



## Crown Energy AB (publ)

### Q1 Interim Report – 1 January–31 March 2015

*Crown Energy AB (publ) with its subsidiaries (Crown Energy, the Company, or the Group) is an international oil and gas group with exploration activities in Africa and the Middle East. The Company creates value 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. The Parent Company, whose commercial domicile is Stockholm, Sweden, is listed on NGM Equity.*

#### First quarter – January–March 2015

- The Company did not recognise any sales or operating income.
- The Group did not have any operating income during the quarter. Operating expenses for Q1 totalled SEK -1,791 thousand (-2,292), consisting primarily of employee expenses and other external costs. Operating expenses correspond to the Company's operating loss.
- First quarter loss totalled SEK -2,827 thousand (-5,473) after tax, corresponding to SEK -0.10 per share (-0.20).
- Investments in intangible non-current assets for Q1 amounted to SEK 3,936 thousand (1,853), excluding investments resulting from acquisitions.
- In Q1 2015, the Company took over the shares of the British company Simbo Petroleum No.2 Ltd, which holds 40% of the Block 2B licence in South Africa. The acquisition increased the Company's intangible assets in the form of licences by a total of SEK 55,560 thousand, which had a negative effect on cash flow of SEK -21,444 thousand.

#### Condensed consolidated financial information

Group, SEK thousand	2015-01-01	2014-01-01	2014-01-01
	2015-03-31	2014-03-31	2014-12-31
	Q1	Q1	Full year
Revenue	–	–	–
Other operating income	–	–	–
Operating expenses	-1,791	-2,292	-9,448
Operating profit/loss	-1,791	-2,292	-9,448
Net financial items	-1,036	-3,181	-12,411
Net income for the period, after tax	-2,827	-5,473	-21,115
Earnings per share, SEK	-0.10	-0.20	-0.75
Equity per share, SEK	2.07	2.30	2.03
Change in cash and cash equivalents	-22,734	-1,541	-1,994
Cash flow from investments in intangible assets	-284	-1,853	-3,830

## CEO statement

Dear shareholders and investors,

The most significant and important event during the first quarter of 2015 was that Crown Energy closing of the South-African asset deal.

Now that this deal has been closed, the plan for it changes completely. From having used much of the time and resources for deal closing activities, the Company will now change the business scope completely with respect to this asset. It is very different to market an asset to third parties etc. once it is actually in place. If Crown Energy at the same time can approach partners and investors for its assets with a new strong capital base, the reliability is a lot stronger.

The JV has now entered the first extension phase of two years to the Block 2B Exploration Licence with Government approval for this having been granted in March. The two year period commences from March 2015. The JV has already been carrying out technical work on the ER in accordance with the work programme during the last few months in anticipation of the extension being granted. The exploration work program under the extension phase aims at clarifying the likely range of hydrocarbon volumes in the various actual and potential reservoirs identified. This includes desktop studies and will culminate in a completely new CPR (Competent Persons Report). We await the further technical works on Block 2B, with the new CPR as the significant development step to come within soon. The work that has been done recently shows on a very large potential with the hope of a re-classification of reservoirs being upgraded to contingent resources. This will increase commercial viability and external interest in the asset.

We monitor the development of Block P in Equatorial Guinea with great interest and looking forward to producing the development plan for the Venus discovery. Despite the lower oil price environment, we are optimistic about the economic modelling of our projects. We are pleased to have our assets based in lower cost environments. We still face several challenges in Iraq, but there has been some positive steps in the right direction and so we believe the overall position is much improved. It is also interesting to follow the development with our industry colleagues in Madagascar, who now can be titled as oil producers, as a first oil field has been put into operation.

In April 2015, the board of proposed a refinancing scheme of a total of three share issues; (i) a debt-equity conversion that clears convertible loan debts, (ii) a directed cash share issue to set off outstanding debt, and (iii) a rights issue with preferential right for the shareholders. The third share issue is a repair issue and is proposed in order for the existing shareholders to restore their pre share issues level. The repair issue can amount to maximum SEK 65 million and is not guaranteed, in line with a repair issue. It is difficult to appreciate how many that will sign up in the share issue, but we presume an interest from existing shareholders, and maybe also new investors will find interest in our company. The proposed share issues will not only strengthen the capital base, both by purging the balance sheet of debts and increasing cash liquidity, but will also see the cost structure change dramatically due to decreased interest costs related to the convertible loan.

The new financial position and the access to the South-African asset contributes to enhancing and strengthening our position in the market.

Ulrik Jansson

CEO, Crown Energy AB (publ)

## Operations, January–March 2015

### Income statement

#### Operating profit/loss

Operating expenses for Q1 totalled SEK -1,791 thousand (-2,292). The majority of operating expenses related to other external costs of SEK -622 thousand (-755) and employee benefit expenses of SEK -1,146 thousand (-1,517). Other external costs were slightly lower compared year-on-year due to lower costs for travel and marketing events.

Employee benefit expenses in Q1 2015 were somewhat lower than in the same period last year, since one employee was on parental leave in January-February 2015.

Depreciation of equipment in Q1 totalled SEK -8 thousand and is at the same level as compared year-on-year. Other operating expenses of SEK -15 thousand (-12) were related to exchange rate effects. Since no revenue was generated, operating expenses also corresponded with earnings.

#### Net financial items

Net financial items for Q1 totalled SEK -1,036 thousand (-3,181). Financial income amounted to SEK 3,623 thousand (83) and is mainly attributable to exchange rate effects resulting from the continued weakening of the Swedish krona against the US dollar. Financial expenses totalled SEK -4,659 thousand (-3,264) and are mostly related to interest expenses on convertible loans. The large increase as compared year-on-year is explained by the fact that the Company issued a new convertible (KV1 2014/2016) in May 2014.

#### Tax

In Q1 2015, no tax was recognised in the income statement. The Company recognised deferred tax revenue of SEK 744 thousand for full-year 2014 in the income statement, attributable to capitalisation of tax losses. See Note 9, *Deferred tax*, for more information.

#### Earnings after tax

Earnings after tax for Q1 2015 totalled SEK -2,827 thousand (-5,473), corresponding to SEK -0.10 per share (-0.20).

#### Financial position

Total capitalised expenses for acquiring rights, prospecting costs, etc., which are recognised as intangible assets, totalled SEK 174,917 thousand at 31 March 2015, a net increase of SEK 61,458 thousand from 31 December

2014. The change in Q1 2015 consists of capital expenditures during the period of SEK 3,936 thousand (1,853) and translation differences of SEK 8,079 thousand (-14). The translation differences are due to the fact that some of the intangible assets were acquired in USD and were translated at the closing rate (see Note 11, *Intangible assets*). As a result of the major changes that occurred recently in the rate between SEK and USD, the translation difference for the period was significant and affected assets by increasing them. The translation difference that arises is recognised directly in the currency translation reserve in other comprehensive income and does not affect cash flow. In addition to new investments and translation differences, intangible assets increased by a total of SEK 55,443 thousand due to the acquisition of Simbo Petroleum No.2 Ltd, with the takeover occurring in Q1 2015. See Note 4, *Intangible assets*, for a table of changes for the period and Note 12, *Acquisition of Simbo Petroleum No.2 Ltd*, for more information on this acquisition. Translation differences do not affect cash flow. The period's expenditures consist of costs incurred for the Company's licences, primarily in Iraq and Madagascar.

Cash and cash equivalents at the end of the period totalled SEK 11,877 thousand compared with SEK 34,626 thousand on 31 December 2014. The large net change relates to the acquisition of Simbo Petroleum No.2 Ltd. See Note 5, *Cash and cash equivalents*, and Note 10, *Cash flow*, for more information on the changes.

Property, plant, and equipment totalled SEK 91 thousand (99) after depreciation of SEK 8 thousand was taken for the period.

Other receivables amounted to SEK 928 thousand, compared to SEK 6,899 thousand on 31 December 2014. The decrease compared with year-end 2014 is mainly explained by the fact that the previous prepaid expenses attributable to the Company's licence in South Africa in Q1 2015 were recognised as investments in licences in conjunction with the Company taking over Simbo Petroleum No.2 Ltd.

Equity totalled SEK 58,521 thousand and the only change since 31 December 2014 was in the period's comprehensive income.

Loans from related parties amounted to SEK 6,904 thousand, an increase of SEK 800 thousand since 31 December 2014.

The Company's convertible loans increased due to changes in value and to the fact that the sellers of Simbo Petroleum No.2 Ltd received convertibles valued at SEK 12,875 thousand as part of the consideration. These convertibles had not previously been recognised as a liability. Overall, the convertible loans totalled SEK 71,177 thousand as at 31 March 2015. See Note 8, *Convertible loans*, for more information.

Other provisions at 31 March 2015 totalled SEK 9,215 thousand compared with SEK 8,893 thousand at year-end 2014. The repurchase option arising from the acquisition of Crown Energy Iraq AB was recognised at SEK 6,204 thousand; the carrying amount of this repurchase option has not changed since year-end 2014. Other provisions attributable to the acquisition of subsidiary Amicoh Resources Ltd totalled SEK 3,011 thousand at 31 March 2015.

Other current liabilities consists principally of accounts payable, employee-related taxes, and miscellaneous accrued expenses that totalled SEK 27,028 thousand, which is an increase of SEK 19,556 thousand since year-end 2014. The explanation for the large increase is that a debt of SEK 13,000 thousand followed along with the acquisition of Simbo Petroleum No.2 Ltd. This debt will be subject to an offset issue in Q2 2015; see the *Events after the reporting period* section for details. Apart from this, liabilities increased due to transaction costs attributable to the acquisition. Other current liabilities includes accrued interest attributable to the convertible loans, which amounted to SEK 7,209 thousand as compared to SEK 5,242 thousand at year-end.

### Cash flow

Cash flow from operating activities for Q1 totalled SEK -1,813 thousand (-1,688). Cash flow from operating activities is in line with the same period last year.

Cash flow from investing activities for Q1 2015 totalled SEK -21,721 thousand (-1,853). This outflow consisted partly of current investments in the Company's licences, but during Q1 2015 it related mainly to the cash settlement paid for the acquisition of Simbo Petroleum No.2 Ltd. See Note 10, *Cash flow*, for a more detailed specification.

Net cash flow from financing activities during the period amounted to SEK 800 thousand (2,000) and is fully explained by increased borrowings from related parties.

Total cash flow for the period amounted to SEK -22,734 thousand.

## Projects

Following are project status updates.

The JV has been working to finalise a framework of co-operation between Vaaclo Energy and Ge Petrol to operate the Block and focus on the discovered Venus oil field development. In the current oil price environment the JV is looking at optimising costs which are now decreasing, in order to go forward as efficiently as possible. The plan still remains to carry out a development plan for approval, and following that, start production of the existing reservoirs sometime in late 2017.

### 3108 Manja – Madagascar

Crown Energy is in contact with other operators in Madagascar looking at ways to maximise cost efficiencies by pooling resources where possible. The Company believes that the reduction in the costs of services and equipment will provide longer term benefits to its activities in country. Notable for the region is that Madagascar Oil Limited recently was awarded a 25 year production licence on its block covering the Tsimiroro Main Field. This demonstrates and represents a significant step forward for the exploration and commercial oil production for Madagascar, which can now be titled as an oil producing nation.

### Block 2B – South-Africa

The JV has now entered the first extension phase of two years to the Block 2B Exploration Licence with Government approval for this having been granted in March. The two year period commences from March 2015. The JV has already been carrying out technical work on the ER in accordance with the work programme during the last few months in anticipation of the extension being granted. The exploration work program under the extension phase aims at clarifying the likely range of hydrocarbon volumes in the various actual and potential reservoirs identified. This includes desktop studies and will culminate at a completely new CPR (Competent Persons Report).

Prior to commencing the planned CPR, the JV decided that it would be valuable to carry out an analysis of the logs from the 1988 AJ-1 well in Block 2B off the coast of South Africa, incorporating both petro physical and salinity elements. This was deemed as being an important step to getting a proper supporting analysis of these elements before starting the CPR work. This is now done, using modern techniques, taking into account new studies which have already been carried out on behalf of the group. The results of this work are encouraging and show a sizeable increase in the net oil bearing sand, assuming salinities in the well which are supported by the recent third party studies. This compares to the previous

interpretation of net oil pay and should lead to a substantial increase in the contingent resources that the A-J1 well has proven.

Now that this additional work has been completed, an independent evaluation of these resources is being carried out by ERC Equipoise, an oil industry respected UK consultancy. This evaluation is ongoing and a CPR should be completed in around six weeks, and the results would be published by the JV following after that. This extra analysis step, prior to the CPR work is the reason for the slight delay in the anticipated CPR.

In an earlier operational update, the Company reported on the third party evaluation of the Block 2B licence prospects (mentioned above also) which is ongoing. A lot of work has been put in from this party and this means that the JV will enjoy a great deal of cost savings under the current work programme for the Exploration Right extension period.

### **Salah ad-Din - Iraq**

Activities on the Licence remain static as a result of the on-going hostilities in the area. The Licence area still remains highly prospective and holds very large amounts of oil in place. We hope that when hostilities cease, we will be able to start assessing the best options for increasing production at existing facilities and for developing previous discoveries.

It is now attested that, results of the new elections last year and through the recent conflicts in Iraq, the power is clearly being transferred from Baghdad to the regions. Since our agreement is with the region itself, it improves in value as time passes. In discussions with the regional governorate of Salah ad-Din, they have confirmed that the region is now up to 95 percent free of any ISIS elements and that it looks more positive today.

## **Key events during the 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 KV2 2014/2016 convertible.

### **Takeover of Simbo Petroleum No.2 Ltd**

On 27 January 2015 the Company received regulatory approval to acquire Simbo Petroleum No.2 Ltd, which holds a 40.5 per cent participating interest in Block 2B in South Africa. The ownership assessment process for Crown Energy's acquisition of participations in Block 2B in South Africa is now complete, and Crown Energy has taken over Simbo Petroleum No.2 Ltd's shares. For more information on the acquisition, see Note 12, *Acquisition of Simbo Petroleum No.2 Ltd*.

## **Events after the reporting period**

### **Refinancing package**

On 13 April 2015, the Board proposed a refinancing package consisting of three share issues: (1) an offset issue offer in which the Company's convertible loans are converted into new shares, (2) a directed cash issue of SEK 13 million in an offset issue, and (3) a preferential rights issue to existing shareholders not participating in the two offset issues, for a total of up to about SEK 65 million.

Through these issues, the Company will vigorously strengthen its capital base and assure access to liquid assets. The share issues must first be approved at the Annual General Meeting (AGM) on 13 May 2015. The new shares will be registered with the Swedish Companies Registration Office and will be traded on NGM Equity after being registered with Euroclear. All the issues are based on an issue price of SEK 3.33 per share. See the press release of 13 April 2015 on the Crown Energy website for more information.

### **Refinancing component – offset issue where convertible loans are converted into new shares**

Between 13 and 23 April 2015, Crown Energy repurchased convertibles valued at SEK 66,432 thousand. 21,924,830 new shares will be issued after approval at the AGM, due to this repurchase. The Company's share capital could increase by about SEK 635 thousand if the new shares are issued. See Note 8, *Convertible loans*, for more information on the repurchase.

### **Update of asset report**

On May 13 2015, Crown Energy published an updated asset report (CPR). Compared to previous reports, this includes the license in Iraq, which results in a significant increase in the Company's total oil resources. The other assets have been left unchanged since the last report. The report has been produced for the upcoming share issue prospectus.

## **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 by issuing new shares and convertible loans.

As mentioned in the *Events after year-end* section, in April 2015 the Board of Directors decided to implement three share issues. The proposed share issues will strengthen the capital base as a whole with a solid balance sheet but will also enhance the Company's liquidity, both through new capital and the considerable cost savings from significant reductions in interest on the Company's convertible loans. The implementation of the share issues is conditional upon shareholder approval on 13 May 2015.

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 12 months following the end of the fiscal year on an interest-free basis.

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

### Risks and uncertainty factors

A detailed description of the Company's risks can be found in Crown Energy's 2014 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 believes it has good control over any changes to or new requirements for its licences.

The main risks related to the market and industry are considered to be 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, 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 operations as regards permits and partnerships. The countries in which Crown Energy 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. 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.

In terms of financial risks, Crown Energy estimates that the greatest risk is the fact that oil and gas exploration is a capital intensive business and that capital may have to be raised under less than favourable market conditions. Depending on operational developments in general, the Company may need additional capital to acquire assets, to further develop the assets under favourable conditions, or to continue its operating activities. If Crown Energy is unable to obtain sufficient financing, the scope of activities may be limited, which ultimately may mean that the Company can no longer execute its long-term exploration plan. Historically, financing has been primarily through new share issues. Besides the existing convertible loans, the Company's short-term financing plan thus far has been based on loans from the Parent Company's owner. Crown Energy works continuously with its capital raising and refinancing.

### Parent Company

The Parent Company had revenue of SEK 806 thousand in Q1 2015, which relates to the invoicing of subsidiaries.

The Parent Company's earnings before tax for Q1 totalled SEK -2,730 thousand (-3,926). The Parent Company's earnings before tax improved somewhat compared to prior years due to lower costs for travel, marketing events, and personnel (see explanation for the Group).

Cash and cash equivalents at 31 March 2015 totalled SEK 11,702 thousand compared with SEK 34,485 thousand at 31 December 2014. The large change is attributable to the acquisition of Simbo Petroleum No.2 Ltd.

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

Equity at the end of the period was SEK 64,252 thousand compared with SEK 66,982 thousand at 31 December 2014. The change consists of comprehensive income for the period.

The Company's convertible loans increased due to changes in value and to the fact that the sellers of Simbo Petroleum No.2 Ltd received convertibles valued at SEK 12,875 thousand as part of the consideration. These convertibles had not previously been recognised as a liability. Overall, the convertible loans totalled SEK 71,177 thousand as at 31 March 2015. See Note 8, *Convertible loans*, for more information.

Other current liabilities consists principally of accounts payable, employee-related taxes, and miscellaneous accrued expenses that totalled SEK 22,552 thousand, which is an increase of SEK 15,239 thousand since year-end 2014. The explanation for the large increase is that a debt of SEK 13,000 thousand followed along with the acquisition of Simbo Petroleum No.2 Ltd. This debt will be

subject to an offset issue in Q2 2015; see the *Events after the reporting period* section for details. Apart from this, liabilities increased due to transaction costs attributable to the acquisition. Other current liabilities includes accrued interest attributable to the convertible loans, which amounted to SEK 7,209 thousand as compared to SEK 5,242 thousand at year-end.

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## Reporting dates

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|---|------------------|
| ▪ Interim Report, Q2 (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 Markets news service, at [www.ngnews.se](http://www.ngnews.se).

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## About Crown Energy AB (publ)

*Crown Energy is an international oil and gas company engaged in exploration in Africa and the Middle East. The Company creates value 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. Find out more at [www.crownenergy.se](http://www.crownenergy.se).*

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## Condensed consolidated income statement

All amounts in SEK thousand	Note	2015-01-01	2014-01-01	2014-01-01
		2015-03-31	2014-03-31	2014-12-31
Revenue		–	–	–
Other operating income		–	–	–
Other external costs		-622	-755	-4,448
Employee benefit expenses		-1,146	-1,517	-4,863
Depreciation/amortisation and impairment of property, plant, and equipment and intangible assets		-8	-8	-33
Other operating expenses		-15	-12	-104
<b>Operating profit/loss</b>		<b>-1,791</b>	<b>-2,292</b>	<b>-9,448</b>
Financial income		3,623	83	3,176
Financial expenses		-4,659	-3,264	-15,587
<b>Earnings before tax</b>		<b>-2,827</b>	<b>-5,473</b>	<b>-21,859</b>
Income tax	9	–	–	744
<b>Net profit/loss for the period</b>		<b>-2,827</b>	<b>-5,473</b>	<b>-21,115</b>
<b>Earnings per share and share related data</b>				
Average number of basic shares, thousand	3	28,218	27,823	27,969
Average number of diluted shares, thousand	3	28,218	27,823	27,969
Basic earnings per share, SEK	3	-0.10	-0.20	-0.75
Diluted earnings per share, SEK	3	-0.10	-0.20	-0.75

## Condensed consolidated statement of comprehensive income

All amounts in SEK thousand	2015-01-01	2014-01-01	2014-01-01
	2015-03-31	2014-03-31	2014-12-31
<b>Net profit/loss for the period</b>	<b>-2,827</b>	<b>-5,473</b>	<b>-21,115</b>
<b>Other comprehensive income</b>			
Translation differences	4,258	-8	6,683
<b>Total items that will be reclassified to profit or loss:</b>	<b>4,258</b>	<b>-8</b>	<b>6,683</b>
<b>Other comprehensive income, net of tax</b>	<b>4,258</b>	<b>-8</b>	<b>6,683</b>
<b>Total comprehensive income for the period</b>	<b>1,431</b>	<b>-5,481</b>	<b>-14,432</b>
<b>Total comprehensive income attributable to:</b>			
Parent Company shareholders	1,431	-5,481	-14,432
<b>Comprehensive income for the period</b>	<b>1,431</b>	<b>-5,481</b>	<b>-14,432</b>



## Condensed consolidated balance sheet

### ASSETS

All amounts in SEK thousand	Note	2015-03-31	2014-03-31	2014-12-31
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	4, 11, 12	174,917	93,718	107,459
Property, plant, and equipment	11	91	124	99
<b>Total non-current assets</b>		<b>175,008</b>	<b>93,842</b>	<b>107,558</b>
<b>Current assets</b>				
Other receivables	7	928	5,864	6,899
Cash and cash equivalents	5	11,877	35,040	34,626
<b>Total current assets</b>		<b>12,805</b>	<b>40,904</b>	<b>41,525</b>
<b>TOTAL ASSETS</b>		<b>187,813</b>	<b>134,746</b>	<b>149,083</b>

### EQUITY AND LIABILITIES

All amounts in SEK thousand	Note	2015-03-31	2014-03-31	2014-12-31
<b>EQUITY</b>				
<b>Capital and reserves attributable to Parent Company shareholders</b>				
Share capital		830	819	827
Non-registered share capital		–	–	3
Other contributed capital		98,114	95,446	98,114
Reserves		10,671	-278	6,413
Accumulated earnings		-48,267	-27,152	-27,152
Net profit/loss for the period		-2,827	-5,473	-21,115
<b>Total equity</b>		<b>58,521</b>	<b>63,362</b>	<b>57,090</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans from related parties	1, 8	6,904	4,854	6,104
Convertible loans	7, 8	71,177	37,085	55,964
Deferred tax liabilities	9	14,968	11,295	13,560
Other provisions	6, 7	9,215	8,847	8,893
<b>Total non-current liabilities</b>		<b>102,264</b>	<b>62,081</b>	<b>84,521</b>
<b>Current liabilities</b>				
Other current liabilities	7	27,028	9,303	7,472
<b>Total current liabilities</b>		<b>27,028</b>	<b>9,303</b>	<b>7,472</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>187,813</b>	<b>134,746</b>	<b>149,083</b>
Pledged assets and contingent liabilities		50	34,385	34,385

## Condensed consolidated statement of changes in equity

All amounts in SEK thousand	2015-03-31	2014-03-31	2014-12-31
<b>Opening equity</b>	<b>57,090</b>	<b>68,843</b>	<b>68,843</b>
Net profit/loss for the period	-2,827	-5,473	-21,115
Other comprehensive income, net of tax	4,258	-8	6,683
<b>Comprehensive income for the period</b>	<b>1,431</b>	<b>-5,481</b>	<b>-14,432</b>
Convertible loan KV1 2014/2016, net	-	-	-556
Conversions, KV1 2013/2016	-	-	2,398
Conversions, KV2 2014/2016	-	-	837
<b>Closing equity</b>	<b>58,521</b>	<b>63,362</b>	<b>57,090</b>
<b>Attributable to:</b>			
Parent company shareholders	58,521	63,362	57,090
<b>Total equity</b>	<b>58,521</b>	<b>63,362</b>	<b>57,090</b>

See the 2014 Annual Report for gross accounting

## Condensed consolidated statement of cash flows

All amounts in SEK thousand	Note	2015-01-01	2014-01-01	2014-01-01
		2015-03-31	2014-03-31	2014-12-31
<b>Cash flow from operating activities</b>		<b>-1,813</b>	<b>-1,688</b>	<b>-11,151</b>
<b>Cash flow from investing activities</b>		<b>-21,721</b>	<b>-1,853</b>	<b>-3,830</b>
<b>Cash flow from financing activities</b>	10	<b>800</b>	<b>2,000</b>	<b>12,987</b>
<b>Cash flow for the period</b>		<b>-22,734</b>	<b>-1,541</b>	<b>-1,994</b>
Cash and cash equivalents at start of period		34,626	36,584	36,584
Cash flow for the period		-22,734	-1,541	-1,994
Exchange gains/losses on cash and cash equivalents		-15	-3	36
<b>Cash and cash equivalents at end of period</b>	5	<b>11,877</b>	<b>35,040</b>	<b>34,626</b>

## Consolidated key ratios

### Quarterly summary – Group

All amounts in SEK thousand unless otherwise stated	Note	2014-01-01	2014-10-01	2014-07-01	2014-04-01	2014-01-01
		2015-03-31	2014-12-31	2014-09-30	2014-06-30	2014-03-31
		Q1	Q4	Q3	Q2	Q1
<b>Profit/loss</b>						
Other operating income		–	–	–	–	–
Operating profit/loss		-1,791	-3,370	-1,417	-2,369	-2,292
Net income for the period, after tax		-2,827	-6,489	-4,520	-4,088	-5,473
<b>Earnings yield</b>						
Return on equity, %		neg	neg	neg	neg	neg
Return on capital employed, %		neg	neg	neg	neg	neg
<b>Financial position</b>						
Equity/assets ratio, %		31.2%	38.3%	41.3%	43.4%	47.0%
Net debt/equity ratio, times		1.01	0.37	0.31	0.22	0.03
Net asset value per share, SEK		2.07	2.03	2.12	2.22	2.30
Total assets		187,813	149,083	144,655	142,255	134,746
Equity		58,521	57,090	59,795	61,783	63,362
Cash flow from investments		-21,721	-515	-563	-899	-1,853
<b>Ratios per share</b>						
Dividend per share, SEK		n/a	n/a	n/a	n/a	n/a
Number of basic shares outstanding, thousand	3	28,243	28,143	28,143	27,845	27,598
Number of diluted shares outstanding, thousand		28,243	28,143	28,143	27,845	27,598
Average number of shares, thousand	3	28,218	28,143	28,062	27,823	27,823
Average number of diluted shares, thousand	3	28,218	28,143	28,062	27,823	27,823
Basic earnings per share, SEK	3	-0.10	-0.23	-0.16	-0.15	-0.20
Diluted earnings per share, SEK	3	-0.10	-0.23	-0.16	-0.15	-0.20
Equity per share, SEK		2.07	2.03	2.12	2.22	2.30
Cash flow from operating activities per share, SEK		-0.06	-0.08	0.00	0.00	0.00
<b>Employees</b>						
Average number of employees		3.0	3.0	3.0	3.0	3.0

### Quarterly and yearly summary – Group

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 debt/equity ratio, 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	2015-01-01	2014-01-01	2013-01-01
		2015-03-31	2014-03-31	2013-12-31
Revenue		806	–	–
Other operating income		17	–	–
Other external costs		-460	-635	-4,294
Employee benefit expenses		-1,146	-1,517	-4,863
Depreciation/amortisation and impairment of property, plant, and equipment and intangible assets		-8	-8	-33
Other operating expenses		–	–	-15
<b>Operating profit/loss</b>		<b>-791</b>	<b>-2,160</b>	<b>-9,205</b>
Interest income and similar items		486	–	779
Interest income, intercompany		1,881	1,456	6,071
Interest expenses and similar items		-4,306	-3,222	-15,354
<b>Earnings before tax</b>		<b>-2,730</b>	<b>-3,926</b>	<b>-17,709</b>
Tax	9	–	–	744
<b>Net profit/loss for the period</b>		<b>-2,730</b>	<b>-3,926</b>	<b>-16,965</b>

## Parent Company – Condensed statement of comprehensive income

All amounts in SEK thousand	Note	2015-01-01	2014-01-01	2013-01-01
		2015-03-31	2014-03-31	2013-12-31
<b>Net profit/loss for the period</b>		<b>-2,730</b>	<b>-3,926</b>	<b>-16,965</b>
<b>Other comprehensive income</b>				
<i>Total items that will be reclassified to profit or loss</i>		–	–	–
<b>Other comprehensive income, net of tax</b>		–	–	–
<b>Total comprehensive income</b>		<b>-2,730</b>	<b>-3,926</b>	<b>-16,965</b>

## Parent Company – Condensed balance sheet

### ASSETS

All amounts in SEK thousand	Note	2015-03-31	2014-03-31	2014-12-31
<b>ASSETS</b>				
<b>Non-current assets</b>				
Participations in Group companies		19,704	19,704	19,704
Property, plant, and equipment		91	124	99
Receivables from Group companies		21,244	21,244	21,244
<b>Total non-current assets</b>		<b>41,039</b>	<b>41,072</b>	<b>41,047</b>
<b>Current assets</b>				
Receivables from Group companies		111,636	49,722	60,230
Current receivables	7	508	752	601
Cash and bank balances	5	11,702	34,526	34,485
<b>Total current assets</b>		<b>123,846</b>	<b>85,000</b>	<b>95,316</b>
<b>TOTAL ASSETS</b>		<b>164,885</b>	<b>126,072</b>	<b>136,363</b>

### EQUITY AND LIABILITIES

All amounts in SEK thousand	Note	2015-03-31	2014-03-31	2014-12-31
<b>EQUITY</b>				
<b>Equity</b>				
<b>Restricted equity</b>				
Share capital		830	819	827
Non-registered share capital		–	–	3
<b>Total restricted equity</b>		<b>830</b>	<b>819</b>	<b>830</b>
<b>Non-restricted equity</b>				
Share premium reserve		94,114	91,446	94,114
Accumulated earnings		-27,962	-10,997	-10,997
Net profit/loss for the year		-2,730	-3,927	-16,965
<b>Total non-restricted equity</b>		<b>63,422</b>	<b>76,522</b>	<b>66,152</b>
<b>Total equity</b>		<b>64,252</b>	<b>77,341</b>	<b>66,982</b>
<b>Non-current liabilities</b>				
Convertible loan	7, 8	71,177	37,085	55,964
Loans from related parties	1, 7	6,904	4,854	6,104
<b>Total non-current liabilities</b>		<b>78,081</b>	<b>41,939</b>	<b>62,068</b>
<b>Current liabilities</b>				
Other current liabilities	7	22,552	6,792	7,313
<b>Total current liabilities</b>		<b>22,552</b>	<b>6,792</b>	<b>7,313</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>164,885</b>	<b>126,072</b>	<b>136,363</b>
Pledged assets		50	34,385	34,385
Contingent liabilities		None	None	None

## Parent Company – Condensed statement of changes in equity

All amounts in SEK thousand	2015-03-31	2014-03-31	2014-12-31
<b>Opening equity</b>	<b>66,982</b>	<b>81,268</b>	<b>81,268</b>
Net profit/loss for the period	-2,730	-3,927	-16,965
Comprehensive income for the period	–	–	–
<b>Comprehensive income for the period</b>	<b>-2,730</b>	<b>-3,927</b>	<b>-16,965</b>
Convertible loan KV1 2014/2016, net	–	–	-556
Conversions, KV1 2013/2016	–	–	2,398
Conversions, KV1 2014/2016	–	–	837
Non-cash issue	–	–	–
Issue expenses, non-cash issue	–	–	–
<b>Closing equity</b>	<b>64,252</b>	<b>77,341</b>	<b>66,982</b>

See the 2014 Annual Report for gross accounting

## 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 2014 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 2014 financial year and as described in the 2014 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 2014 Annual Report.

### Note 1 Transactions with related parties

#### Purchases and sales within the Group

The Parent Company's revenue represents 100 (0) per cent 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 March 2015.

#### 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 6,904 thousand at 31 March 2015. The loan has increased by SEK 800 thousand since year-end 2014.

#### 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 3 thousand for the period. Crown Energy also purchases

technical consulting services from Simco Petroleum Ltd (Simco). Alan Simonian, Crown Energy's Chairman of the Board, owns 33 per cent of Simco and also sits on Simco's board. Services from Simco are purchased on normal commercial terms. Services amounting to about USD 20 thousand were purchased during the period.

## Note 2 Ownership structure

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 with the most shares as of 31 March and thereafter known changes:

Shareholders	Number of shares	Proportion (%)
Ulrik Jansson, private and via company	15,529,726	54,0%
Comtrack Ventures Ltd	1,514,586	5,3%
Mocoh Resources Ltd	1,239,227	4,3%
Alan Simonian	1,175,377	4,3%
Avanza Pension	866,208	4,1%
Other shareholders	7,918,287	28,0%
<b>Total number of shares</b>	<b>28,243,411</b>	<b>100,0%</b>

## Note 3 Earnings per share and number of shares

Crown Energy previously issued 364,954 warrants that could be converted into an equivalent number of ordinary shares. The issue price is SEK 27.50/share. Apart from this, Crown Energy issued 7,864,327 convertibles 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 recognised 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 are related to the acquisition of Amicoh Resources Ltd (which was done in USD) and the fact that these assets are translated at the closing rate. The translation difference that arises is recognised directly in the currency translation reserve in other comprehensive income.

Crown Energy took over Simbo Petroleum No.2 Ltd's shares in Q1 2015. Since this acquisition is classified as a business combination, a total of SEK 55,443 thousand was recognised as an increase through acquisition of assets. See Note 12, *Acquisition of Simbo Petroleum No.2 Ltd*, for more information on the transaction.

Group (SEK thousand)	2015-01-01 2015-03-31	2014-01-01 2014-03-31	2014-01-01 2014-12-31
Opening carrying amount	107,459	91,879	91,879
Capital expenditures for the period	3,936	1,853	3,830
Increase through acquisition of assets	55,443	–	–
Translation differences	8,079	-14	11,750
<b>Closing accumulated cost of acquisition</b>	<b>174,917</b>	<b>93,718</b>	<b>107,459</b>



## Note 5 Cash and cash equivalents

In the comparative period for 2014, cash and cash equivalents included SEK 34,335 thousand for payment of shares in Simbo Petroleum No.2 Ltd. As the shares were taken over in Q1 2015, the liquid assets, and thereby the frozen assets, decreased by the corresponding amount during this period.

## Note 6 Provisions

Following is a summary of the Group's provisions:

<b>Group (SEK thousand)</b>	<b>2015-03-31</b>	<b>2014-03-31</b>	<b>2014-12-31</b>
Acquisition of Amicoh Resources Ltd			
Additional consideration, commercial discovery	3,011	2,552	2,688
Additional consideration, warrants	0	91	1
Acquisition of Crown Energy Iraq			
Provision for repurchase option	6,204	6,204	6,204
<b>Closing balance</b>	<b>9,215</b>	<b>8,847</b>	<b>8,893</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 discovery on Madagascar. The portion paid at a commercial discovery is recognised as a provision at a value of SEK 3,011 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 at 31 March 2015 were determined in accordance with an established option pricing model (Black & Scholes).

For more information on provisions, see the 2014 Annual Report. No changes have occurred in Crown Energy's assessments of provisions since 31 December 2014.

### 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 repurchase option entails that the sellers of Crown Energy Iraq can repurchase 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 repurchase 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. The provision is therefore recognised at historical cost. No changes have occurred in Crown Energy's assessments of provisions since 31 December 2014.

## Note 7 Accounting of financial instruments

### Recognised 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 March 2015, was estimated at SEK 6,575 thousand, which is based on an interest rate of 5 per cent if the loan had been subscribed to at market conditions.

The nominal value of the convertible loans at 31 March 2015 amounts to SEK 78,643 thousand. These convertible loans are recognised at amortised 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 March 2015 on NGM Equity at 50 per cent of the nominal value, corresponding to a fair value of SEK 39,322 thousand (including conversion option) and an annual rate of about 20.0 per cent.

As mentioned in Note 6, *Provisions*, the provision for the Crown Energy Iraq repurchase option was recognised 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 for financial instruments, disclosures about fair value measurement must be made by level. The following table shows the financial items recognised at fair value via the income statement, divided into the three levels:

<b>Group, SEK thousand</b>					
<b>2015-03-31</b>		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Total assets</b>		-	-	-	-
<b>Liabilities</b>					
Financial liabilities measured at fair value via income statement:					
- Provision for additional consideration, commercial reservoir		-	-	3,011	3,011
- Provision for additional consideration, warrants		-	-	0	0
<b>Total liabilities</b>		-	-	<b>3,011</b>	<b>3,011</b>

Provisions were recognised 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 2014. The period's total net effect due to revaluation to fair value was SEK 0 thousand (-82) and was recognised in the income statement as (unrealised) financial income or expense.

### Note 8 Convertible loans

The Company holds two convertible loan series: KV1 2013/2016 and KV2 2014/2016. KV2 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 2014 Annual Report. KV1 2013/2016 is traded on NGM Equity.

#### Carrying amounts

Classification of the convertible loans is as follows:

<b>Long-term borrowing</b>			
<b>Group and Parent Company (SEK thousand)</b>	<b>2015-03-31</b>	<b>2014-03-31</b>	<b>2014-12-31</b>
Convertible loans:			
KV1 2013/2016	54,270	37,085	39,663
KV2 2014/2016	16,907	-	16,301
	<b>71,177</b>	<b>37,085</b>	<b>55,964</b>

See Note 7, *Accounting of financial instruments*, for a description of fair value calculation. The fair value corresponds to the rate that the convertible loan traded at on NGM Equity at 31 March 2015, including the conversion option. Note that the recognised 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	71,177	78,643	39,322
	<b>71,177</b>	<b>78,643</b>	<b>39,322</b>

The accrued interest payable attributable to the convertible loans was recognised as a current liability and amounted to SEK 7,209 thousand at 31 March 2015. The fair value of the short-term interest payable corresponds to its carrying amount, as the impact of discounting is not significant.

Financial expenses in the income statement for Q1 2015 amounted to SEK -4,304 thousand (-3,315) as a result of the convertible loan.

## Offer to repurchase convertibles

On 13 April 2015, the Board proposed, as part of a major refinancing package (see *Events after the reporting period*), that Crown Energy offer to repurchase outstanding convertibles for SEK 10 per convertible (corresponding to the convertible's nominal amount). Payment for the repurchased convertibles will be settled through the issue of new shares following approval at the AGM on 13 May 2015.

Convertibles valued at SEK 66,432 thousand were repurchased between 13 and 23 April 2015, corresponding to about 85 per cent of the total convertible debt. A preliminary estimate is that 21,924,837 new shares will be issued after approval at the AGM. The issue price is SEK 3.03 per share, taking into account that interest is not paid on the repurchased convertibles. Had the repurchase been at the nominal amount plus one year's interest, that is, an additional 10 per cent, the issue price would have been SEK 3.33 per share. The Company's share capital could increase by about SEK 635 thousand if the new shares are issued.

The convertibles of holders who chose not to sell their convertibles as offered will remain under the original terms of the convertible and they will continue to be traded on NGM Equity as before. The nominal amount of these convertibles will total SEK 12,211 thousand after the repurchase. Interest amounting to SEK 1,228 thousand was paid out as planned on 4 May 2015 to those who retained their convertibles.

Provided that the AGM approves the Board's proposal, the Company's financial position will change. The following illustrates the recognised and nominal amounts at 31 March 2015 – actual recognised amounts and how it would have looked if the repurchase had occurred in Q1 2015:

Group and Parent Company (SEK thousand)	Carrying amount		Nominal amount	
	Actual recognised amount, 31 Mar 2015	Adjusted amount after repurchase, 31 Mar 2015	Actual recognised amount, 31 Mar 2015	Adjusted amount after repurchase, 31 Mar 2015
Convertible loans:				
KV1 2013/2016	54,270	8,998	58,931	12,211
KV2 2014/2016	16,907	–	19,712	–
Accrued interest	7,209	1,228	n/a	n/a
	<b>78,386</b>	<b>10,226</b>	<b>78,643</b>	<b>12,211</b>

Note that KV2 2014/2016 was repurchased in its entirety.

## Note 9 Deferred tax

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

Crown Energy has an unused tax loss and historically has not capitalised a deferred tax asset relating to it 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 tax asset were offset in the balance sheet. There was no further capitalisation of the tax loss in Q1 2014, so no deferred tax was recognised in the income statement.

A deferred tax expense of SEK 744 thousand was recognised for full-year 2014 due to the conversions that took place in June and December 2014.

## Note 10 Cash flow

### Financing activities

Following is a breakdown of cash flow attributable to financing activities. For gross accounting of the convertible and non-cash issues in 2014, see the 2014 Annual Report.

	2015-01-01 2015-03-31	2014-01-01 2014-03-31	2014-01-01 2014-12-31
<b>Financing activities, SEK thousand</b>			
Convertible issue 2014	–	–	15,946
<i>Of which:</i>			
Convertible loan issued	–	–	16,985
Total transaction expenses attributable to convertible issue	–	–	-1,039
Interest payment on convertible loan	–	–	-6,209
Borrowings from related parties	800	2,000	3,250
<b>Total cash flow from financing activities</b>	<b>800</b>	<b>2,000</b>	<b>12,987</b>

### Investing activities

	2015-01-01 2015-03-31	2014-01-01 2014-03-31	2014-01-01 2014-12-31
<b>Investing activities, SEK thousand</b>			
Acquisition of subsidiaries	7	–	–
<i>Cash and cash equivalents in Simbo Petroleum No.2 Ltd</i>	7	–	–
Investments in intangible assets	-21,728	-1,853	-3,830
<i>Increase in intangible assets through acquisition of subsidiary (see Note 12)</i>	-21,444	–	–
<i>Investments in intangible assets</i>	-284	-1,853	-3,830
<b>Total cash flow from investing activities</b>	<b>-21,721</b>	<b>-1,853</b>	<b>-3,830</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, all amounts in SEK thousand	Property, plant, and equipment			Intangible assets			Total non-current assets		
	2015-03-31	2014-03-31	2014-12-31	2015-03-31	2014-03-31	2014-12-31	2015-03-31	2014-03-31	2014-12-31
<b>Geographic areas</b>									
Sweden	91	124	99	–	–	–	91	124	99
Equatorial Guinea	–	–	–	4,779	4,693	4,752	4,779	4,693	4,752
Madagascar	–	–	–	79,298	58,830	71,600	79,298	58,830	71,600
Iraq	–	–	–	31,116	30,195	31,107	31,116	30,195	31,107
South Africa	–	–	–	59,724	–	–	59,724	–	–
<b>Total</b>	<b>91</b>	<b>124</b>	<b>99</b>	<b>174,917</b>	<b>93,718</b>	<b>107,459</b>	<b>175,008</b>	<b>93,842</b>	<b>107,558</b>

## Note 12 Acquisition of Simbo Petroleum No.2 Ltd

### Background

Crown Energy Ventures Corporation, a Crown Energy AB subsidiary, entered into an agreement in August 2011 to acquire 75 per cent of the Block 2B licence in South Africa through the acquisition of Thombo Petroleum Ltd. However, the structure of the transaction was changed, and the sellers and the Company instead agreed in February 2013 that the Company would acquire a 40.5 per cent stake in the licence. This part of the licence was transferred by the sellers to a newly established English company, Simbo Petroleum No.2 Ltd (Simbo No.2), which Crown Energy will acquire in its

entirety. The share transfer agreement between Crown Energy and the sellers of Simbo No.2 in South Africa was completed in July 2013. The consideration for the stake in the licence totalled SEK 48,757 thousand. Completion of the acquisition required the approval of the South African authorities, which was received on 27 January 2014. This approval meant that Crown Energy was legally entitled to Simbo No.2's shares and thus the Block 2B licence.

### Consideration

To finance the acquisition, Crown Energy issued a convertible loan (KV1 2013/2016), which is traded on NGM Equity. The consideration was paid partly with cash and partly with Crown Energy AB convertibles. The cash and convertibles were held in escrow by a third party until the South African authorities approved the change of ownership. Following is a breakdown of the consideration paid:

<b>Consideration paid for Simbo No.2, SEK thousand</b>	<b>2015</b>
Payment in cash as per transfer agreement (escrow account)	35,882
Payment in convertibles as per transfer agreement (escrow account)	12,875
Disbursement from escrow in 2014 for cash calls	-1,548
Adjustment to consideration at takeover	-12,680
<b>Total consideration paid for Simbo No.2</b>	<b>34,529</b>

A disbursement of SEK 1,548 thousand was made from the escrow account in 2014 to compensate Crown Energy for cash calls paid to the licence operator. Since the disbursement exceeded the cash call payments, the sellers received the difference of SEK 320 thousand in cash. This amount was recognised net in the line item Adjustment to consideration at takeover. Simbo No.2 also had an external debt on takeover. This debt amounted to SEK 13,000 thousand and was assumed by Crown Energy AB. This debt is subject to offset against shares in Q2 2015; see the description of the directed share issue under *Events after the reporting period*. The consideration amount was reduced by the amount of the debt.

The consideration is broken down as follows:

<b>Acquired assets (including surplus value) and assumed liabilities, SEK thousand</b>	<b>2015</b>
Cash and cash equivalents	7
Intangible assets	51,712
Receivables	–
Liabilities	-17,190
<b>Total identified net assets, Simbo No.2</b>	<b>34,529</b>

### Accounting in Crown Energy Ventures

Besides the consideration, directly attributable acquisition costs were also recognised as an acquisition cost in Crown Energy Ventures:

<b>Participations in Group companies, SEK thousand</b>	<b>2015</b>
Consideration subsidiary	34,529
Directly attributable acquisition costs	3,731
<b>Total acquisition costs for Simbo No.2 shares</b>	<b>38,260</b>

### Accounting in Group

Crown Energy recognised the acquisition of Simbo No.2 as an asset acquisition, since the assessment is that the transaction does not meet the requirements for a business combination. Among other things, this means that no goodwill or deferred tax arises. The value (including surplus value) of the shares and licence was recognised as intangible assets, amounting to SEK 51,712 thousand. Directly attributable acquisition costs of SEK 3,731 thousand were also recognised as an acquisition cost for the acquired licence.

<b>Intangible assets, SEK thousand</b>	<b>2015</b>
Increase through acquisition of subsidiaries:	
Acquired assets (licences)	18,149
Surplus value	33,563
Directly attributable acquisition costs	3,731
<b>Total increase in intangible assets due to the acquisition of Simbo No.2</b>	<b>55,443</b>

### Cash flows attributable to acquisition

As mentioned earlier, directly attributable acquisition costs amounted to SEK 3,731 thousand. The majority of these costs were not paid until April 2015, so they did not affect cash flow for the period. The consideration was reduced due to an external debt owed by Simbo No.2 at takeover. This did not affect cash flow, either. A disbursement was made from the escrow account in 2014 to compensate Crown Energy for cash calls paid to the licence operator. Since the disbursement exceeded the cash call payments, the sellers received the difference of SEK 320 thousand in cash. This disbursement was made in April 2015. Following is a breakdown of cash flow attributable to the increase of SEK 21,444 thousand:

<b>Group, SEK thousand</b>	<b>2015-01-01</b>	<b>2015-03-31</b>
Cash consideration, subsidiary/licence		-35,882
Directly attributable acquisition costs		-3,731
Disbursement from escrow in 2014 for cash calls		1,548
Adjustments for non-cash items:		
Directly attributable acquisition costs (non-cash 2015)		482
Directly attributable acquisition costs (non-cash Q1 2015)		3,139
Adjustment to consideration at takeover (non-cash)		12,680
Repayment to seller as relates to cash calls (non-cash Q1 2015)		320
<b>Cash flow attributable to increase in intangible assets through acquisition of subsidiary</b>		<b>-21,444</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 subject to review by the Company's auditors.

STOCKHOLM, 13 MAY 2015

Ulrik Jansson  
CEO  
Board member

Alan Simonian  
Chairman of the Board

Andrew Harriman  
Board member