

## Crown Energy AB (publ)

### Q3 Interim report – 1 January-30 September 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.*

- The Company did not recognize any sales or operating income.
- The Group did not have any operating income in the first three quarters. Operating expenses for Q3 totalled SEK -1,417 thousand (-1,777), consisting primarily of employee expenses and other external costs. For the January to September period, operating expenses amounted to SEK -6,078 thousand (-6,587).
- Third quarter loss totalled SEK -4,520 thousand (-5,498), corresponding to SEK -0.16 per share (-0.21). Loss for January-September amounted to SEK -14,626 thousand (-8,591).
- Capital expenditures in Q3 totalled SEK 3,315 thousand (1,238) and mainly related to exploration activities in licence area 3108 on Madagascar and the licence in Iraq.

### Condensed consolidated financial information

Group (SEK thousand)	2014-07-01	2013-07-01	2014-01-01	2013-01-01	2013-01-01
	2014-09-30	2013-09-30	2014-09-30	2013-09-30	2013-12-31
	Q3	Q3	Q 1-3	Q 1-3	Full year
Revenue	–	–	–	–	–
Other operating income	–	8	–	–	–
Operating expenses	-1,417	-1,777	-6,078	-6,587	-9,271
Operating profit/loss	-1,417	-1,769	-6,078	-6,587	-9,271
Net financial items	-2,265	-3,729	-9,338	-5,584	-8,571
Net income for the period, after tax	-4,520	-5,498	-14,626	-8,591	-14,399
Earnings per share, SEK	-0.16	-0.21	-0.52	-0.33	-0.56
Equity per share, SEK	2.12	2.10	2.17	2.10	2.49
Change in cash and cash equivalents	-2,525	-5,391	-631	32,165	24,821
Cash flow from investments in intangible assets	-563	-617	-3,315	-1,340	-3,229

## CEO statement

Dear shareholders and investors,

Things are picking up in the asset portfolio, especially in South Africa!

There's a strong external interest for the Block 2B South Africa licence. As have been reported before, there are several serious, technically competent and well-funded bidders for a farm in to the licence. The operator is already conducting technical studies on behalf of the JOA, already with a view to fulfilling the work commitments under the new exploration period. These technical studies includes in-depth AVO analysis, sedimentology, petro-physics and environmental studies.

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.

Our co-operation with ABG Sundal Collier is developing and we are working together to visualise the values in every one and each of our projects.

In Madagascar there is still increased optimism. This is shown in the increase of activities in Madagascar in general and next to Crown Energy's licence block in particular. There's now firm drilling plans in blocks neighbouring to ours and which we believe can help us reduce costs for our operations as a consequence, and should therefore be attractive to potential partners to our licence block. Should there be a successful drilling near us, it would significantly increase value on our block as a result. Another positive is that the parties of the licence Block P in Equatorial Guinea has now settled for the path of developing the Venus discovery ahead of any further exploration drilling of other prospects on the licence block.

It continues to be difficult to predict future developments or to convey a reliable picture of the situation in Iraq. Crown Energy is still in discussions with several potential partners about a collaboration and funding to develop the immense resources that the region contains. These are mainly players from the Middle East and Asia.

We have recently seen a sharp decline in oil prices, but because we do not currently produce any oil and gas, we are not directly affected by this. But it's obviously a negative for the industry as a whole, although most players see the situation as temporary and that in the long-term it should return to a situation similar to what has been in recent years. We can probably expect that investments will decrease for some time to come, but the industry in the longer term will not reduce investments. The need for energy is still high and rising, according to reports from e.g. OPEC and leading industry players.

Ulrik Jansson

CEO, Crown Energy AB (publ)

## Operations, January-September 2014

### Income statement

#### Operating profit/loss

Operating expenses for Q3 totalled SEK -1,417 thousand (-1,777), of which SEK -152 thousand (-556) related to other external costs and SEK -1,233 thousand (-1,221) related to employee benefit expenses. Other external costs were slightly lower compared year-on-year due to the effects of variations in the USD during the period. Operating expenses for January-September amounted to SEK -6,078 thousand (-6,587). That the expenses were slightly lower compared year-on-year, despite increased costs for office space, can be explained by the above-mentioned exchange rate effects, but also by accounting and financial consultation expenses in 2013. There were also expenses in 2013 related to the 2012 initial public offering.

Employee benefit expenses totalled SEK -1,233 thousand (-1,221) for Q3 and SEK -3,905 thousand (-3,939) year-to-date.

Depreciation of equipment totalled SEK -9 thousand (0) for Q3 and SEK -25 thousand (0) for January-September. The equipment was first acquired in late 2013, so no depreciation was taken during the first three quarters of 2013. Other operating expenses of SEK -23 thousand (0) for Q3 and SEK -94 thousand (-16) for January-September were related to exchange rate effects. Since no revenue was generated, operating expenses also corresponded with earnings.

#### Net financial items

Net financial items for Q3 totalled SEK -2,265 thousand (-3,729). Financial income amounted to SEK 999 thousand (0) and is mainly attributable to exchange rate effects. Financial expenses are mostly related to interest expense on convertible loans. The increase in these interest expenses compared to last year is due to an additional convertible loan raised in May 2014. Net financial items for January-September amounted to SEK -9,338 thousand (-5,584). The large difference is explained by the fact that the Company's first convertible (KV1 2013/2016) was not issued until May 2013.

#### Tax

The Company did not recognize any tax in Q3 2014. However, deferred tax revenue of SEK 790 thousand (3,580) was recognized in the income statement for the January-September 2014 period. The tax revenue for 2014 as well as 2013 is attributable to capitalization of tax losses. See Note 9, *Deferred tax*, for more information.

#### Earnings after tax

Loss (after tax) for Q3 2014 totalled SEK -4,520 thousand (-5,498), corresponding to SEK -0.16 per share (-0.21).

#### Financial position

Total capitalized costs for acquiring rights, prospecting costs, etc., which are recognized as intangible non-current assets, totalled SEK 101,754 thousand at 30 September 2014, a net increase from 31 December 2013 of SEK 9,875 thousand (486). The change in Q3 2014 consisted of capital expenditures during the period of SEK 3,315 thousand (1,238) and translation differences of SEK 6,560 thousand (-752). See Note 4, *Intangible assets*, for a table of changes for the period. Translation differences do not affect cash flow. The period's expenditures consist of costs incurred for the Company's licences.

Cash and cash equivalents at the end of the period totalled SEK 35,925 thousand compared with SEK 36,584 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 54,500 thousand as at 30 September. See Note 8, *Convertible loans*, for more information.

Equity totalled SEK 59,795 thousand and the change since 31 December 2013 consists of the period's comprehensive income, a share issue resulting from conversions of convertibles in June 2014, and recognition of the convertible loan raised in May 2014. See the statement of changes in equity for more information.

Other provisions totalled SEK 8,676 thousand as per 30 September 2014 compared to SEK 2,569 thousand same period last year. Other 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 Amicoh Resources Ltd totalled SEK 2,472 thousand at 30 September 2014.

Loans from related parties amounted to SEK 4,704 thousand, an increase of SEK 1,850 thousand since 31 December 2013.

Other current liabilities consists principally of accounts payable, employee-related taxes, and miscellaneous accrued expenses that total SEK 4,415 thousand. Of these accrued expenses, SEK 3,318 thousand is classified as accrued interest on the convertible loan. The large decrease since 31 December 2013 is attributable to the interest payment made in May 2014 related to the KV1 2013/2016 convertible loan.

## Cash flow

Cash flow from operating activities amounted to SEK -8,903 thousand (-10,619) for the January-September period. In Q3 2014 cash flow from operating activities amounted to SEK -1,884 thousand (-4,774).

Cash flow from investing activities for Q3 2014 totalled SEK -563 thousand (-617). This outflow consisted of investments in intangible assets.

Net cash flow from financing activities for January-September totalled SEK 11,587 thousand (44,124). The change in 2014 is largely explained by a new convertible loan that injected SEK 15,945 thousand into the business, net of transaction costs. During third quarter cash flow from financing activities totalled SEK -78 thousand (0) and is explained by further transaction costs from the convertible loan. During the period January-September, an interest payment of SEK -6,208 thousand was also made on the previous convertible loan. Financing activities were also affected by changes in the loan from related parties. See Note 10 for a specification of cash flow from financing activities.

## Projects

Following are project status updates.

### Block P PDA – Equatorial Guinea

With the initiation of the joint 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 the 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

Crown Energy is doing a retake of the farming out process for the Manja licence in Madagascar. This continues to be a positive area in which to operate for commodity companies as well as other sectors, and collaborators ABG Sundal Collier and Simco Petroleum Management are launching new initiatives to find a project partner. A number of factors have changed the conditions for drilling with the licence. These include a notification from the neighbouring operator that drilling in 2015 will allow for the sharing of costs, which makes it possible to save

significantly on the transportation of equipment to and from the drilling site. A number of other factors have also changed the situation in the oil sector, including the fact that some interesting partner transactions occurred this year and that after democratic elections in the country and a new president taking office, the political situation is far better than it has been in a long time.

A number of new processes have already been started and several new companies and potential partners will analyse our asset and review our data room going forward.

### Block 2B – South Africa

There's a strong external interest for the Block 2B South Africa licence. As have been reported before, there are several serious, technically competent and well-funded bidders for a farm in to the licence. The operator is already conducting technical studies on behalf of the JOA, already with a view to fulfilling the work commitments under the new exploration period. These technical studies includes in-depth 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 its 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.

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 shall occur. Such work must include geophysical and geological modelling and some seismic surveying to de-risk the structures.

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 work program will be implemented as preparations for drilling, including environmental impact assessment.

An application for change of ownership for the participation interest in the licence has been submitted to the South African authorities. As mentioned in previous reports, the acquisition of and access to a working interest in the licence is subject to approval by the South African authorities, and this process is now under way. This year, the first intermediate objective was accomplished in this process, as the authorities approved Simbo Petroleum as owner of 40.5 per cent of the licence. Remaining is the process of getting Crown Energy approved as owner of Simbo Petroleum, which is essentially the same as the first process. The Company estimates that final approval will come within three months.

Since July, discussions have been taking place between operator Thombo and Afren Plc on whether or not the share option issued to Afren Plc to acquire a further 25 per cent of the licence in exchange for drilling wells is valid. Thombo claims that it has expired, while Afren Plc claims that it continues to be valid.

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. ABG Sundal Collier, in cooperation with Clermont Energy Partners, is the Company's lead adviser in these matters and represents us in relation to the new external interests that are associated with this asset.

### **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. These are mainly players from the Middle East and Asia.

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 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 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.

Since Q3 2013, Crown Energy's activities have been focused on building an organization for the operation in Iraq. This work has been minimized for now, pending an improved situation in the region. The plan for developing assets in Iraq follows two parallel tracks. 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 16.9 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 our prospective resources amount to about 450 million barrels of oil for this asset.

There's a strong external interest for the Block 2B South Africa licence. There are several serious, technically competent and well-funded bidders for a farm in to the licence. The operator is already conducting technical studies on behalf of the JOA, already with a view to fulfilling the work commitments under the new exploration period.

### **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.

### **Events after the reporting period**

No events reported after the reporting period.

## **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 interim 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 Q3 totalled SEK -4,198 thousand (-4,003). 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 790 thousand in deferred tax was recognized in the income statement for January-September 2014. The tax revenue is attributable to capitalization of tax losses.

Cash and cash equivalents at 30 September 2014 totalled SEK 35,356 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 period was SEK 71,699 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 in June 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 54,500 thousand as at 30 September. See Note 8, *Convertible loans*, for more information.

As a result of the convertible loan, accrued interest expenses of SEK 3,318 thousand were also recognized.

---

## Reporting dates

▪ Year-end report (January-December 2014)	13 February 2015
▪ Annual General Meeting 2015	14 May 2015
▪ Interim Report, Q1 (January-March 2015)	14 May 2015
▪ Interim Report, Q2 (January-June 2015)	14 August 2015
▪ Interim Report, Q3 (January-September 2015)	13 November 2015

## Publication pursuant to Swedish law

Crown Energy AB (publ) discloses this information pursuant to the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. The information was released for publication on 14 November 2014 at 09.30 am.

## 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)

*Crown Energy is an international oil and gas company 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. Find out more at [www.crownenergy.se](http://www.crownenergy.se).*

## 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	2014-07-01	2013-07-01	2014-01-01	2013-01-01	2013-01-01
		2014-09-30	2013-09-30	2014-09-30	2013-09-30	2013-12-31
Revenue		–	–	–	–	–
Other operating income		–	8	–	–	–
Other external costs		-152	-556	-2,054	-2,632	-3,948
Employee benefit expenses		-1,233	-1,221	-3,905	-3,939	-5,259
Depreciation/amortization and impairment of property, plant, and equipment and intangible assets		-9	–	-25	–	-33
Other operating expenses		-23	–	-94	-16	-31
<b>Operating profit/loss</b>		<b>-1,417</b>	<b>-1,769</b>	<b>-6,078</b>	<b>-6,587</b>	<b>-9,271</b>
Financial income		999	–	1,837	51	19
Financial expenses		-4,102	-3,729	-11,175	-5,635	-8,590
<b>Earnings before tax</b>		<b>-4,520</b>	<b>-5,498</b>	<b>-15,416</b>	<b>-12,171</b>	<b>-17,842</b>
Income tax	9	–	–	790	3,580	3,443
<b>Net profit/loss for the period</b>		<b>-4,520</b>	<b>-5,498</b>	<b>-14,626</b>	<b>-8,591</b>	<b>-14,399</b>
<b>Earnings per share and share related data</b>						
Average number of basic shares, thousand	3	28,062	25,755	27,911	25,755	25,917
Average number of diluted shares, thousand	3	28,062	25,755	27,911	25,755	25,917
Basic earnings per share, SEK	3	-0.16	-0.21	-0.52	-0.33	-0.56
Diluted earnings per share, SEK	3	-0.16	-0.21	-0.52	-0.33	-0.56

## Condensed consolidated statement of comprehensive income

All amounts in SEK thousand	2014-07-01	2013-07-01	2014-01-01	2013-01-01	2013-01-01
	2014-09-30	2013-09-30	2014-09-30	2014-09-30	2013-12-31
<b>Net profit/loss for the period</b>	<b>-4,520</b>	<b>-5,498</b>	<b>-14,626</b>	<b>-8,591</b>	<b>-14,399</b>
<b>Other comprehensive income</b>					
Translation differences	2,549	-1,507	3,736	-455	-37
<b>Total items that can be reclassified to profit or loss:</b>	<b>2,549</b>	<b>-1,507</b>	<b>3,736</b>	<b>-455</b>	<b>-37</b>
<b>Other comprehensive income, net of tax</b>	<b>2,549</b>	<b>-1,507</b>	<b>3,736</b>	<b>-455</b>	<b>-37</b>
<b>Total comprehensive income for the period</b>	<b>-1,971</b>	<b>-7,005</b>	<b>-10,890</b>	<b>-9,046</b>	<b>-14,436</b>
<b>Total comprehensive income attributable to:</b>					
Parent Company shareholders	-1,971	-7,005	-10,890	-9,046	-14,436
<b>Comprehensive income for the period</b>	<b>-1,971</b>	<b>-7,005</b>	<b>-10,890</b>	<b>-9,046</b>	<b>-14,436</b>

## Condensed consolidated balance sheet

### ASSETS

All amounts in SEK thousand	Note	2014-09-30	2013-09-30	2013-12-31
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	4, 11	101,754	61,432	91,879
Property, plant, and equipment	11	107	102	132
<b>Total non-current assets</b>		<b>101,861</b>	<b>61,534</b>	<b>92,011</b>
<b>Current assets</b>				
Other receivables	7	6,869	4,928	5,616
Cash and cash equivalents	5	35,925	43,933	36,584
<b>Total current assets</b>		<b>42,794</b>	<b>48,861</b>	<b>42,200</b>
<b>TOTAL ASSETS</b>		<b>144,655</b>	<b>110,395</b>	<b>134,211</b>

### EQUITY OCH LIABILITIES

All amounts in SEK thousand	Note	2014-09-30	2013-09-30	2013-12-31
<b>EQUITY</b>				
<b>Equity and reserves attributable to Parent Company shareholders</b>				
Share capital		827	757	811
Non-registered share capital		–	–	8
Other contributed capital		97,280	71,271	95,446
Reserves		3,466	-688	-270
Accumulated earnings		-27,152	-8,753	-12,753
Net loss for the period		-14,626	-8,591	-14,399
<b>Total equity</b>		<b>59,795</b>	<b>53,996</b>	<b>68,843</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans from related parties	1, 8	4,704	2,854	2,854
Convertible loans	7, 8	54,500	35,689	35,412
Deferred tax liabilities	9	12,565	11,161	11,297
Other provisions	6, 7	8,676	2,569	8,890
<b>Total non-current liabilities</b>		<b>80,445</b>	<b>52,273</b>	<b>58,453</b>
<b>Current liabilities</b>				
Other current liabilities	7	4,415	4,126	6,915
<b>Total current liabilities</b>		<b>4,415</b>	<b>4,126</b>	<b>6,915</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>144,655</b>	<b>110,395</b>	<b>134,211</b>
Pledged assets and contingent liabilities		34,385	35,932	35,932

## Condensed consolidated statement of changes in equity

All amounts in SEK thousand	2014-09-30	2013-09-30	2013-12-31
<b>Opening balance</b>	<b>68,843</b>	<b>55,434</b>	<b>55,433</b>
Net loss for the period	-14,626	-8,591	-14,399
Other comprehensive income, net of tax	3,736	-455	-37
<b>Comprehensive income for the period</b>	<b>-10,890</b>	<b>-9,046</b>	<b>-14,436</b>
Convertible loan, net	-556	7,608	7,745
Of which:			
Option component	618	13,056	13,056
Issue expenses	-218	-1,868	-1,868
Deferred tax	-956	-3,580	-3,443
Conversions, KV1 2013/2016	2,398	–	1,846
Non-cash issue	–	–	18,611
Issue expenses, non-cash issue*	–	–	-356
<b>Closing balance</b>	<b>59,795</b>	<b>53,996</b>	<b>68,843</b>
<b>Attributable to:</b>			
Parent Company shareholders	59,795	53,996	68,843
<b>Total equity</b>	<b>59,795</b>	<b>53,996</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	2014-07-01	2013-07-01	2014-01-01	2013-01-01	2013-01-01
		2014-09-30	2013-09-30	2014-09-30	2013-09-30	2013-12-31
<b>Cash flow from operating activities</b>		<b>-1,884</b>	<b>-4,774</b>	<b>-8,903</b>	<b>-10,619</b>	<b>-16,283</b>
<b>Cash flow from investing activities</b>		<b>-563</b>	<b>-617</b>	<b>-3,315</b>	<b>-1,340</b>	<b>-2,664</b>
<b>Cash flow from financing activities</b>	10	<b>-78</b>	<b>–</b>	<b>11,587</b>	<b>44,124</b>	<b>43,768</b>
<b>Cash flow for the period</b>		<b>-2,525</b>	<b>-5,391</b>	<b>-631</b>	<b>32,165</b>	<b>24,821</b>
Cash and cash equivalents at start of period		38,615	49,340	36,584	11,762	11,762
Cash flow for the period		-2,525	-5,391	-631	32,165	24,821
Exchange gains/losses on cash and cash equivalents		-165	-16	-28	6	1
<b>Cash and cash equivalents at end of period</b>	5	<b>35,925</b>	<b>43,933</b>	<b>35,925</b>	<b>43,933</b>	<b>36,584</b>

## Consolidated key ratios

### Quarterly summary

All amounts in SEK thousand unless otherwise stated	Note	2014-07-01	2014-04-01	2014-01-01	2013-10-01-	2013-07-01	2013-04-01	2013-01-01
		2014-09-30	2014-06-30	2014-03-31	2013-12-31	2013-09-30	2013-06-30	2013-03-31
		Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Profit/loss</b>								
Other operating income		–	–	–	–	8	–	
Operating profit/loss		-1,417	-2,369	-2,292	-2,684	-1,769	-2,671	-2,146
Net income for the period, after tax		-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
Return on capital employed, %		neg	neg	neg	neg	neg	neg	neg
<b>Financial position</b>								
Equity/assets ratio, %		41.3%	43.4%	47.0%	51.2%	48.9%	51.8%	74.0%
Net indebtedness, times		0.31	0.22	0.03	-0.03	-0.15	-0.25	n/a
Net asset value per share, SEK		2.12	2.22	2.30	2.49	2.10	2.37	2.07
Total assets		144,655	142,255	134,746	134,426	110,395	117,737	71,886
Equity		59,795	61,783	63,362	68,843	53,996	61,002	53,209
Cash flow from investments		-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
Number of basic shares outstanding, thousand	3	28,143	27,845	27,598	27,598	25,755	25,755	25,755
Number of diluted shares outstanding, thousand		28,143	27,845	27,598	27,598	25,755	25,755	25,755
Average number of shares, thousand	3	28,062	27,823	27,823	26,396	25,755	25,755	25,755
Average number of diluted shares, thousand	3	28,062	27,823	27,823	26,396	25,755	25,755	25,755
Basic earnings per share, SEK	3	-0.16	-0.15	-0.20	-0.22	-0.21	-0.03	-0.09
Diluted earnings per share, SEK	3	-0.16	-0.15	-0.20	-0.22	-0.21	-0.03	-0.09
Equity per share, SEK		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	-0.21	-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

### Quarterly and yearly summary – Group

All amounts in SEK thousand unless otherwise stated	Note	2014-01-01	2013-01-01	2013-01-01	2012-01-01	2011-01-01
		2014-09-30	2013-09-30	2013-12-31	2012-12-31	2011-12-31
		Q 1-3	Q 1-3	Full year	Full year	Full year
<b>Profit/loss</b>						
Other operating income		–	–	–	–	342
Operating profit/loss		-6,078	-6,587	-9,271	-9,300	-3,158
Net income for the period, after tax		-14,626	-8,591	-14,399	-9,710	-3,042
<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, %		41.3%	48.9%	47.0%	71.9%	2.4%
Net indebtedness, times		n/a	-0.15	0.03	n/a	n/a
Net asset value per share, SEK		2.17	2.10	2.30	2.15	0.07
Total assets		144,655	110,395	134,211	77,133	51,958
Equity		59,795	53,996	68,843	55,434	1,247
Cash flow from investments		-3,315	-1,340	-2,664	-11,791	-17,974
<b>Ratios per share</b>						
Dividend per share, SEK		n/a	n/a	n/a	n/a	n/a
Number of basic shares outstanding, thousand	3	28,143	25,755	27,845	25,755	17,031
Number of diluted shares outstanding, thousand		28,143	25,755	27,845	25,755	17,031
Average number of shares, thousand	3	27,911	25,755	25,917	20,929	3,988
Average number of diluted shares, thousand	3	27,911	25,755	25,917	20,929	3,988
Basic earnings per share, SEK	3	-0.52	-0.33	-0.56	-0.46	-0.78
Diluted earnings per share, SEK	3	-0.52	-0.33	-0.56	-0.46	-0.78
Equity per share, SEK		2.17	2.10	2.49	2.15	0.07
Cash flow from operating activities per share, SEK		-0.21	-0.41	-0.59	-0.37	-0.16
<b>Employees</b>						
Average number of employees		3.0	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	2014-07-01	2013-07-01	2014-01-01	2013-01-01	2013-01-01
		2014-09-30	2013-09-30	2014-09-30	2013-09-30	2013-12-31
Other operating income		–	–	–	–	–
Other external costs		-516	-705	-2,035	-2,250	-3,933
Employee benefit expenses		-1,233	-1,221	-3,905	-3,939	-5,258
Depreciation/amortization and impairment of property, plant, and equipment and intangible assets		-9	–	-25	–	-33
Other operating expenses		-14	–	-14	-4	-6
<b>Operating profit/loss</b>		<b>-1,772</b>	<b>-1,926</b>	<b>-5,979</b>	<b>-6,193</b>	<b>-9,230</b>
Interest income and similar items		298	–	435	40	85
Interest income, inter-company		1,531	1,359	4,518	4,034	5,474
Interest expenses and similar items		-4,269	-3,436	-11,175	-5,437	-8,450
<b>Earnings before tax</b>		<b>-4,212</b>	<b>-4,003</b>	<b>-12,201</b>	<b>-7,556</b>	<b>-12,121</b>
Tax	9	–	–	790	3,580	3,443
<b>Net profit/loss for the period</b>		<b>-4,212</b>	<b>-4,003</b>	<b>-11,411</b>	<b>-3,976</b>	<b>-8,678</b>

## Parent Company – Condensed statement of comprehensive income

All amounts in SEK thousand	Note	2014-07-01	2013-07-01	2014-01-01	2013-01-01	2013-01-01
		2014-09-30	2013-09-30	2014-09-30	2013-06-30	2013-12-31
<b>Net profit/loss for the period</b>		<b>-4,212</b>	<b>-4,003</b>	<b>-11,411</b>	<b>-3,976</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>-4,212</b>	<b>-4,003</b>	<b>-11,411</b>	<b>-3,976</b>	<b>-8,678</b>

## Parent Company – Condensed balance sheet

### ASSETS

All amounts in SEK thousand	Note	2014-09-30	2013-09-30	2013-12-31
<b>ASSETS</b>				
<b>Non-current assets</b>				
Participations in Group companies		19,704	500	19,704
Property, plant, and equipment		107	102	132
Receivables from Group companies		21,244	21,244	21,244
<b>Total non-current assets</b>		<b>41,055</b>	<b>21,846</b>	<b>41,080</b>
<b>Current assets</b>				
Receivables from Group companies		57,821	41,786	46,848
Current receivables	7	1,023	1,243	910
Cash and bank balances	5	35,356	43,449	35,957
<b>Total current assets</b>		<b>94,200</b>	<b>86,478</b>	<b>83,715</b>
<b>TOTAL ASSETS</b>		<b>135,255</b>	<b>108,324</b>	<b>124,795</b>

### EQUITY OCH LIABILITIES

All amounts in SEK thousand	Note	2014-09-30	2013-09-30	2013-12-31
<b>EQUITY</b>				
<b>Equity</b>				
<b>Restricted equity</b>				
Share capital		827	757	811
Non-registered share capital		–	–	8
<b>Total restricted equity</b>		<b>827</b>	<b>757</b>	<b>819</b>
<b>Non-restricted equity</b>				
Share premium reserve		93,280	71,271	91,446
Accumulated earnings		-10,997	-2,320	-2,319
Net profit/loss for the year		-11,411	-3,976	-8,678
<b>Total non-restricted equity</b>		<b>70,872</b>	<b>64,975</b>	<b>80,449</b>
<b>Total equity</b>		<b>71,699</b>	<b>65,732</b>	<b>81,268</b>
<b>Non-current liabilities</b>				
Convertible loan	7, 8	54,500	35,689	35,412
Loans from related parties	1, 7	4,704	2,854	2,854
<b>Total non-current liabilities</b>		<b>59,204</b>	<b>38,543</b>	<b>38,266</b>
<b>Current liabilities</b>				
Other current liabilities	7	4,352	4,049	5,261
<b>Total current liabilities</b>		<b>4,352</b>	<b>4,049</b>	<b>5,261</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>135,255</b>	<b>108,324</b>	<b>124,795</b>
Pledged assets		34,385	35,932	35,932
Contingent liabilities		None	None	None

## Parent Company – Condensed changes in equity

All amounts in SEK thousand	2014-09-30	2013-09-30	2013-12-31
<b>Opening balance</b>	<b>81,268</b>	<b>62,100</b>	<b>62,100</b>
Net profit/loss for the period	-11,411	-3,976	-8,678
Other comprehensive income for the period	–	–	–
<b>Comprehensive income for the period</b>	<b>-11,411</b>	<b>-3,976</b>	<b>-8,678</b>
Convertible loan, net	-556	7,608	7,745
Of which:			
<i>Option component</i>	618	13,056	13,056
<i>Issue expenses</i>	-218	-1,868	-1,868
<i>Deferred tax</i>	-956	-3,580	-3,443
Conversions, KV1 2013/2016	2,398	–	1,846
Non-cash issue	–	–	18,611
Issue expenses, non-cash issue	–	–	-356
<b>Closing balance</b>	<b>71,699</b>	<b>65,732</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 30 September 2014.

#### Loans from related parties

The Parent Company holds an interest-free loan from Ulrik Jansson (via Varukungen AB) totalling SEK 4,704 thousand as at 30 September 2014. The loan has increased by SEK 1,850 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

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	55.2%
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	6,795,055	24.1%
<b>Total number of shares</b>	<b>28,143,411</b>	<b>100%</b>

During month of October T Intressenter AB reported a decreased holding and flagged down their holdings from 1,580,215 shares to 1,240,215 shares (from 5.6% to 4.4%). The residual, 340,000 shares, has been distributed to the shareholders in T Intressenter AB.

## 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 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)	2014-01-01	2013-01-01	2013-01-01
	2014-09-30	2013-09-30	2013-12-31
Opening carrying amount	91,879	60,946	60,946
Capital expenditures for the period	3,315	1,238	3,229
Increase through acquisition of subsidiaries for the period, net	–	–	27,767
Translation differences	6,560	-752	-63
<b>Closing accumulated cost of acquisition</b>	<b>101,754</b>	<b>61,432</b>	<b>91,879</b>

## Note 5 Cash and cash equivalents

At 30 September 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 3-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)	2014-09-30	2013-09-30	2013-12-31
Acquisition of Amicoh Resources Ltd			
Additional consideration, commercial reservoir	2,454	2,450	2,516
Additional consideration, warrants	18	119	170
Acquisition of Crown Energy Iraq			
Provision for buy-back option	6,204	–	6,204
<b>Closing balance</b>	<b>8,676</b>	<b>2,569</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 2,454 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 30 June 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 30 September 2014, was estimated at SEK 4,408 thousand, which is based on an interest rate of 5 per cent if the loan had been subscribed to at market conditions.

The convertible loans are recognized at amortized cost using the effective interest method. This means that the cash flows were discounted at a lending rate of about 20 per cent. At 30 September 2014, the carrying amount was estimated to be a reasonable approximation of its fair value. The convertible loans were traded at 30 September 2014 on NGM Equity at 72.5 per cent of the nominal value, corresponding to an annual rate of about 13.8 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 7, 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>2014-09-30</b>				
<b>Total assets</b>	-	-	-	-
<b>Liabilities</b>				
Financial liabilities measured at fair value via the income statement:				
- Provision for additional consideration, commercial reservoir		-	2,454	2,454
- Provision for additional consideration, warrants		18		18
<b>Total liabilities</b>		<b>18</b>	<b>2,454</b>	<b>2,472</b>

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 62 thousand (-73) 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>2014-09-30</b>	<b>2013-09-30</b>	<b>2013-12-31</b>
Convertible loans:			
KV1 2013/2016	37,961	35,689	35,412
KV1 2014/2016	16,539	–	–
	<b>54,500</b>	<b>35,689</b>	<b>35,412</b>

For a description of the calculation of fair value, see Note 7, *Accounting of financial instruments*. Fair value corresponds with carrying amounts at 30 September 2014:

<b>Group and Parent Company (SEK thousand)</b>	<b>Carrying amount</b>	<b>Fair value</b>
Convertible loans	54,500	54,500
	<b>54,500</b>	<b>54,500</b>

The accrued interest payable attributable to the convertible loans was recognized as a current liability and at 30 September 2014 amounted to SEK 3,318 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 amortized cost.

Financial expenses in the income statement for January-September 2014 amounted to SEK -11,162 thousand (-5,436) as a result of the convertible loan. The equivalent expenses for Q3 totalled SEK -4,257 thousand (-3,272).

### 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 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 790 thousand was recognized in the income statement for January-September 2014 due to capitalization of the tax loss.

### 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.

<b>Financing activities, SEK thousand</b>	<b>2014-07-01 2014-09-30</b>	<b>2013-07-01 2013-09-30</b>	<b>2014-01-01 2014-09-30</b>	<b>2013-01-01 2013-09-30</b>	<b>2013-01-01 2013-12-31</b>
Convertible issue 2014	-78	–	15,945	–	–
<i>Of which:</i>					
<i>Convertible loan issued</i>	–	–	16,984	–	–
<i>Total transaction expenses attributable to convertible issue</i>	-78	–	-1,039	–	–
Convertible issue 2013, net	–	–	–	44,124	44,124
Non-cash issue 2013, net	–	–	–	–	-356
Interest payment on convertible loan	–	–	-6,208	–	–
Borrowings from related parties	–	–	1,850	–	–
<b>Total cash flow from financing activities</b>	<b>-78</b>	<b>–</b>	<b>11,587</b>	<b>44,124</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, all amounts in SEK thousand	Property, plant, and equipment			Intangible assets			Total fixed assets		
	2014-09-30	2013-09-30	2013-12-31	2014-09-30	2013-09-30	2013-12-31	2014-09-30	2013-09-30	2013-12-31
<b>Geographic areas</b>									
Sweden	107	102	132	–	–	–	107	102	132
Equatorial Guinea	–	–	–	4,723	4,653	4,667	4,723	4,653	4,667
Madagascar	–	–	–	65,930	56,779	57,703	65,930	56,779	57,703
Iraq	–	–	–	31,101	–	29,509	31,101	–	29,509
<b>Total</b>	<b>107</b>	<b>102</b>	<b>132</b>	<b>101,754</b>	<b>61,432</b>	<b>91,879</b>	<b>101,861</b>	<b>61,534</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.

STOCKHOLM, 14 NOVEMBER 2014

Ulrik Jansson  
CEO  
Board member

Alan Simonian  
Chairman of the Board

Andrew Harriman  
Board member

# Report of Review of Interim Financial Information

## Introduction

We have reviewed the condensed interim financial information (interim report) of Crown Energy AB (publ) as of 30 September 2014 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 14 November 2014

Öhrlings PricewaterhouseCoopers

Peter Burholm  
Authorized Public Accountant

Mikael Winkvist  
Authorized Public Accountant