-241	-786	-417	-722	-2,436	-3,816	-21,721	-515
<b>Ratios per share</b>										
Dividend per share, SEK		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Number of basic shares outstanding, thousand	4	455,949	92,547	92,547	61,047	55,547	55,547	54,072	28,243	28,143
Number of diluted shares outstanding, thousand	4	455,949	92,547	92,547	61,047	55,547	55,547	54,072	28,243	28,143
Average number of shares, thousand	4	132,048	92,547	61,394	58,236	55,547	55,419	40,405	28,218	28,143
Average number of diluted shares, thousands	4	132,048	92,547	61,394	58,236	55,547	55,419	40,405	28,218	28,143
Basic earnings per share, SEK	4	-0.02	-0.01	0.08	-0.07	-0.07	-0.04	-0.16	-0.10	-0.23
Diluted earnings per share, SEK	4	-0.02	-0.01	0.08	-0.07	-0.07	-0.04	-0.16	-0.10	-0.23
Equity per share, SEK		0.43	2.12	2.13	2.21	2.34	2.41	2.42	2.07	2.03
Cash flow from operating activities per share, SEK		-0.01	-0.03	-0.02	-0.04	-0.03	-0.02	-0.08	-0.06	-0.08
<b>Employees</b>										
		3.0	2.7	2.0	2.0	2.0	2.0	3.0	3.0	3.0



## INTERIM AND FULL-YEAR SUMMARY – GROUP

Yearly summary of the past six years (including the year in review):

ALL AMOUNTS IN SEK THOUSAND UNLESS OTHERWISE STATED	NOTE	2016-01-01	2015-01-01	2014-01-01	2013-01-01	2012-01-01	2011-01-01
		2016-12-31	2015-12-31	2014-12-31	2013-12-31	2012-12-31	2011-12-31
		FULL YEAR	FULL YEAR	FULL YEAR	FULL YEAR	FULL YEAR	FULL YEAR
<b>Earnings</b>							
Other operating income		–	73	–	–	–	342
Operating profit/loss		-11,125	-8,644	-9,448	-9,271	-9,300	-3,158
Net profit/loss for the period, after tax		-3,083	-15,577	-21,115	-14,399	-9,710	-3,042
<b>Earnings yield</b>							
Return on equity, %		neg	neg	neg	neg	neg	neg
Return on capital employed, %		neg	neg	neg	neg	neg	neg
<b>Financial position</b>							
Equity/assets ratio, %		86.0%	73.4%	38.3%	51.3%	71.9%	2.4%
Net debt/equity ratio, times		-0.18	0.08	0.08	-0.02	n/a	n/a
Net asset value per share, SEK		0.43	2.34	2.07	2.49	2.15	0.07
Total assets		227,480	177,458	149,083	134,211	77,133	51,958
Equity		195,683	130,177	57,090	68,843	55,434	1,247
Cash flow from investments		-12,203	-28,695	-3,830	-2,664	-11,791	-17,974
<b>Ratios per share</b>							
Dividend per share, SEK		n/a	n/a	n/a	n/a	n/a	n/a
Number of basic shares outstanding, thousand	4	455,949	55,547	28,143	27,598	25,755	17,031
Number of diluted shares outstanding, thousand	4	455,949	55,547	28,143	27,598	25,755	17,031
Average number of shares, thousand	4	86,276	45,001	27,969	25,917	20,929	3,906
Average number of diluted shares, thousands	4	86,276	45,001	27,969	25,917	20,929	3,906
Basic earnings per share, SEK	4	-0.04	-0.35	-0.75	-0.56	-0.46	-0.78
Diluted earnings per share, SEK	4	-0.04	-0.35	-0.75	-0.56	-0.46	-0.78
Equity per share, SEK		0.43	2.34	2.03	2.49	2.15	0.07
Cash flow from operating activities per share, SEK		-0.21	-0.21	-0.40	-0.59	-0.37	-0.16
<b>Employees</b>							
Average number of employees		2.6	2.5	3.0	3.0	2.0	0.0

# Condensed Parent Company income statement

ALL AMOUNTS IN SEK THOUSAND	NOTE	2016-10-01	2015-10-01	2016-01-01	2015-01-01
		2016-12-31	2015-12-31	2016-12-31	2015-12-31
Revenue	2	395	–	395	806
Other operating income		73	140	–	137
Other external costs		-1,622	-1,154	-3,812	-3,443
Employee benefit expenses		-1,507	-858	-4,863	-4,077
Depreciation/amortisation and impairment of property, plant, and equipment and intangible assets		-8	-8	-33	-33
Other operating expenses		–	–	-127	–
<b>Operating profit/loss</b>		<b>-2,669</b>	<b>-1,880</b>	<b>-8,440</b>	<b>-6,610</b>
Interest income and similar items		216	215	387	326
Interest income, intercompany	2	3,090	2,955	12,205	10,768
Interest expenses and similar items		–	-1,289	-1,693	-8,931
<b>Earnings before tax</b>		<b>637</b>	<b>1</b>	<b>2,459</b>	<b>-4,447</b>
Tax	9	–	–	–	–
<b>Net profit/loss for the period</b>		<b>637</b>	<b>1</b>	<b>2,459</b>	<b>-4,447</b>

# Condensed Parent Company statement of comprehensive income

ALL AMOUNTS IN SEK THOUSAND	NOTE	2016-10-01	2015-10-01	2016-01-01	2015-01-01
		2016-12-31	2015-12-31	2016-12-31	2015-12-31
<b>Net profit/loss for the period</b>		<b>637</b>	<b>1</b>	<b>2,459</b>	<b>-4,447</b>
<b>Other comprehensive income</b>					
<i>Total items that can be reclassified as profit or loss</i>		–	–	–	–
<b>Other comprehensive income, net of tax</b>		–	–	–	–
<b>Total comprehensive income</b>		<b>637</b>	<b>1</b>	<b>2,459</b>	<b>-4,447</b>

# Condensed Parent Company balance sheet

ALL AMOUNTS IN SEK THOUSAND	NOTE	2016-12-31	2015-12-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
Participations in Group companies		20,704	20,204
Property, plant, and equipment		33	66
Receivables from Group companies		165,988	21,244
<b>Total non-current assets</b>		<b>186,725</b>	<b>41,514</b>
<b>Current assets</b>			
Receivables from Group companies		–	127,342
Current receivables	7	12,499	563
Cash and bank balances	7	25,237	72
<b>Total current assets</b>		<b>37,736</b>	<b>127,977</b>
<b>TOTAL ASSETS</b>		<b>224,461</b>	<b>169,491</b>
<b>EQUITY</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		13,405	1,633
<b>Total restricted equity</b>		<b>13,405</b>	<b>1,633</b>
<b>Non-restricted equity</b>			
Share premium reserve		232,722	179,276
Accumulated earnings		-32,409	-27,962
Net profit/loss for the year		2,459	-4,447
<b>Total non-restricted equity</b>		<b>202,772</b>	<b>146,867</b>
<b>Total equity</b>		<b>216,177</b>	<b>148,500</b>
<b>Non-current liabilities</b>			
Loans from related parties	2,7	–	6,704
<b>Total non-current liabilities</b>		<b>–</b>	<b>6,704</b>
<b>Current liabilities</b>			
Loans from related parties	2,7	5,054	–
Convertible loans	8	–	11,209
Other current liabilities	7	3,230	3,078
<b>Total current liabilities</b>		<b>8,284</b>	<b>14,287</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>224,461</b>	<b>169,491</b>

# Parent Company – Condensed statement of changes in equity

ALL AMOUNTS IN SEK THOUSAND	NOTE	2016-12-31	2015-12-31
<b>Opening equity</b>		<b>148,500</b>	<b>66,982</b>
Net profit/loss for the period		2,459	-4,447
Other comprehensive income for the period		–	–
<b>Comprehensive income for the period</b>		<b>2,459</b>	<b>-4,447</b>
Conversions, KV1 2013/2016 1)		0	–
Option component, KV1 2013/2016		–	3,219
Directed issue, January 2016		11,000	–
Directed issue, June 2016 2)		63,000	–
Shares 2)		44,100	–
Warrants 2)		18,900	–
Directed issue (discount), December 2016		0	–
Offset issues		–	79,432
Preferential rights issue		–	4,913
Issue expenses 3)		-8,782	-1,599
<b>Closing equity</b>		<b>216,177</b>	<b>148,500</b>

1) The conversion amounts are less than SEK 1 thousand.

2) The issue price for 1 unit (consisting of one [1] share and one [1] warrant) was SEK 2. There was no allocation made between the value of shares and warrants in the acquisition agreement with Cement Fund. In accordance with applicable accounting regulations, there was an allocation made in equity between shares and warrants, based on an option valuation calculated under Black & Scholes. Each warrant was valued at SEK 0.60.

3) Deferred taxes on issue expenses were not recognised.

## Notes

### NOTE 1 GENERAL INFORMATION, ACCOUNTING POLICIES

#### General information

Crown Energy AB (publ), corporate identity number 556804-8598, with subsidiaries, is an international oil and gas group focused on exploration opportunities with high potential for recoverable oil and gas reserves in underexploited areas. The Group focuses on Equatorial Guinea (Block P), South Africa (Block 2B), Madagascar (3108 Manja), and Salah ad-Din in Iraq.

The Parent Company is a limited company registered in Sweden and domiciled in Stockholm. The Parent Company is listed on NGM Equity.

The street address of the main office is Norrlandsgatan 18, 111 43 Stockholm.

#### Accounting policies

This interim report was prepared pursuant to IAS 34 Interim Financial Reporting, the Swedish Annual Accounts Act, and RFR 1 Supplementary Accounting Regulations for Groups. As with the 2015 annual accounts, the consolidated accounts were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act. The financial statements of the Parent Company were prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's RFR 2 Accounting for Legal Entities.

The same accounting policies were used during the period as were used for the 2015 financial year and as described in the 2015 Annual Report. No new or revised standards, interpretations, or amendments adopted by the EU influenced the Group's earnings or position.

This interim report does not contain all the information and disclosures contained in the Annual Report, so the interim report should be read alongside the 2015 Annual Report.

## Seasonal variations

We estimate that there are not any significant seasonal variations in the exploration industry or for Crown Energy as an individual company.

## NOTE 2 TRANSACTIONS WITH RELATED PARTIES

### Purchases and sales within the Group

The Parent Company's revenue for full year 2016 (2015) represents 100% (100) of re-invoicing to other companies within the Group. The Parent Company's revenue in Q4 2016 (2015) represents 100% (0) of re-invoicing to other companies within the Group. Of the Parent Company's total interest income for full year 2016 (2015), 97% (97) relates to other companies within the Group. Of the Parent Company's interest income in Q4 2016 (2015), 93 per cent (93) relates to other companies within the Group.

### Loans from related parties

The Parent Company holds interest-free loans from former CEO Ulrik Jansson. Ulrik Jansson raised these loans on an ongoing basis privately and via companies. The loans totalled SEK 5,054 thousand at 31 December 2016. The loans decreased by SEK 1,650 thousand since 31 December 2015 due to repayments. The loan was reclassified from non-current to current because it was called in.

### Purchase of services

Peter Mikkelsen works in his management position under a consultancy agreement. Technical services are also contracted from former board member Nick Johnson (resigned in December 2016). Their services are purchased on normal commercial terms and they invoice regularly for work performed. In full year 2016 (2015), Peter Mikkelsen invoiced a total amount of GBP 6 thousand (21) and Nick Johnson GBP 0 thousand (9), which is equivalent to SEK 76 thousand and SEK 7 thousand respectively at an average exchange rate for full year 2016.

Crown Energy also purchases technical consulting services from Simco Petroleum Ltd. (Simco). Alan Simonian, board member and Company employee, currently owns 33 per cent of Simco and sits on Simco's board. Services from Simco are purchased on normal commercial terms. Services were purchased in the period in full year 2016 (2015) in the amount of USD 120 thousand (110), which is equivalent to SEK 1,029 thousand calculated using an average rate for full year 2016.

### Other transactions

In December 2016 Crown Energy AB provided a short-term loan to ESI Group SA as part of the ongoing acquisition of ESI Group SA. The loan amounted to USD 1 million at an annual interest rate of 7 per cent. ESI Group SA is controlled by Yoav Ben-Eli via his company YBE Ventures Ltd. Yoav Ben-Eli is now a shareholder (via YBE Ventures Ltd) and board member of Crown Energy AB. For more information, see Note 14 Acquisition of ESI Group.

The acquisition of Simbo Petroleum No.2 Ltd, which holds the Block 2B licence in South Africa, was completed in the comparison period of 2015. The sellers were Comtrack Ventures Ltd (major shareholder of Crown Energy AB) and Alan Simonian (shareholder of Crown Energy AB). The transaction was subject to normal commercial terms and conditions, given that the price was based on previously agreed levels with the external company Thombo Petroleum Ltd ("Thombo"). For more information on the transaction, see the 2015 Annual Report.

## NOTE 3 OWNERSHIP STRUCTURE

The number of shares registered in Crown Energy AB's share registers as of publication of this report is in total 455,949,202 with a quotient value of SEK 0.03 per share.

During February 2017, the directed share issue (under the quota value), which the extra general meeting ("EGM") resolved upon on December 12, 2016 and in total 363,401,823 C shares were transferred to YBE Ventures Ltd. Before the share issue, the number of shares and votes in the Company amounted to 92,547,379. Through the share issue a new class of shares was introduced, C shares, while the existing shares before the issue are now ordinary shares and due to the share issue, the number of C shares have increased by 363,401,823 and the total number of votes by 1,196,328,234.

The total number of shares in the Company amounts, as per December 31, 2016 and thereafter know changes, to 455,949,202, of which 92,547,379 are ordinary shares and 363,401,823 are C shares. Ordinary shares carry ten (10) votes and C-shares carry one (1) vote. The total number of votes when this year-end report is published, are 1,288,875,613.

The Company's ordinary shares are listed on NGM Equity, whilst the C shares are not. This means that 20.3 percent of the total registered shares are listed on NGM Equity and 79.7 percent are unlisted. The five largest shareholders together owned 93.5 per cent of the total share capital at 31 December 2016 and known subsequent changes. Ownership structure at 31 December 2016 and known subsequent changes on next page:

SHAREHOLDERS	NUMBER OF SHARES	PERCENTAGE OF SHARES (%)	NUMBER OF VOTES	PERCENTAGE OF VOTES (%)
Yoav Ben-Eli, via company* (C shares)	363,401,823	79.7%	363,401,823	28.2%
Cement Sweden S.a.r.l.	31,500,000	6.9%	315,000,000	24.4%
USB Investment BV	15,313,107	3.4%	153,131,070	11.9%
Andreas Forssell, privately and via companies	8,404,609	1.8%	84,046,090	6.5%
Comtrack Ventures Ltd	7,933,156	1.7%	79,331,560	6.2%
Other shareholders	29,396,507	6.5%	293,965,070	22.8%
<b>Total number of shares</b>	<b>455,949,202</b>	<b>100.0%</b>	<b>1,288,875,613</b>	<b>100.0%</b>

\*The shares are owned via YBE Ventures Ltd, which is controlled by Yoav Ben-Eli.

## NOTE 4 EARNINGS PER SHARE AND NUMBER OF SHARES

The Company's **Earnings per share** key ratio is calculated as: Earnings after tax divided by average number of shares for the period. This ratio is calculated both with and without dilutive effects.

### Dilutive effect

The Parent Company had 31,500,000 warrants issued to its largest owner Cement Fund SCSp at 30 September 2016. The warrants can be converted into an equivalent number of ordinary shares upon conversion. If Cement Fund SCSp opts to exercise its warrants and subscribe for additional shares, Cement Fund SCSp may then hold a total of 12.9 per cent of the shares and 38.9 per cent of the votes in Crown Energy (based on the number of shares and votes at the date of this report). Subscriptions for new shares by exercising warrants will be permitted during the period from 24 May 2016 until 24 May 2018. The issue price is SEK 2 per share. Warrants only have a dilutive effect when the average share price exceeds the issue price of the warrants. This has not been the case during the periods under review (full year 2016 and Q4).

### Earnings per share and number of shares

The number of outstanding shares at 31 December 2016 totalled 455,949,202. The average number of shares for the full year was 86,276,194, and this figure for Q4 (October-December) was 132,047,577. As mentioned above, there is no dilutive effect.

Earnings before tax for full year 2016 amounted to SEK -3153 thousand, which puts earnings per share at 31 December 2016 at SEK -0.04 (both before and after dilution). Q4 earnings before tax amounted to SEK -2,521 thousand, which corresponds to earnings per share of SEK -0.02 (both before and after dilution).

## NOTE 5 EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets comprise the acquisition of rights and other exploration expenses. No depreciation is taken during the exploration and development phase. All the Group's exploration and evaluation assets are classified as intangible assets.

Revaluation effects are attributable to the acquisition of Amicoh Resources Ltd (which was made in USD) and the fact that these assets are translated using the closing rate. The revaluation effect that arises is recognised directly in the currency translation reserve in other comprehensive income. Translation differences are due to the fact that certain subsidiaries have the USD as their functional currency.

The only impact of the farm-out of Block 2B to Africa Energy on the 2016 financial statements is the cash payment received as reimbursement both for previously incurred expenses and for expenses paid by Crown Energy from Q4 2015 until takeover. The reimbursement has been recognised directly against the asset and Crown Energy retains the recognised share of the asset less the reimbursement received. No revenue was recognised due to the farm-out. The reimbursement totalled USD 308 thousand (equivalent to SEK 2,808 thousand).

GROUP, ALL AMOUNTS IN SEK THOUSAND	NOTE	2016-10-01	2015-10-01	2016-01-01	2015-01-01
		2016-12-31	2015-12-31	2016-12-31	2015-12-31
Opening carrying amount		182,943	176,338	176,445	107,459
Capital expenditures for the period		1,733	641	4,470	8,532
Reimbursement, farm-out		-2,808	-	-2,808	-
Increase through acquisition of assets	12	-	-132	-	55,355
Translation and revaluation effects		5,502	-402	9,263	5,099
<b>Closing accumulated cost of acquisition</b>		<b>187,370</b>	<b>176,445</b>	<b>187,370</b>	<b>176,445</b>

## NOTE 6 PROVISIONS

Following is a summary of the Group's provisions:

GROUP, ALL AMOUNTS IN SEK THOUSAND	2016-12-31	2015-12-31
Acquisition of Amicoh Resources Ltd		
Additional consideration, commercial discovery	3,517	3,046
Acquisition of Crown Energy Iraq		
Provision for buy-back option	–	6,204
<b>Closing balance</b>	<b>3,517</b>	<b>9,250</b>

### Provisions related to the acquisition of Amicoh Resources Ltd

Due to the acquisition of subsidiary Amicoh Resources Ltd. in 2011, an additional consideration of up to USD 4,000 thousand was agreed upon in the event of a commercial discovery on Madagascar. This additional consideration is recognised at 31 December 2016 (2015) as a provision at a value of SEK 3,517 thousand (3,046) after present value calculations.

For more information on provisions, see the 2015 Annual Report. No changes have occurred in Crown Energy's assessments of provisions since 31 December 2015.

### Provision related to acquisition of Crown Energy Iraq AB

The share transfer agreement that was signed with the sellers of Crown Energy Iraq AB ("Crown Energy Iraq") included an option to buy back Crown Energy Iraq shares. The buy-back option enabled the sellers of Crown Energy Iraq to buy back 250 shares in the sold company within 30 months of the takeover date. With Crown Energy Iraq's current 1,000 shares, the sellers would have had the right to buy back 25 per cent of the company's shares. In conjunction with the acquisition, an assumption was made that the option would be exercised, and a provision was therefore made in the amount of SEK 6,204 thousand. However, the option period expired in May 2016 without any share subscriptions. Therefore, a provision is no longer recognised in the balance sheet. Given that the provision was a financial liability, the reversal has been recognised in the income statement as financial income in the amount of SEK 6,204 thousand.

## NOTE 7 RECOGNITION OF FINANCIAL INSTRUMENTS

### Carrying amount and fair value

The carrying amounts of other receivables, cash and cash equivalents, accounts payable, and other current liabilities are a reasonable approximation of their fair value.

The fair value of financial liabilities is calculated for disclosure purposes by discounting the future contractual cash flow at the current market interest rate available to the Group for similar financial instruments. The present value of loans from related parties, corresponding to the estimated fair value at 31 December 2016, was estimated at SEK 4,814 thousand, which is based on an interest rate of 5 per cent if the loan had been subscribed to at market conditions.

The fair value of financial instruments not traded in an active market is determined using discounted cash flows.

### Financial instruments measured at fair value

Crown Energy classifies fair value measurement using a fair value hierarchy (three levels) that reflects the reliability of the inputs used in making the measurements in compliance with IFRS 13 Fair Value Measurement. In accordance with IFRS 13, financial instruments require disclosures about fair value measurement by level. The following table shows the financial items recognised at fair value via the income statement, divided into the three levels:

GROUP, ALL AMOUNTS IN SEK THOUSAND	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
2016-12-31				
<b>Total assets</b>	–	–	–	–
<b>Liabilities</b>				
Financial liabilities measured at fair value via income statement:				
Provision for additional consideration, commercial discovery	–	–	3,517	3,517
<b>Total liabilities</b>	–	–	<b>3,517</b>	<b>3,517</b>

Provisions were recognised for contracted additional consideration in conjunction with the acquisition of subsidiary Amicoh Resources Ltd (see Note 6, Provisions). No changes have occurred in Crown Energy's assessments of fair value measurement applicable to provisions since 31 December 2015. The period's total net effect due to revaluation to fair value was SEK -471 thousand (-358) and was recognised in the income statement as (unrealised) financial income or expense.

## NOTE 8 CONVERTIBLE LOANS

Crown Energy (Parent Company) had two outstanding convertible loan series until May 2015: KV1 2013/2016 and KV2 2014/2016. Convertibles valued at SEK 66,432 thousand were bought back in April 2015, which corresponded to about 85 per cent of the previous total convertible debt. The convertibles holders who chose not to sell their convertibles as offered remained under the original terms of the convertible and these convertibles continued to be traded on NGM Equity as before. The nominal amount of these convertibles totalled SEK 12,211 thousand after the buy-back. The KV2 2014/2016 convertible series was bought back in its entirety.

An interest payment for the remaining convertible loan matured on 29 April 2016 and the convertible loan matured for final payment on 2 May 2016. The repayment was postponed due to the issue in progress. A payment of a nominal amount of SEK 12,211 thousand and interest was made on 29 June for the convertible loan in accordance with the convertible terms and conditions as well as additional interest of 18 per cent (per year) from the maturity date until 30 June 2016 (on the nominal amount of the convertibles at 2 May 2016 and on the interest overdue at 29 April 2016). Following this repayment, Crown Energy no longer has any outstanding convertible loans.

### Carrying amounts

Classification of the convertible loans during the comparison periods was as follows below.

CURRENT BORROWINGS		
GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND		
	2016-12-31	2015-12-31
Convertible loans:		
KV1 2013/2016	-	11,209
KV2 2014/2016	-	-
<b>Total</b>	<b>-</b>	<b>11,209</b>

Changes for the period:

GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	
<b>At 1 January 2016</b>	<b>12,125</b>
Conversion 31 March 2016	0
Interest expenses Jan-April 2016	1,692
Repayment liabilities and interest	-13,817
<b>Liability component at 31 December 2016</b>	<b>-</b>

The conversions in March 2016 corresponded to amounts below SEK 1 thousand and only referred to conversion of six convertibles to six shares.

## NOTE 9 DEFERRED TAX

A deferred tax liability was recognised and is related to the surplus values of exploration and evaluation assets and to temporary differences resulting from the measurement of the convertible loan at amortised cost.

Crown Energy has unused tax losses and historically has not capitalised a deferred tax asset relating to them as a precaution and in view of uncertainty in the Company's ability to generate future taxable profits. However, Crown Energy has now chosen to offset the loss against the deferred tax liability related to measurement of the convertible loan. A deferred tax asset is recognised at the same amount as the deferred tax liability. The deferred tax liability and asset were offset in the balance sheet. There was no further capitalisation of the tax loss in 2016 and 2015, so no deferred tax was recognised in the income statement.



## NOTE 10 CASH FLOW

Financing and investing activities are specified as follows:

### Investing activities

GROUP, ALL AMOUNTS IN SEK THOUSAND	2016-10-01	2015-10-01	2016-01-01	2015-01-01
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Acquisition of subsidiaries	-	-	-	7
<i>Cash and cash equivalents in Simbo Petroleum No.2 Ltd</i>	-	-	-	7
Expenditures on exploration and evaluation assets	-1,662	-722	-3,106	-27,980
<i>Increase in exploration and evaluation assets through acquisition of subsidiaries, see Note 12</i>	-	-67	-	-24,947
<i>Expenditures on exploration and evaluation assets</i>	-1,662	-655	-3,106	-3,033
Short-term external lending	-9,097	-	-9,097	-
<b>Total cash flow from investing activities</b>	<b>-10,759</b>	<b>-722</b>	<b>-12,203</b>	<b>-27,973</b>

### Financing activities

GROUP, ALL AMOUNTS IN SEK THOUSAND	2016-10-01	2015-10-01	2016-01-01	2015-01-01
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Directed issues	-	-	74,000	-
Preferential rights issue	-	-	-	4,912
Issue expenses	-102	-	-8,743	-1,599
Interest payment convertible loans	-	-	-1,606	-
Repayment convertible loans	-	-	-12,211	-1,228
Borrowings from related parties	-	-	-	800
Repayment of loans from related parties	-1,000	-	-1,650	-200
<b>Total net cash flow from financing activities</b>	<b>-1,102</b>	<b>-</b>	<b>49,790</b>	<b>2,685</b>

## NOTE 11 SEGMENTS

It is estimated that the Group currently has only one segment. Since the Group does not have any income either, only information on non-current assets distributed across geographic areas is provided. Following is a summary of the Group's carrying amounts of non-current assets distributed across geographic areas.

GROUP, ALL AMOUNTS IN SEK THOUSAND	EQUIPMENT, TOOLS, FIXTURES, AND FITTINGS		EXPLORATION AND EVALUATION ASSETS		TOTAL NON-CURRENT ASSETS	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31	2016-12-31	2015-12-31
<b>GEOGRAPHIC AREAS</b>						
Sweden	33	66	-	-	33	66
Equatorial Guinea	-	-	4,933	4,839	4,933	4,839
Madagascar	-	-	88,848	79,119	88,848	79,119
Iraq	-	-	32,148	31,252	32,148	31,252
South Africa	-	-	61,441	61,235	61,441	61,235
<b>Total</b>	<b>33</b>	<b>66</b>	<b>187,370</b>	<b>176,445</b>	<b>187,403</b>	<b>176,511</b>

## NOTE 12 ACQUISITION OF SIMBO PETROLEUM NO.2 LTD

### Background

On 27 January, Crown Energy AB's subsidiary, Crown Energy Ventures Corporation, took over the shares of Simbo Petroleum No. 2 Ltd ("Simbo No. 2"). Simbo No. 2 holds an interest in licence Block 2B in South Africa – earlier 40.5 percent and now 10 percent.

For more information on the acquisition, see Note 26 in the 2015 Annual Report. Disclosures are made below to explain the comparison periods of 30 September 2015 and 31 December 2015.

### Accounting in Group

Crown Energy recognised the acquisition of Simbo 2 as an asset acquisition. Accounting in the Group is presented below.

EXPLORATION AND EVALUATION ASSETS	2016-01-01	2015-01-01
GROUP, ALL AMOUNTS IN SEK THOUSAND	2016-12-31	2015-12-31
Increase through acquisition of subsidiaries:		
<i>Acquired assets (licences)</i>	–	18,149
<i>Surplus values</i>	–	33,563
Directly attributable acquisition costs	–	3,643
<b>Total increase in exploration and evaluation assets due to acquisition of Simbo No. 2</b>	<b>–</b>	<b>55,355</b>

### Cash flows attributable to acquisition

Below is a breakdown of cash flow attributable to the acquisition:

GROUP, ALL AMOUNTS IN SEK THOUSAND	2016-01-01	2015-01-01
	2016-12-31	2015-12-31
Cash consideration, subsidiary/licence	–	-35,882
Directly attributable acquisition costs	–	-3,643
Disbursement from escrow in 2014 for cash calls	–	1,548
Adjustments for non-cash items:		
<i>Directly attributable acquisition costs (non-cash 2015)</i>	–	283
<i>Adjustment to consideration at takeover (non-cash)</i>	–	12,680
<b>Cash flow attributable to increase in exploration and evaluation assets through acquisition of subsidiary</b>	<b>–</b>	<b>-25,014</b>

## NOTE 13 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets in previous years referred to a bank guarantee of SEK 50 thousand with Euroclear Sweden AB as beneficiary. This expired in Q4 2016.

Contingent liabilities refer to the additional consideration for Simbo Petroleum No.2 Ltd and are in the Group currently presented at the maximum amount that may be paid at the time of settlement. For more information on the additional consideration, see the 2015 Annual Report. No changes to the estimate of the contingent liability have been made since 31 December 2015.

Following is a summary of pledged assets and contingent liabilities:

GROUP, ALL AMOUNTS IN SEK THOUSAND	2016-12-31	2015-12-31
Pledged assets		
<i>Bank guarantee</i>	–	50
Contingent liabilities		
<i>Additional consideration Block 2B</i>	102,813	102,813
<b>Total pledged assets and contingent liabilities</b>	<b>102,813</b>	<b>102,863</b>

PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2016-12-31	2015-12-31
Pledged assets		
<i>Bank guarantee</i>	–	50
Contingent liabilities	–	–
<b>Total pledged assets and contingent liabilities</b>	<b>–</b>	<b>50</b>

## NOTE 14 ACQUISITION OF ESI GROUP

Crown Energy announced that the Company entered into an agreement with YBE Ventures Ltd ("YBE Ventures") on 10 November 2016 to acquire all of the shares in the Luxembourg-registered company ESI Group SA ("ESI Group").

The acquisition agreement regulates that a business which to date has been run entirely in an Angolan owner structure will be fully or partially transferred to a newly formed group for which ESI Group is the parent company. This business transfer, called a carve-out, is a condition that must be met before the ESI Group shares can be taken over.

Private individual Yoav Ben-Eli owns 100 per cent of YBE Ventures Ltd, the counterpart.

The acquisition is described in more detail below.

### ESI Group - A newly formed group

ESI Group owns all shares in the newly formed Angolan company YBE Imobiliária Lda ("YBE Imobiliária") and the Mauritian company ESI East Africa (currently a shell company). The operations that were historically conducted in a private company in Angola, ESI Angola Lda ("ESI Angola"), shall, in accordance with the acquisition agreement, be transferred to YBE Imobiliária before Crown Energy takes possession of the ESI Group shares.

ESI Angola is an Angolan company that has developed and offered customised solutions for staff housing and offices primarily to companies in the oil and gas industry for the last 15 years. The offering includes everything from project planning and construction to administration and other value-added services, such as security, transportation, telecommunications, catering and recreational facilities. Customers include some of the world's leading oil companies. Yoav Ben-Eli has 100 per cent control over the company, which has approximately 250 employees.

As mentioned above, Crown Energy is acquiring ESI Angola's operations via ESI Group. Instead of acquiring the entire business, all business-critical functions and assets, such as properties, leases and key personnel will be carved-out to YBE Imobiliária. When all functions and assets have been transferred in accordance with the acquisition agreement, the transaction (transfer of shares) can be completed. Crown Energy then becomes the owner of ESI Group, including its subsidiary YBE Imobiliária and its operations.

ESI Angola, with about 250 employees, will remain as a company at first and will only conduct support activities in future, such as property maintenance and support services. In accordance with the acquisition agreement, YBE Imobiliária will contract with ESI Angola for these support functions. The non-business-critical parts of the operations will be outsourced, which will help promote expansion in existing and new markets. ESI Angola is now controlled by and will continue to be controlled by Yoav Ben-Eli. A close relationship between Crown Energy Group and ESI Angola arises since Yoav Ben-Eli, via YBE Ventures, will be the largest owner of shares and votes in Crown Energy AB. The service agreement will be entered on normal commercial terms.

After the transaction is completed, Crown Energy will consist of two business areas: Energy and Property Development & Services. The acquisition makes Crown Energy a major player in the oil and gas industry while creating significant growth potential for both business areas through expansion in existing and new markets.

### Terms of the acquisition agreement

The acquisition is a reverse acquisition. Crown Energy will take over the operations described above (shares in ESI Group) and payment will be made with newly issued shares (in Crown Energy AB).

The transaction takes place in two stages.

#### 1) Discounted issue of C shares

The extraordinary general meeting decides on a discounted issue and that Crown Energy shall provide a new class of shares: C shares. Shares prior to the issue are ordinary shares. The ordinary shares confer ten votes, C shares only one vote. ESI Group's current owner, YBE Ventures, is given the right to subscribe for C shares. The subscription proceeds of all C shares shall be a total of SEK 1.

#### 2) Takeover – conversion of C shares to ordinary shares

Once all the assets are transferred, a final settlement will determine the final purchase price and a maximum of 363,401,823 C shares can be converted into an equal number of ordinary shares. In the acquisition agreement the shares are assigned a value of SEK 2.50 per share and the number of exchanged shares will depend on the final settlement. Any remaining C shares will be cancelled. If all assets are not transferred by 30 June 2017, the purchase price will be reduced, and thus the number

of shares that can be converted from C shares into ordinary shares, by the corresponding price for each asset that was not transferred. (Price per asset is specified and agreed upon in the acquisition agreement.)

The main terms of the acquisition agreement are summarised below.

- The acquisition is subject to shareholder approval of the issue of new class C shares and of the possibility to convert C shares into ordinary shares. The new share class has 1/10 of the voting rights of the original ordinary shares.
- ESI Group's current owner, YBE Ventures, shall be given the right to subscribe for C shares.
- Crown Energy shall loan USD 1 million to the ESI Group. The purpose of the loan is for ESI Group to capitalise YBE Immobiliaria. This capitalisation is required by Angolan tax legislation for international investors.
- Assets (property and contracts) shall have been transferred to YBE Immobiliaria by 30 June 2017. Regardless of the takeover date, revenue from the assets will accrue to Crown Energy as of 1 January 2017.
- The C shares will be converted into ordinary shares proportionate to the transferred assets as of the closing date.
- C shares may be cancelled in whole or in part by Crown Energy if the terms for the transfer of assets are not deemed to be met.
- Converted C shares can only be traded on NGM Equity subject to the Swedish Financial Supervisory Authority's approval of a prospectus.

## Timetable and process for completion

Before entering the acquisition agreement, the seller requested and received an exemption from the mandatory bid from the Swedish Securities Council. The reason for the exemption is that the seller does not have the liquid assets required for submitting a bid for the remainder of the shares.

The acquisition and the issue of C shares were approved by an extraordinary general meeting on 12 December 2016. YBE Ventures subscribed for the shares directly in connection with the meeting and shares were transferred to YBE Ventures in February 2017 (see Events after the reporting period).

In December 2016, Crown Energy AB, in accordance with the acquisition agreement, provided a short-term loan to ESI Group SA, which carries an annual interest rate of 7 per cent. With this loan, YBE Immobiliaria could be capitalised and registered in Angola and the process of transferring assets and contracts could begin.

On publication of this interim report, ESI Angola and ESI Group are working to implement the transfer of assets and contracts to YBE Immobiliaria. The goal is for all assets and contracts to be transferred during Q1 2017. As mentioned above, regardless of when the deal is completed, revenues from the acquired business will accrue to Crown Energy Group as of 1 January 2017.

If all assets are transferred and all C shares are converted to ordinary shares, Yoav Ben-Eli, via YBE Ventures, will be the principal owner, giving him a *maximum* of 79.7 per cent of both the share capital and votes in Crown Energy AB before any dilution caused by current outstanding warrants. On publication of this interim report, i.e. after the registration of C shares, Yoav Ben-Eli, via YBE Ventures, holds 79.7 per cent of the registered shares and 28.2 percent of the votes in Crown Energy AB.

For more information about the transaction, please see the press release issued on 10 November 2016 and the documentation from the extraordinary general meeting. All of this can be found on Crown Energy's website. Crown Energy will regularly update the market with information about the transaction.

## Accounting of the acquisition

Since the company has not been taken over yet, the acquisition did not affect the 2016 accounts, except for the loan, including interest, that was provided to ESI Group.

The acquisition will be classified as a reverse acquisition because it gives Crown Energy a new principal owner. This means that IFRS 3 Business Combinations will be used for accounting and presentation of the acquisition and in the Group.

The Board and CEO hereby certify that this interim report gives a fair overview of the Parent Company's and Group's operations, position, and earnings, and describes significant risks and uncertainty factors to which the Group and its companies are exposed.

This interim report was not reviewed by the Company's auditors.

Stockholm, 10 February 2017

Pierre-Emmanuel Weil  
Chairman of the Board

Yoav Ben-Eli  
Board member

Jean Benaim  
Board member

Alan Simonian  
Board member

## REPORTING DATES

➤ Annual Report 2016	By 21 April 2017
➤ 2017 AGM	Friday 12 May 2017
➤ 2017 Three-Month Report	Friday 12 May 2017
➤ 2017 Six-Month Report	Friday 11 August 2017
➤ 2017 Nine-Month Report	Friday 10 November 2017

## PUBLICATION PURSUANT TO SWEDISH LAW

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.

## FINANCIAL INFORMATION

All financial information is posted at [www.crownenergy.se](http://www.crownenergy.se) as soon as it is released. Shareholders, other players in the stock market, and the public are free to subscribe to the Company's press releases and financial reports through Cision's news service, at at <http://news.cision.com/se/crown-energy>.

## FOR ADDITIONAL INFORMATION, CONTACT

Andreas Forssell, CEO +46 (0)8 400 207 20

## ADDRESS:

Crown Energy AB (publ)  
Norrandsgatan 18  
SE-111 43 Stockholm, Sweden  
[www.crownenergy.se](http://www.crownenergy.se)

# This is Crown Energy

## GENERAL INFORMATION

Crown Energy is an international oil and gas company engaged in oil and gas exploration and production in underexplored areas. The portfolio consists of assets in Africa and the Middle East:

- Iraq – Onshore exploration licence over an area of 24,000 square kilometres located in northern Iraq south-west of Kurdistan. The licence area contains several major discoveries as well as vast unexplored areas with high potential.
- South Africa – Offshore exploration licence containing a discovery with contingent resources ready for appraisal well drilling. The licence is considered to have great potential because of additional prospects within the licence area.
- Madagascar – Onshore exploration licence on the western side of the island. After conducting seismic and geological studies, several structures have been identified. Future efforts include drilling, for which Crown Energy is seeking a partner.
- Equatorial Guinea – Offshore exploration licence in the Rio Muni Basin. The licence area contains confirmed discoveries that are also surrounded by several structures with potential for further discoveries.

## BUSINESS CONCEPT

Through exploration and reprocessing, Crown Energy develops oil and gas projects in underexplored areas, initially in Africa. Value is created by finding and developing assets in early stages and then introducing larger oil and gas industry players to the projects for further development and production.

## GOALS

Crown Energy's goals are to become an independent oil and gas player with a significant reserve and resource base and to maintain a balanced portfolio of development and exploration assets.

## STRATEGY

The Company's strategy is based on the overall objective of generating the highest possible return for shareholders with a balanced risk awareness.

- Crown Energy will benefit from its own and other player's experiences to carefully select exploration areas where the chance of oil and gas discoveries is high.
- Crown Energy will seek good risk diversification, geographical as well as geological, and pursue farm-out opportunities as exit strategies to capitalise as much as possible on its assets.
- Crown Energy intends to run multiple parallel projects to diversify.

## VISION

Crown Energy's vision is to eventually become a major, profitable player in the international oil market.

## BUSINESS MODEL

To effectively manage and develop Crown Energy, focus will be concentrated on these factors: asset strategy, costs, experience, and expertise. Assets are selected based on a well-defined selection process that encompasses technical and geographical criteria and that is conducive to a balanced risk profile. Crown Energy has a streamlined organisation in which suitable partners take over continued funding of major operational activities such as drilling and development. Crown Energy has offices in Stockholm and London and its organisation is made up of individuals with long-standing experience and a high level of expertise in the oil and gas industry.

Value is created by finding and developing assets in early stages and then introducing larger oil and gas industry players to the projects for further development and production.

## MORE INFORMATION

See the 2015 Annual Report and website, [www.crownenergy.se](http://www.crownenergy.se)

# Glossary and definitions

## GLOSSARY – CONCEPTS AND MEASUREMENTS RELATED TO THE OIL INDUSTRY

### Block/Concession/Licence

A country's exploration and production area is divided into different geographic blocks. Agreements are entered with the host country which grants the company the right to explore and produce oil and gas within the specified area in exchange for the company paying a licence fee and royalties on production.

### Farm-in

Farm-in means that a company reaches an agreement with another company concerning the financing of part or all of the other company's project in return for a participating interest in the project.

### Farm-out

Farm-out means that a company reaches an agreement with a partner that bears the cost of part or all of a project in return for a participating interest in the project.

### Mboe/Mmboe

Thousand barrels of oil equivalents/Million barrels of oil equivalents

### Onshore

Refers to operations on land.

### Offshore

Refers to operations at sea.

### Operator

A company that has the right to explore for oil in an area and to pursue production at an oil discovery. Small operators often let other companies buy working interests in their rights to reduce the risk and share costs.

### Prospect

A geographic exploration area in which commercial quantities of oil or gas have been established.

### Exploration

Identification and investigation of areas that may contain oil or natural gas reserves.

### Reserves and resources

Oil assets are divided into reserves and resources. The difference is in how far the oil company has come in working with the licence, if the discoveries are of a commercial nature, etc. In short, resources are considered reserves when they are deemed commercially recoverable and a development plan has been approved by the local licensing authority. Reserves are divided into proven, probable, and possible. Resources are divided into contingent and prospective categories. Crown Energy calculates reserves and resources in accordance with the Society of Petroleum Engineers Petroleum Resources Management System of 2007.

### Reservoirs

Accumulated oil or gas in a porous type of rock with good porosity, such as sandstone or limestone.

### Seismic data

Seismic surveys are conducted to describe geological structures in the bedrock. Sound signals (blasts) are sent from the surface of the ground or the sea and the reflections are captured by special measuring instruments. Used to localise hydrocarbons.

## DEFINITIONS OF KEY RATIOS

### Earnings yield

Return on equity, %  
Net income as a percentage of average equity. Average equity is calculated as the opening and closing equity divided by two.

### Financial position

Equity, SEK  
Equity at end of period.

**Equity/assets ratio, %**

Equity including the minority as a percentage of total assets.

**Net debt/equity ratio**

Interest-bearing net debt divided by equity, where interest-bearing net debt is interest-bearing liabilities less interest-bearing current receivables and cash and cash equivalents.

**Investments**

Net investments in non-current assets during the period.

Investments in non-current assets for the period less sales and disposals for the period.

**Per share data****Total number of shares outstanding**

Number of shares outstanding at end of period.

**Weighted average number of shares**

Weighted number of shares outstanding during the year.

**Equity per share, SEK**

Equity at end of period divided by number of shares at end of period.

**Return on equity, %**

Equity at end of period divided by average equity for the period.

**Return on capital employed, %**

Equity at end of period divided by average total assets for the period.

**Earnings per share, SEK**

Earnings after tax divided by average number of shares for the period.

**Employees****Average number of employees**

Average number of employees during the period.