

## Crown Energy AB (publ)

### Year-end report 2014

*Crown Energy AB (publ) and its subsidiaries (Crown Energy, the Company, or the Group) is an international oil and gas group engaged in oil and gas exploration in Africa and the Middle East. Value is created through finding and developing assets in early stages and then introducing larger oil and gas industry players to the projects for further development and production. The Parent Company, whose commercial domicile is Stockholm, Sweden, is listed on NGM Equity.*

#### Fourth quarter

- The Company did not recognize any sales or operating income.
- The Group did not have any operating income in the quarter. Operating expenses for Q4 totalled SEK -3,370 thousand (-2,684), consisting primarily of employee expenses and other external costs. Operating expenses correspond to the Company's operating loss.
- Fourth quarter loss totalled SEK -6,489 thousand (-5,808) after tax, corresponding to SEK -0.23 per share (-0.22).
- Expenditures in Q4 totalled SEK 515 thousand (1,991).

#### Full year

- The Company did not recognize any sales or operating income.
- The Group did not have any operating income for the year. Operating expenses for the full year totalled SEK -9,448 thousand (-9,271), consisting primarily of employee expenses and other external costs. Operating expenses correspond to the Company's operating loss.
- Net income for the period after tax totalled SEK -21,115 thousand (-14,399), corresponding to SEK -0.76 per share (-0.56).
- Expenditures for the year totalled SEK 3,830 thousand (3,229).

#### Summary of key events in 2014

- In June 2014, the Company issued a two-year convertible loan (KV1 2014/2016) with an annual interest rate of 10%. The convertible issue raised SEK 16,984 thousand in cash (before transaction costs) for Crown Energy.
- During the June 2014 conversion period, holders exercised 298,732 convertibles in the KV1 2013/2016 series, which meant that an equal amount of new shares were subscribed for during the period. The conversions increased the Company's share capital by SEK 8.8 thousand and other contributed capital by SEK 2,390 thousand (net of deferred tax).
- In June 2014 the Company engaged ABG Sundal Collier as financial and strategic adviser.
- In December 2014, 100,000 convertibles in the KV1 2014/2016 series were exercised. The conversion means that the Company's shares increased by an equal amount of shares, share capital increased by SEK 2.9 thousand, and other contributed capital increased by SEK 833 thousand (net of deferred tax).

#### Condensed consolidated financial information

Group (SEK thousand)	2014-10-01	2013-10-01	2014-01-01	2013-01-01
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
	Q4	Q4	Full year	Full year
Revenue	–	–	–	–
Other operating income	–	–	–	–
Operating expenses	-3,370	-2,684	-9,448	-9,271
Operating profit/loss	-3,370	-2,684	-9,448	-9,271
Net financial items	-3,073	-2,987	-12,411	-8,571
Net income for the period, after tax	-6,489	-5,808	-21,115	-14,399
Earnings per share, SEK	-0.23	-0.22	-0.76	-0.56
Equity per share, SEK	2.03	2.10	2.07	2.49
Change in cash and cash equivalents	-1,363	-7,344	-1,994	24,821
Cash flow from investments in intangible assets	-515	-266	-3,830	-3,229

## CEO statement

Dear shareholders and investors,

We achieved a lot in 2014, but it has been a turbulent year.

We have come a long way in building an oil and gas exploration company with great potential for generating great value. Our assets are now in place and form a good mix of geographical and geological distribution. Each of our assets has the potential to generate great value for Crown Energy and its shareholders.

There is now strong interest in Block 2B in South Africa from other oil companies. In 2014, not only was the 3D seismic survey on the licence's A-J basin completed, other important analyses and parts of the technical production program for current exploration commitments were also implemented. This has paved the way for adding additional documentation and security to the updated resource estimate. We look forward to implementing an updated CPR (Competent Persons Report) for Block 2B in South Africa.

The decline in oil prices to date has been the scourge of the industry. Those of us who are not currently involved in production with our assets have not felt any direct impact on earnings or profit, but for the industry as a whole there is clearly greater uncertainty about future investments. However, two things should be mentioned that could have direct positive effects on us: (1) the overall level of costs for exploration has gone down, and (2) costs for developing reservoirs for production have come down, which makes an enormous difference in the total costs for a producing field as seen from the 15-25 year life span over which a field may produce oil and/or gas. As an example, for the initial updates of financial models in the potential development of the Venus reservoir in Equatorial Guinea, overall costs are so much lower, especially for the rental of production vessels, that the present value is higher despite current oil prices. However, we know nothing about where oil prices will end up in the future, so accurate standpoints and calculations must continue to be determined in order to ascertain the eventual development of Block P. This is being done together with our partners at present.

Madagascar's political climate is very much improved, and we have seen money pouring into the country in general as well as hearing positive news from the oil sector specifically. Our efforts to find a solution for financing drilling in our Manja licence area continues.

In Iraq, it continues to be difficult to predict future developments or to convey a reliable picture of the situation in the region. Despite this, Crown Energy continues to have discussions with several potential partners about a collaboration and funding to develop the immense assets within the region. These are mainly players from the Middle East and Asia.

Since we are not involved in production at this stage, we are not directly affected by the recent sharp decline in oil prices. But it is obviously negative for the industry as a whole, although most of those involved see the situation as temporary and believe that in the long term things will go back to the way they were in recent years. We can most likely expect that investments will decrease in the industry in the near future, but that the rate of investment in the long term will not be affected. The need for energy remains high and is rising according to reports from OPEC, leading industry players, and others.

Ulrik Jansson

CEO, Crown Energy AB (publ)

## Operations, January-December 2014

### Income statement

#### Operating profit/loss

Other external costs totalled SEK -2,395 thousand (-1,316) in Q4. About SEK 1,000 thousand of these costs are attributable to financial and strategic advisors. Aside from these, costs have generally declined. This is partly explained by fewer marketing events than last year and lower operating expenses attributable to the Iraqi licence. For the full year, external costs totalled SEK -4,448 thousand (-3,948). As mentioned above, the increase is due to costs for advisors. Aside from this, costs were lower than in 2013. Besides the previously mentioned explanation, the Company had expenses for consulting services related to preparation of the financial statements in 2013. There were also expenses in 2013 related to the 2012 initial public offering.

Employee benefit expenses totalled SEK -958 thousand (-1,320) for Q4 and SEK -4,863 thousand (-5,259) for the full year. Employee benefit expenses decreased year-on-year, due to the fact that an employee took parental leave from June to December. This consequently reduced payroll and pension costs.

Depreciation of equipment totalled SEK -8 thousand (-33) for Q4 and SEK -33 thousand (-33) for the full year. The equipment was not acquired until the end of 2013, so it was depreciated in the last quarter for a whole year.

Other operating expenses of SEK -10 thousand (-15) for Q4 and SEK -104 thousand (-31) for the full year were related to exchange rate effects on operating receivables and liabilities.

Operating expenses totalled SEK -2,182 thousand (-2,684) for Q4 and SEK -8,260 thousand (-9,271) for the full year. Since no revenue was generated, operating expenses also corresponded with earnings.

#### Net financial items

Net financial items totalled SEK -3,073 thousand (-2,987) for Q4. Financial income amounted to SEK 1,339 thousand (0) and is mainly attributable to exchange rate effects resulting from the weakening of the Swedish krona against the US dollar in 2014. Financial expenses are mostly related to interest expense on convertible loans. Net financial items for the full year amounted to SEK -12,411 thousand (-8,571). The large increase as compared year-on-year is partially explained by the fact that the Company's first convertible (KV1 2013/2016) was not issued until May 2013, which meant that there were only seven months' worth of interest expenses in 2013. In addition, the Company issued a new convertible (KV1 2014/2016) in May 2014.

### Tax

For full year 2014, the Company recognized deferred tax revenue in the income statement attributable to capitalization of tax losses. Revenue for the full year totalled SEK 744 thousand (3,443). As a result of a revaluation of the tax loss in Q4, the deferred tax asset decreased when compared to Q3. This resulted in a deferred tax expense of SEK -46 thousand (137) in Q4. See Note 9, *Deferred tax*, for more information.

#### Earnings after tax

Net income (after tax) in Q4 totalled SEK -5,301 thousand (-5,808), corresponding to SEK -0.19 per share (-0.22). Net income (after tax) for the full year totalled SEK -19,927 thousand (-14,399), corresponding to SEK -0.71 per share (-0.56).

#### Financial position

Total capitalized expenses for acquiring rights, prospecting costs, etc., which are recognized as intangible assets, totalled SEK 107,459 thousand at 31 December 2014, a year-on-year increase of SEK 15,580 thousand (30,933). The increase in 2014 consisted of investments of SEK 3,830 thousand (3,229) and a translation difference of SEK 11,750 thousand (-63). In 2013 the acquisition of the Iraqi licence stood for the bulk of the net increase of SEK 27,767 thousand. The translation differences are due to the fact that some of the intangible assets were acquired with US dollars and translated at the dosing rate (see Note 11, *Intangible assets*). As a result of the major changes that occurred in the rate between SEK and USD in 2014, the translation difference for the year was significant and affected assets by increasing them. The translation difference that arises is recognized directly in the currency translation reserve in other comprehensive income and does not affect cash flow. Expenditures in Q4 2014 totalled SEK 515 thousand (1,991), and translation differences totalled SEK 5,190 thousand (689). See Note 4, *Intangible assets*, for a table of changes for the period.

Property, plant, and equipment totalled SEK 99 thousand (132) after depreciation of SEK 33 thousand was taken for the year.

Other receivables totalled SEK 6,899 thousand (5,616). The increase compared to 2013 is explained primarily by prepaid expenses attributable to the Company's licence in South Africa, which at 31 December 2014 had not been taken over as yet.

Cash and cash equivalents at the end of 2014 totalled SEK 34,626 thousand and compared with SEK 36,585 thousand at 31 December 2013.

The Company's convertible loans have increased partly due to changes in the value of the earlier loan and partly as a result of raising new loans. Overall, the convertible

loans totalled SEK 55,964 thousand (35,412) as at 31 December. See Note 8, *Convertible loans*, for more information.

Equity totalled SEK 57,090 thousand (68,843), and the change since 31 December 2013 consisted of the period's comprehensive income, an issue resulting from conversions of convertibles in June and December 2014, and recognition of the convertible loan raised in May 2014. See the statement of changes in equity for more information.

Other provisions at 31 December 2014 totalled SEK 8,893 thousand compared with SEK 8,890 thousand year-on-year. Provisions increased by SEK 6,204 thousand at the end of 2013 due to the buy-back option that arose from the acquisition of Crown Energy Iraq AB. The carrying amount of the buy-back option has not changed since year-end 2013. Other provisions relating to the acquisition of subsidiary Amico Resources Ltd totalled SEK 2,689 thousand at 31 December 2014.

Loans from related parties amounted to SEK 6,104 thousand, an increase of SEK 3,250 thousand since 31 December 2013.

Other current liabilities consist principally of accounts payable, employee-related taxes, and miscellaneous accrued expenses that total SEK 7,472 thousand (6,915). Of these accrued expenses, SEK 5,243 thousand (4,128) is classified as accrued interest on the convertible loan.

### Cash flow

Cash flow from operating activities for the full year totalled SEK -11,151 thousand (-16,283). In Q4 2014 cash flow from operating activities amounted to SEK -2,248 thousand (-5,664). The increase in 2014 versus 2013 is explained primarily by prepaid expenses attributable to the Company's licence in South Africa, which varied from year to year.

Cash flow from investing activities totalled SEK -515 thousand (-1,324) for Q4 2014 and SEK -3,830 thousand (-2,664) for the full year. This outflow consisted of regular expenditures on the Company's licences.

Net cash flow from financing activities for the full year totalled SEK 12,987 thousand (43,768). The change in 2014 is partially explained by a new convertible loan that injected SEK 15,945 thousand into the business, net of transaction costs, and also by an interest payment of SEK -6,208 thousand and higher borrowings to related parties of SEK 3,250 thousand. In Q4 cash flow from financing activities totalled SEK -1,400 thousand (-356). See Note 10 for a specification of cash flow from financing activities.

Cash flow totalled SEK -1,994 thousand (24,821) for the full year and SEK -1,363 thousand (-7,344) for Q4.

## Projects

Following are project status updates.

### Block P PDA – Equatorial Guinea

With the initiation of the single operatorship between GE Petrol and Vaalco Energy Inc, this licence and project are entering a new phase. With efficient, transparent management of the project we look forward to new activities with this licence. The strategy going forward is basically decided with the emphasis on developing existing reservoirs rather than focussing future work on additional exploration around new reservoirs. This was welcomed by Crown Energy since it means that cash flows can be generated within the project before new exploration costs are incurred. This project is still in the final phase of Crown Energy's asset strategy, and even if production is started with existing resources, the project is approaching its final destination within the development phases.

### 3108 Manja – Madagascar

In recent months, a lot of work was done with this licence, and a number of interested parties have looked at the technical material that the Company made available in a data room in London. Many parties are interested and are open to further discussions. Some have obviously had to think differently about their investment plans because of the rapid change in oil prices. As the price of oil changes, so do the prices for equipment, services, rig leasing, etc. Therefore, it has been a relatively quiet period for this asset. Another thing that can be said is that several of the interested parties are willing to participate in some of the activities and investments in the project, so work continues on gathering partners for our Manja licence.

As a country, Madagascar continues to be a positive area in which to operate for commodity companies as well as other sectors. After democratic elections and a new president taking office, the political situation is far better than it has been in a long time. It can also be mentioned that the company Afren Plc completed a drilling program at the end of last year and found oil in two of the wells. Such things are always positive and help attract interest and investors to the region.

### Block 2B – South Africa

In 2014, a lot of work was done with Block 2B in South Africa, which has led to a steady stream of external interest in the license. Following is a description of the work and progress being made with the licence and for Crown Energy in 2014 and up until now:

- The 3D seismic survey is complete with analysis and appraisal. This resulted in entirely new structures and reservoirs emerging in the A-J basin.

- Resources were upgraded from about 450 million barrels to 1.1 billion barrels. Tests of the drilling results from the licence's 1989 discovery well drilling indicate that the so-called net pay was grossly underestimated and that the reservoir in such cases is much larger than previously estimated.
- In accordance with applicable law, an application for renewal of the licence for an additional two years was submitted in April. During this period, a geological production program will be implemented as preparations for drilling begin, including drilling for environmental impact assessment.
- An external party funds the licence's major technical work as part of the due diligence process for potential investment in the project. Decisions to this effect have not been made yet, partly because of the decline in oil prices over the past six months. The existing licence holders may, however, benefit from cost savings on the licence's current work commitments as per the licence agreement.
- Regulatory approval was obtained for taking possession of Simbo Petroleum Ltd, which owns 40.5 per cent of Block 2B. This was a lengthy process that eventually ended positively and made it possible for Crown Energy to own oil assets in South Africa.
- A new so-called competent persons report (CPR) is planned for Block 2B, and the service is being procured at the moment. The owners will jointly finance the report, which will form the basis for further farming out to partners.

The work performed during the autumn includes amplitude versus offset (AVO), which entails, briefly, additional testing of seismic results; sedimentology, i.e. analysis of the composition of soil, sand, and clay in the reputed reservoir; petrophysics, i.e. mapping of rock characteristics; and conducting our own analyses of drill cores and fluid samples from the well/discovery. Certain related activities will also be tested, such as environmental studies for potential future wells.

As previously reported, after the 3D seismic data was analysed and the revaluation of previous well data was completed on reservoir A-J1, the resources were upgraded to about 1.1 billion barrels for the Block 2B licence. With Crown Energy's 40.5 per cent share, this means that our prospective resources amount to about 450 million barrels of oil for this asset. This makes the entire A-J basin interesting and most sections could contain hydrocarbons to a much larger extent than previously indicated. Initial projections show that there could be several billion barrels of oil equivalents in the area. Test results from drilling done in 1989 that indicated 46 metres of net pay were proven to have been grossly underestimated and that the net pay should instead be about 190 metres, and if such is the case, the reservoir may contain several hundred million barrels of oil.

Further work within the licence area is now focusing on properly defining and documenting structured hydrocarbon accumulations, which in turn show where the next drilling will occur. Such work must include geophysical and geological modelling and some seismic surveying to de-risk the structures. In the end, this will result in a completely new updated CPR that will be communicated to the market and used to continue working with the licence.

As regards the share option issued to Afren Plc to acquire a further 25 per cent of the licence in exchange for drilling wells, the Company believes it to be unlikely that it will be exercised considering Afren Plc's current financial position.

Based on the proven oil deposits from the discovery well drilling in 1989, it is Crown Energy's assessment that there should be significant commercial quantities of oil in the area. That would mean further drilling will have more of an appraisal character and be nearer development than exploration drilling. The Company continues to appraise options for continuing its working interest in the licence.

### Salah ad-Din – Iraq

It continues to be difficult to predict future developments or to convey a reliable picture of the situation in the region. The reports we receive from the region state that the province of Salah ad-Din specifically and Iraq on the whole will emerge from this process stronger, with the regions having a greater say and Baghdad increasingly focusing on national issues as a federal government normally does, of course assuming that Iraq manages to deal with the rebels operating in its Northern region.

Crown Energy is still in discussions with several potential partners about a collaboration and funding to develop the immense resources that the region contains.

The licence, which comprises the entire 24,000 square kilometre Salah ad-Din region in northern Iraq, contains a number of existing oil fields, such as Ajeel, Hamrin, Tikrit, and Balad, which are thought to contain a potential several billion barrels of oil. Despite the large, obvious commercial reservoirs, production has been limited to a single field. Activities have also been limited due to political instability over the last 20 years.

In addition to these large structures there are also a large number of fields that have also been drilled and partially tested. We are interested in quickly finding out if these fields can start producing in a simple operation by only drilling a few more times and with equipment suitable for initial production. This would make the asset a considerable success and numerous discussions are under way with potential partners for such a project. Several structures have been identified to determine if this would be possible. A couple of them are located near the main

city of Tikrit, which also facilitates the logistics. Such structures may still contain resources on the order of 50-250 million barrels of oil.

In conversations with coordinators in the Salah ad-Din region, discussions are taking place about what the best way forward is for us as an oil company and for the development of the region. It is clear that working towards production is more important than anything else, and that is what is being prioritized in working with this asset. Crown Energy has regular contact with the government in Salah ad-Din and follows developments in the province closely.

## Key events during the period

### Conversions, KV1 2013/2016

On 8 January 2014, 246,934 new Crown Energy shares were registered with the Swedish Companies Registration Office as a result of the conversions of Crown Energy's KV1 2013/2016 convertible, which was issued in December 2013.

Between 1 and 30 June 2014, holders of Crown Energy's KV1 2013/2016 convertible had an opportunity to convert to shares. Holders exercised 298,732 convertibles, which meant that an equal amount of new shares were subscribed for during the period. The nominal value of the convertibles exercised during the conversion period in June 2014 amounted to SEK 2,987 thousand. The conversions increased the Company's share capital by SEK 8.8 thousand and other contributed capital by SEK 2,390 thousand (net of deferred tax). The new shares were registered with the Swedish Companies Registration Office on 25 July 2014.

### Registration of new Crown Energy Iraq board etc.

During the first quarter of 2014, changes were registered with the Swedish Companies Registration Office related to Group company Crown Energy Iraq AB. Among other things, some board members changed, the articles of association were amended, and the company changed its name.

### Directed issue of convertibles

In the second quarter, a convertible was issued in order to strengthen the Company's financial position and liquidity. A total of 2,071,236 convertibles were issued at an issue price of 82 per cent, which meant that the Company raised a total of SEK 16,984 thousand (before issue expenses) partly through cash payment and partly through an offset issue. The new convertibles (KV1 2014/2016) have the same conditions and expiration date as the previous series (KV1 2013/2016) but have a shorter term since they were issued in May 2014 instead of May 2013.

## Update on prospective resources in the South Africa licence area

As previously reported, after the 3D seismic data was analysed and the revaluation of previous well data was completed on reservoir A-J1, the resources were upgraded to about 1.1 billion barrels for the Block 2B licence. With Crown Energy's 40.5 per cent share, this means that the Company's prospective resources amount to about 450 million barrels of oil for this asset. This has in turn led to the asset generating considerable interest from other major companies who are interested in either expanding their business or starting up business in South Africa.

### Adviser

In June it was decided that the Company will engage ABG Sundal Collier as financial and strategic adviser. ABG Sundal Collier is a leading Nordic investment bank that will furnish expertise in the energy sector and international contacts, which means that the Company and its assets will be exposed and valued on the international marketplace.

### Conversions, KV1 2013/2016

During the 1-30 December 2014 conversion period, holders of Crown Energy's KV1 2014/2016 convertible elected to convert to shares. A total of 100,000 convertibles were exercised. The nominal value of the exercised convertibles amounted to SEK 1,000 thousand. The conversion means that the Company's shares increased by an equal amount of shares, share capital increased by SEK 2.9 thousand, and other contributed capital increased by SEK 833 thousand (net of deferred tax). Since the transactions were not yet registered with the Swedish Companies Registration Office at year-end, this share capital is recognized as *Non-registered share capital*.

## Events after the reporting period

### Registration of new shares

On 23 January 2015, 100,000 new Crown Energy shares were registered with the Swedish Companies Registration Office as a result of the conversions of Crown Energy's KV1 2014/2016 convertible.

### Approval from authorities – South Africa

On 27 January 2015, the Company received the consent from the authorities in South Africa regarding the transfer of ownership of Simbo Petroleum Ltd, which holds a 40.5 per cent participating interest in Block 2B in South Africa, thus completing the ownership validity testing process.

This was the last step in the process to close the acquisition for the shares in Simbo Petroleum Ltd..

## Outlook

### Operations

Currently, Crown Energy is working intensively with all its assets, but the work with South Africa is entering a critical phase in the short term. Madagascar, Equatorial Guinea, and Iraq are also subject to both technical and strategic development.

Otherwise, Crown continually appraises new opportunities in line with its business concept and goals. New projects must be compatible with Crown's basic values regarding political risk, infrastructure, the environment, and potential.

The Company is developing prospects for investors to own a share that generates good revenue, so Crown can be an attractive investment for both small and large investors in the market.

### Financing and going concern

Since the Group has not generated any revenue or profits, financing has historically been done through new share issues. A directed convertible issue was implemented in Q2 that injected SEK 16.9 million into the Company. Apart from this, the Company has also received a guarantee from principal owner and CEO Ulrik Jansson that he will cover capital and liquidity deficits if and when they occur for the coming 12 months on an interest-free basis.

The year-end report was prepared assuming a going concern for the next 12 months in view of the Company's existing financial position, operation, and activities, and with the previously mentioned guarantee.

### Risks and uncertainty factors

A detailed description of the Company's risks can be found in Crown Energy's 2013 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.

The main risk associated with Crown Energy's exploration and appraisal operations is that the assets the Group holds will not be developed into commercial reservoirs. Oil prices affect the operation even though the Group currently does not produce any oil. For example, lower oil prices could affect the Group through fluctuations in expected profitability, decreased interest in farm-out projects, or possible sales of assets. Crown Energy has operations in several countries, which means that the Group is subject to currency exposure, primarily in USD. Currency exposure in USD affects net investments in foreign operations as well as anticipated future income.

Oil and gas exploration is a capital-intensive business, which means that in the future the Group may need capital injections to continue operating activities or to acquire new licences. Historically, financing has been primarily through new share issues. The main risk associated with financing is that new shares may be issued under less favourable market conditions.

Given that Crown Energy is engaged in and may expand its activities in developing countries, it can be affected by factors such as political, social, economic, and religious instability, including terrorism, military coercion, war, and general and political unrest. This instability could have a very negative impact on the Company's operations as regards permits and partnerships. The countries in which the Company operates may also have legal systems that differ greatly from Sweden's, which could affect the Company's ability to exercise or enforce its rights and obligations. These risks have become even more relevant due to the acquisition of a licence in Iraq last year.

### Parent Company

The Parent Company's earnings before tax for Q4 totalled SEK -5,508 thousand (-4,729). Earnings before tax for the full year amounted to SEK -17,709 thousand (-12,121). The Parent Company's earnings before tax decreased somewhat compared to prior years due foremost to interest expenses arising from the new convertible loan.

SEK 744 thousand in deferred tax was recognized in the income statement for 2014. The tax revenue is attributable to capitalization of tax losses.

Cash and cash equivalents at 31 December 2014 totalled SEK 34,485 thousand compared with SEK 35,957 thousand at 31 December 2013.

There were 3 persons (3) employed by the Parent Company at the end of the period.

Equity at the end of the year was SEK 66,982 thousand compared with SEK 81,268 thousand at 31 December 2013. The change consists of the period's comprehensive income, effects of the convertible issue (conversions) in June and December 2014, and recognition of the convertible loan raised in May 2014. See the statement of changes in equity for more information.

The Company's convertible loans have increased partly due to changes in the value of the earlier loan and partly as a result of raising new loans. Overall, the convertible loans totalled SEK 55,964 thousand as at 31 December. See Note 8, *Convertible loans*, for more information.

As a result of the convertible loan, accrued interest expenses of SEK 5,243 thousand were also recognized.

## Dividend

The Board will not propose any dividend at the Annual General Meeting (AGM) on 14 May 2015.

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## Reporting dates

▪ Annual General Meeting 2015	14 May 2015
▪ Interim report Q1 2015 (January-March 2015)	14 May 2015
▪ Interim report Q2 2015 (January-June 2015)	14 August 2015
▪ Interim report Q3 (January-September 2015)	13 November 2015

## Publication pursuant to Swedish law

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## Financial information

All financial information is published on [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 NG News, Nordic Growth Market's news service, at [www.ngnews.se](http://www.ngnews.se).

## For additional information, contact:

Ulrik Jansson, CEO +46 (0)8 400 207 20

## About Crown Energy AB (publ)

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## Address:

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



## Condensed consolidated income statement

All amounts in SEK thousand	Note	2014-10-01	2013-10-01	2014-01-01	2013-01-01
		2014-12-31	2013-12-31	2014-12-31	2013-12-31
Revenue		–	–	–	–
Other operating income		–	–	–	–
Other external costs		-2,394	-1,316	-4,448	-3,948
Employee benefit expenses		-958	-1,320	-4,863	-5,259
Depreciation/amortization and impairment of property, plant, and equipment and intangible assets		-8	-33	-33	-33
Other operating expenses		-10	-15	-104	-31
<b>Operating profit/loss</b>		<b>-3,370</b>	<b>-2,684</b>	<b>-9,448</b>	<b>-9,271</b>
Financial income		1,339	–	3,176	19
Financial expenses		-4,412	-2,987	-15,587	-8,590
<b>Earnings before tax</b>		<b>-6,443</b>	<b>-5,671</b>	<b>-21,859</b>	<b>-17,842</b>
Income tax	9	-46	-137	744	3,443
<b>Net profit/loss for the period</b>		<b>-6,489</b>	<b>-5,808</b>	<b>-21,115</b>	<b>-14,399</b>
<b>Earnings per share and share related data</b>					
Average number of basic shares, thousand	3	28,143	26,396	27,911	25,917
Average number of diluted shares, thousand	3	28,143	26,396	27,911	25,917
Basic earnings per share, SEK	3	-0.23	-0.22	-0.76	-0.56
Diluted earnings per share, SEK	3	-0.23	-0.22	-0.76	-0.56

## Condensed consolidated statement of comprehensive income

All amounts in SEK thousand	2014-10-01	2013-10-01	2014-01-01	2013-01-01
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
<b>Net profit/loss for the period</b>	<b>-6,489</b>	<b>-5,808</b>	<b>-21,115</b>	<b>-14,399</b>
<b>Other comprehensive income</b>				
Translation differences	2,947	418	6,683	-37
<b>Total items that can be reclassified to profit or loss:</b>	<b>2,947</b>	<b>418</b>	<b>6,683</b>	<b>-37</b>
<b>Other comprehensive income, net of tax</b>	<b>2,947</b>	<b>418</b>	<b>6,683</b>	<b>-37</b>
<b>Total comprehensive income for the period</b>	<b>-3,542</b>	<b>-5,390</b>	<b>-14,432</b>	<b>-14,436</b>
<b>Total comprehensive income attributable to:</b>				
Parent Company shareholders	-3,542	-5,390	-14,432	-14,436
<b>Comprehensive income for the period</b>	<b>-3,542</b>	<b>-5,390</b>	<b>-14,432</b>	<b>-14,436</b>

## Condensed consolidated balance sheet

### ASSETS

All amounts in SEK thousand	Note	2014-12-31	2013-12-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	4, 11	107,459	91,879
Property, plant, and equipment	11	99	132
<b>Total non-current assets</b>		<b>107,558</b>	<b>92,011</b>
<b>Current assets</b>			
Other receivables	7	6,899	5,616
Cash and cash equivalents	5	34,626	36,584
<b>Total current assets</b>		<b>41,525</b>	<b>42,200</b>
<b>TOTAL ASSETS</b>		<b>149,083</b>	<b>134,211</b>

### EQUITY OCH LIABILITIES

All amounts in SEK thousand	Note	2014-12-31	2013-12-31
<b>EQUITY</b>			
<b>Equity and reserves attributable to Parent Company shareholders</b>			
Share capital		827	811
Non-registered share capital		3	8
Other contributed capital		98,114	95,446
Reserves		6,413	-270
Accumulated earnings		-27,152	-12,753
Net loss for the period		-21,115	-14,399
<b>Total equity</b>		<b>57,090</b>	<b>68,843</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans from related parties	1, 8	6,104	2,854
Convertible loans	7, 8	55,964	35,412
Deferred tax liabilities	9	13,560	11,297
Other provisions	6, 7	8,893	8,890
<b>Total non-current liabilities</b>		<b>84,521</b>	<b>58,453</b>
<b>Current liabilities</b>			
Other current liabilities	7	7,472	6,915
<b>Total current liabilities</b>		<b>7,472</b>	<b>6,915</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>149,083</b>	<b>134,211</b>
Pledged assets and contingent liabilities		34,385	35,932

## Condensed consolidated statement of changes in equity

All amounts in SEK thousand	2014-12-31	2013-12-31
<b>Opening balance</b>	<b>68,843</b>	<b>55,433</b>
Net loss for the period	-21,115	-14,399
Other comprehensive income, net of tax	6,683	-37
<b>Comprehensive income for the period</b>	<b>-14,432</b>	<b>-14,436</b>
Convertible loan KV1 2014/2016, net	-556	7,745
Of which:		
Option component	618	13,056
Issue expenses	-218	-1,868
Deferred tax	-956	-3,443
Conversions, KV1 2013/2016	2,398	1,846
Conversions, KV1 2014/2016	837	
Non-cash issue	–	18,611
Issue expenses, non-cash issue*	–	-356
<b>Closing balance</b>	<b>57,090</b>	<b>68,843</b>
<b>Attributable to:</b>		
Parent Company's shareholders	57,090	68,843
<b>Total equity</b>	<b>57,090</b>	<b>68,843</b>

\*Deferred tax on issue expenses was not accounted for.

## Condensed consolidated statement of cash flows

All amounts in SEK thousand	Note	2014-10-01	2013-10-01	2014-01-01	2013-01-01
		2014-12-31	2013-12-31	2014-12-31	2013-12-31
<b>Cash flow from operating activities</b>		<b>-2,248</b>	<b>-5,664</b>	<b>-11,151</b>	<b>-16,283</b>
<b>Cash flow from investing activities</b>		<b>-515</b>	<b>-1,324</b>	<b>-3,830</b>	<b>-2,664</b>
<b>Cash flow from financing activities</b>	10	<b>1,400</b>	<b>-356</b>	<b>12,987</b>	<b>43,768</b>
<b>Cash flow for the period</b>		<b>-1,363</b>	<b>-7,344</b>	<b>-1,994</b>	<b>24,821</b>
Cash and cash equivalents at start of period		35,925	43,933	36,584	11,762
Cash flow for the period		-1,363	-7,344	-1,994	24,821
Exchange gains/losses on cash and cash equivalents		64	-5	36	1
<b>Cash and cash equivalents at end of period</b>	5	<b>34,626</b>	<b>36,584</b>	<b>34,626</b>	<b>36,584</b>

## Consolidated key ratios

### Quarterly summary

All amounts in SEK thousand unless otherwise stated	Note	2014-10-01	2014-07-01	2014-04-01	2014-01-01	2013-10-01	2013-07-01	2013-04-01	2013-01-01
		2014-12-31	2014-09-30	2014-06-30	2014-03-31	2013-12-31	2013-09-30	2013-06-30	2013-03-31
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Profit/loss</b>									
Other operating income		–	–	–	–	–	8	–	–
Operating profit/loss		-3,370	-1,417	-2,369	-2,292	-2,684	-1,769	-2,671	-2,146
Net income for the period, after tax		-6,489	-4,520	-4,088	-5,473	-5,808	-5,498	-865	-2,227
<b>Earnings yield</b>									
Return on equity, %		neg	neg	neg	neg	neg	neg	neg	neg
Return on capital employed, %		neg	neg	neg	neg	neg	neg	neg	neg
<b>Financial position</b>									
Equity/assets ratio, %		38.3%	41.3%	43.4%	47.0%	51.2%	48.9%	51.8%	74.0%
Net indebtedness, times		0.37	0.31	0.22	0.03	-0.03	-0.15	-0.25	n/a
Net asset value per share, SEK		2.03	2.12	2.22	2.30	2.49	2.10	2.37	2.07
Total assets		149,083	144,655	142,255	134,746	134,426	110,395	117,737	71,887
Equity		57,090	59,795	61,783	63,362	68,843	53,996	61,002	53,210
Cash flow from investments		-515	-563	-899	-1,853	-1,324	-617	-368	-354
<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
Number of basic shares outstanding, thousand	3	28,143	28,143	27,845	27,598	27,598	25,755	25,755	25,755
Number of diluted shares outstanding, thousand		28,143	28,143	27,845	27,598	27,598	25,755	25,755	25,755
Average number of shares, thousand	3	28,143	28,062	27,823	27,823	26,396	25,755	25,755	25,755
Average number of diluted shares, thousand	3	28,143	28,062	27,823	27,823	26,396	25,755	25,755	25,755
Basic earnings per share, SEK	3	-0.23	-0.16	-0.15	-0.20	-0.22	-0.21	-0.03	-0.09
Diluted earnings per share, SEK	3	-0.23	-0.16	-0.15	-0.20	-0.22	-0.21	-0.03	-0.09
Equity per share, SEK		2.03	2.12	2.22	2.30	2.49	2.10	2.37	2.07
Cash flow from operating activities per share, SEK		0.00	0.00	0.00	0.00	-0.21	-0.19	0.01	-0.23
<b>Employees</b>									
Average number of employees		3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0

### Yearly summary

All amounts in SEK thousand unless otherwise stated	Note	2014-01-01	2013-01-01	2012-01-01	2011-01-01
		2014-12-31	2013-12-31	2012-12-31	2011-12-31
		Full year	Full year	Full year	Full year
<b>Profit/loss</b>					
Other operating income		–	–	–	342
Operating profit/loss		-9,448	-9,271	-9,300	-3,158
Net income for the period, after tax		-21,115	-14,399	-9,710	-3,042
<b>Earnings yield</b>					
Return on equity, %		neg	neg	neg	neg

Return on capital employed, %		neg	neg	neg	neg
<b>Financial position</b>					
Equity/assets ratio, %		38.3%	51.3%	71.9%	2.4%
Net indebtedness, times		0.37	-0.02	n/a	n/a
Net asset value per share, SEK		2.03	2.49	2.15	0.07
Total assets		149,083	134,211	77,133	51,958
Equity		57,090	68,843	55,434	1,247
Cash flow from investments		-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
Number of basic shares outstanding, thousand	3	28,143	27,598	25,755	17,031
Number of diluted shares outstanding, thousand		28,143	27,598	25,755	17,031
Average number of shares, thousand	3	27,969	25,917	20,929	3,906
Average number of diluted shares, thousand	3	27,969	25,917	20,929	3,906
Basic earnings per share, SEK	3	-0.75	-0.56	-0.46	-0.78
Diluted earnings per share, SEK	3	-0.75	-0.56	-0.46	-0.78
Equity per share, SEK		2.03	2.49	2.15	0.07
Cash flow from operating activities per share, SEK		0.00	-0.59	-0.37	-0.16
<b>Employees</b>					
Average number of employees		3.0	3.0	2.0	0.0

## 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 balance 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 minus 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.

## Parent Company – Condensed income statement

All amounts in SEK thousand	Note	2014-10-01	2013-10-01	2014-01-01	2013-01-01
		2014-12-31	2013-12-31	2014-12-31	2013-12-31
Other operating income		–	–	–	–
Other external costs		-2,259	-1,683	-4,294	-3,933
Employee benefit expenses		-958	-1,319	-4,863	-5,258
Depreciation/amortization and impairment of property, plant, and equipment and intangible assets		-8	-33	-33	-33
Other operating expenses		-1	-2	-15	-6
<b>Operating profit/loss</b>		<b>-3,226</b>	<b>-3,037</b>	<b>-9,205</b>	<b>-9,230</b>
Interest income and similar items		344	45	779	85
Interest income, inter-company		1,553	1,440	6,071	5,474
Interest expenses and similar items		-4,179	-3,177	-15,354	-8,450
<b>Earnings before tax</b>		<b>-5,508</b>	<b>-4,729</b>	<b>-17,709</b>	<b>-12,121</b>
Tax	9	-46	-137	744	3,443
<b>Net profit/loss for the period</b>		<b>-5,554</b>	<b>-4,866</b>	<b>-16,965</b>	<b>-8,678</b>

## Parent Company – Condensed statement of comprehensive income

All amounts in SEK thousand	Note	2014-10-01	2013-10-01	2014-01-01	2013-01-01
		2014-12-31	2013-12-31	2014-12-31	2013-12-31
<b>Net profit/loss for the period</b>		<b>-5,554</b>	<b>-4,866</b>	<b>-16,965</b>	<b>-8,678</b>
<b>Other comprehensive income</b>					
<i>Total items that can be reclassified to profit or loss</i>		–	–	–	–
<b>Other comprehensive income, net of tax</b>		–	–	–	–
<b>Total comprehensive income</b>		<b>-5,554</b>	<b>-4,866</b>	<b>-16,965</b>	<b>-8,678</b>

## Parent Company – Condensed balance sheet

### ASSETS

All amounts in SEK thousand	Note	2014-12-31	2013-12-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
Participations in Group companies		19,704	19,704
Property, plant, and equipment		99	132
Receivables from Group companies		21,244	21,244
<b>Total non-current assets</b>		<b>41,047</b>	<b>41,080</b>
<b>Current assets</b>			
Receivables from Group companies		60,230	46,848
Current receivables	7	601	910
Cash and bank balances	5	34,485	35,957
<b>Total current assets</b>		<b>95,316</b>	<b>83,715</b>
<b>TOTAL ASSETS</b>		<b>136,363</b>	<b>124,795</b>

### EQUITY OCH LIABILITIES

All amounts in SEK thousand	Note	2014-12-31	2013-12-31
<b>EQUITY</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital, 28,844,679 shares (27,597,745)		827	811
Non-registered share capital, 100,000 shares (246,934)		3	8
<b>Total restricted equity</b>		<b>830</b>	<b>819</b>
<b>Non-restricted equity</b>			
Share premium reserve		94,114	91,446
Accumulated earnings		-10,997	-2,319
Net profit/loss for the year		-16,965	-8,678
<b>Total non-restricted equity</b>		<b>66,152</b>	<b>80,449</b>
<b>Total equity</b>		<b>66,982</b>	<b>81,268</b>
<b>Non-current liabilities</b>			
Convertible loan	7, 8	55,964	35,412
Loans from related parties	1, 7	6,104	2,854
<b>Total non-current liabilities</b>		<b>62,068</b>	<b>38,266</b>
<b>Current liabilities</b>			
Other current liabilities	7	7,313	5,261
<b>Total current liabilities</b>		<b>7,313</b>	<b>5,261</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>136,363</b>	<b>124,795</b>
Pledged assets		34,385	35,932
Contingent liabilities		None	None

## Parent Company – Condensed changes in equity

All amounts in SEK thousand	2014-12-31	2013-12-31
<b>Opening balance</b>	<b>81,268</b>	<b>62,100</b>
Net profit/loss for the period	-16,965	-8,678
Other comprehensive income for the period	–	–
<b>Comprehensive income for the period</b>	<b>-16,965</b>	<b>-8,678</b>
Convertible loan KV1 2014/2016, net	-556	7,745
Of which:		
Option component	618	13,056
Issue expenses	-218	-1,868
Deferred tax	-956	-3,443
Conversions, KV1 2013/2016	2,398	1,846
Conversions, KV1 2014/2016	837	
Non-cash issue	–	18,611
Issue expenses, non-cash issue	–	-356
<b>Closing balance</b>	<b>66,982</b>	<b>81,268</b>

*\*Deferred tax on issue expenses was not accounted for.*

## Notes

### 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, 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 2013 annual accounts, the consolidated accounts were prepared in accordance with 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 2013 financial year and as described in the 2013 Annual Report. No new or revised standards, interpretations, or amendments adopted by the EU had an effect on 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 2013 Annual Report.

### Note 1 Transactions with related parties

#### Purchases and sales within the Group

The Parent Company's revenue represents 0 per cent (0) of sales to other companies within the Group. Of the Parent Company's interest income, 100 per cent relates to other companies within the Group at 31 December 2014.



### Loans from related parties

The Parent Company holds an interest-free loan from Ulrik Jansson (privately and via companies Varukungen AB and USB Investment BVI) totalling SEK 6,104 thousand as at 31 December 2014. The loan has increased by SEK 3,250 thousand since year-end 2013.

### Purchase of services

Two persons in management, Peter Mikkelsen and David Jones, work and/or have worked in their respective management positions under consultancy agreements. Their services are purchased on normal commercial terms and they invoice regularly for work performed. Peter Mikkelsen invoiced for about GBP 11 thousand for the period. Crown Energy also purchases technical consulting services from Simco Petroleum Ltd (Simco). Alan Simonian, Crown Energy's board chairman, owns 33 per cent of Simco and also sits on Simco's board. Services from Simco are purchased on normal commercial terms. During the period, services amounting to about USD 45 thousand were purchased.

### Other

The Board decided in April 2014 to conduct a directed issue of convertibles. To simplify the legal administration of the convertibles and to enable investors to directly trade with them, it was decided that Ulrik Jansson would sell convertibles in the KV1 2013/2016 convertible series to the investors and he himself would subscribe for the newly issued convertibles in the KV1 2014/2016 series. Given that Ulrik Jansson is a board member and CEO of Crown Energy and thus fits into the category of persons covered by Chapter 16 of the Swedish Companies Act, decisions on approval of the directed share issue had to be supported by shareholders representing at least nine-tenths of both the votes cast and the shares that are represented at the AGM. The decision was approved at the AGM on 14 May 2014.

### Note 2 Ownership structure

On 23 January 2015, 100,000 additional shares were registered as a result of the conversion of Crown Energy's KV1 2014/2016 convertible. These shares were recognized in the financial statements as *Non-registered share capital* since they were registered after the end of the fiscal year. The number of shares registered in Crown Energy's share register as of publication of this report is 28,243,411 with a quotient value of SEK 0.03 per share.

Crown Energy has about 2,000 shareholders. The Company's shares are listed on NGM Equity.

The five shareholders holding the most shares as of publication of this interim report:

Shareholders	Number of shares	Proportion (%)
Ulrik Jansson, private and via company	15,529,726	55.0%
Comtrack Ventures Ltd	2,163,811	7.7%
T Intressenter AB	1,240,215	4.4%
Mocoh Resources Ltd	1,239,227	4.4%
Alan Simonian	1,175,377	4.2%
Övriga aktieägare	6,895,055	24.3%
<b>Total number of shares</b>	<b>28,143,411</b>	<b>100%</b>

### Note 3 Earnings per share and number of shares

Crown Energy previously issued 814,954 warrants that could be converted into an equivalent number of ordinary shares. In 2013 and in May 2014, convertibles were issued that could also be converted into an equivalent number of ordinary shares. As the issue prices for the share options exceeded the average market price of ordinary shares during the recognized periods, there is no dilutive effect. Nor are convertibles and options considered dilutive if they cause earnings per share to improve more (larger gain or smaller loss) after dilution than before dilution. Neither warrants nor outstanding convertibles are dilutive.

### Note 4 Intangible assets

Intangible assets consist of acquisition of rights, planning costs, etc. No depreciation is taken during the exploration and development phase. Capital expenditures for the period refer to costs incurred for exploration, i.e., measurements, geological and geophysical surveys, etc.

The translation differences relate to the acquisition of Amicoh Resources Ltd (which was paid in USD) and the fact that these assets were translated at the closing rate. The translation difference that arises is recognized directly in the currency translation reserve in other comprehensive income.

Group (SEK thousand)	2014-10-01	2013-10-01	2014-01-01	2013-01-01
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Opening carrying amount	101,754	61,432	91,879	60,946
Capital expenditures for the period	515	1,991	3,830	3,229
Increase through acquisition of subsidiaries for the period, net	–	27,767	–	27,767
Translation differences	5,190	689	11,750	-63
<b>Closing accumulated cost of acquisition</b>	<b>107,459</b>	<b>91,879</b>	<b>107,459</b>	<b>91,879</b>

## Note 5 Cash and cash equivalents

At 31 December 2014, cash and cash equivalents included SEK 34,335 thousand for payment of shares in the company that owns 40.5 per cent of the Block 2B licence in South Africa. The bank funds have been placed in an escrow account, which means that they are in the custody of a third party until the acquisition is completed. Completion of the acquisition requires the approval of Petroleum Agency SA, a South African authority. Crown Energy expects this approval to be given within a three month period from the reporting date.

At 31 December 2013, the funds in escrow totalled SEK 35,882 thousand. The decrease in 2014 is attributable to a payment made from the escrow account in Q1 2014 to Crown Energy's business account to cover the upcoming so-called cash calls from the operator in 2014. The payment was approved by all parties involved.

## Note 6 Provisions

Following is a summary of the Group's provisions:

Group (SEK thousand)	2014-12-31	2013-12-31
Acquisition of Amicoh Resources Ltd		
Additional consideration, commercial reservoir	2,688	2,516
Additional consideration, warrants	1	170
Acquisition of Crown Energy Iraq		
Provision for buy-back option	6,204	6,204
<b>Closing balance</b>	<b>8,893</b>	<b>8,890</b>

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

In connection with 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 reservoir discovery on Madagascar. The portion paid at discovery of a commercial reservoir is recognized as a provision at a value of SEK 2,688 thousand after present value calculations.

As part of the consideration for Amicoh Resources Limited, it was resolved at a Crown Energy AB general meeting to also issue warrants directed to the seller of Amicoh Resources Limited. The carrying amount and fair value of the issued options as at 31 December 2014 were determined in accordance with an established option pricing model (Black & Scholes).

For more information on provisions, see the 2013 Annual Report. No changes have occurred in Crown Energy's assessments of provisions since 31 December 2013.

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

The share transfer agreement that was signed with the sellers of Crown Energy Iraq included an option to repurchase Crown Energy Iraq shares. The buy-back option entails that the sellers of Crown Energy Iraq can buy back 250 shares in the sold company during a certain period after the takeover. With Crown Energy Iraq's current 1,000 shares, the sellers would have the right to buy back 25 per cent of the company's shares. A provision of SEK 6,204 thousand was made on the assumption that the option will be exercised.

Under IAS 39, an entity shall measure financial liabilities related to equity instruments at fair value except when the instrument does not have a quoted price in an active market. Crown Energy Iraq is an unlisted company so it is deemed not possible nor practical to establish a fair value measurement of its shares. In subsequent accounting, therefore, the provision

will be carried at historic cost. No changes have occurred in Crown Energy's assessments of provisions since 31 December 2013.

## Note 7 Accounting of financial instruments

### Recognized 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 present value of loans from related parties, corresponding to estimated fair value at 31 December 2014, is estimated at SEK 5,814 thousand, which is based on an interest rate of 5 per cent if the loan had been subscribed to at market conditions.

Nominal value of the convertible loans at 31 December 2014 amounted to SEK 78,643 thousand. These loans are recognized at a mortgaged cost using the effective interest method. This means that the cash flows were discounted at a lending rate of about 20 per cent. The convertible loans were traded at 31 December 2014 on NGM Equity at 48 per cent of the nominal value, corresponding to a fair value of SEK 37,749 thousand (including conversion option) and an annual interest of about 208 per cent.

As mentioned in Note 6, *Provisions*, the provision for the Crown Energy Iraq buy-back option is recognized at cost in accordance with the exemption in IAS 39.

### 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, disclosures about fair value measurement of financial instruments must be made by level. The following table shows the financial items recognized at fair value via the income statement, divided into these three levels.

Group (SEK thousand)	Level 1	Level 2	Level 3	Total
<b>2014-12-31</b>				
<b>Total assets</b>	-	-	-	-
<b>Liabilities</b>				
Financial liabilities measured at fair value via the income statement:				
- Provision for additional consideration, commercial reservoir	-	-	2,688	2,688
- Provision for additional consideration, warrants	-	1	-	1
<b>Total liabilities</b>	-	1	2,688	2,689

Provisions were recognized for contracted additional considerations 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 2013. The period's total net effect due to revaluation to fair value was SEK -2 thousand (-143) and was recognized in the income statement as (unrealized) financial income or expense.

## Note 8 Convertible loans

The Company holds two convertible loan series: KV1 2013/2016 and KV1 2014/2016. KV1 2014/2016 was issued in May 2014 following a resolution at an extraordinary general meeting. Terms and accounting policies are the same for both of the series and are described in the 2013 Annual Report.

### KV1 2014/2016

In conjunction with the extraordinary general meeting held on 14 May 2014, a total of 2,071,236 convertibles were subscribed for, as mentioned earlier. Upon full conversion, the Company's share capital may thereby increase by a maximum of SEK 61 thousand. The number of Crown Energy shares will increase by 2,071,236 at full conversion.

The directed share issue was registered with the Swedish Companies Registration Office on 11 July 2014.

Transaction costs totalled SEK 1,039 thousand.

## Carrying amounts

Classification of the convertible loans is as follows:

<b>Long-term borrowing</b>		
<b>Group and Parent Company (SEK thousand)</b>	<b>2014-12-31</b>	<b>2013-12-31</b>
Convertible loans:		
KV1 2013/2016	39,663	35,412
KV1 2014/2016	16,301	–
	<b>55,964</b>	<b>35,412</b>

For a description of the calculation of fair value, see Note 7, *Accounting of financial instruments*. Fair value corresponds to the rate that the convertible loan traded at on NGM Equity at 31 December 2014, including the conversion option. Please note that the recognized liability in the balance sheet does not include the conversion option:

<b>Group and Parent Company (SEK thousand)</b>	<b>Carrying amount (excl. conversion option)</b>	<b>Nominal value (incl. conversion option)</b>	<b>Fair value (incl. conversion option)</b>
Convertible loans	55,964	78,643	37,749
	<b>55,964</b>	<b>78,643</b>	<b>37,749</b>

The accrued interest payable attributable to the convertible debt instruments was recognized as a current liability and at 31 December 2014 amounted to SEK 5,243 thousand. The fair value of the short-term interest payable corresponds to its carrying amount, as the impact of discounting is not significant.

Direct transaction costs attributable to the liability component are accrued over the life of the loan. Deferred tax recognized in equity is attributable to the discounting being done as a result of valuation at a amortized cost.

Financial expenses in the income statement for January-December 2014 amounted to SEK -15,353 thousand (-8,450) as a result of the convertible loan. The equivalent expenses for Q4 totalled SEK 4,191 thousand (-3,014).

### Note 9 Deferred tax

A deferred tax liability was recognized and is related to the surplus value of intangible assets and to temporary differences resulting from the valuation of the convertible loan at a amortized cost.

Crown Energy has an unused tax loss and, as a precaution and in view of uncertainty in the Company's ability to generate future taxable profits, historically has not capitalized a deferred tax asset relating to it. 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 recognized at the same amount as the deferred tax liability. The deferred tax liability and asset were offset in the balance sheet. Deferred tax revenue of SEK 744 thousand was recognized in the income statement for January-December 2014 due to capitalization of the tax loss.

A deferred tax expense of SEK -46 thousand was recognized in Q4 and is due to the KV1 2014/2016 conversions that took place in December 2014.

## Note 10 Cash flow from financing activities

Following is a breakdown of cash flow attributable to financing activities. For gross accounting of the 2013 convertible and non-cash issues, see the 2013 Annual Report.

Financing activities, SEK thousand	2014-10-01	2013-10-01	2014-01-01	2013-01-01
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Convertible issue 2014	–	–	15,945	–
<i>Of which:</i>				
Convertible loan issued	–	–	16,984	–
Total transaction expenses attributable to convertible issue	–	–	-1,039	–
Convertible issue 2013, net	–	–	–	44,124
Non-cash issue 2013, net	–	-356	–	-356
Interest payment on convertible loan	–	–	-6,208	–
Borrowings from related parties	1,400	–	3,250	–
<b>Total cash flow from financing activities</b>	<b>1,400</b>	<b>-356</b>	<b>12,987</b>	<b>43,768</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 on non-current assets distributed across geographic areas.

Group (SEK thousand)	Property, plant, and equipment		Intangible assets		Total fixed assets	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31	2014-12-31	2013-12-31
<b>Geographic areas</b>						
Sweden	99	132	–	–	99	132
Equatorial Guinea	–	–	4,752	4,667	4,752	4,667
Madagascar	–	–	71,600	57,703	71,600	57,703
Iraq	–	–	31,107	29,509	31,107	29,509
<b>Total</b>	<b>99</b>	<b>132</b>	<b>107,459</b>	<b>91,879</b>	<b>107,558</b>	<b>92,011</b>

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, 13 FEBRUARY 2015

Ulrik Jansson  
CEO  
Board member

Alan Simonian  
Chairman of the Board

Andrew Harriman  
Board member