



11 November 2015

Crown Energy AB (publ)

Q3 2015 Interim Report

Q3 – July-September 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 Q3 totalled SEK -1,975 thousand (-1,417), consisting primarily of employee expenses and other external costs. Operating expenses correspond to the Company's operating loss.
- Third quarter loss totalled SEK -2,418 thousand (-4,520) after tax, corresponding to SEK -0.04 per share (-0.16).
- Investments in intangible non-current assets for Q3 amounted to SEK 2,491 thousand (563).

January-September 2015

- The Company did not recognise any sales or operating income.
- The Group did not have any operating income between January and September. Operating expenses totalled SEK -6,283 thousand (-6,078), consisting primarily of employee expenses and other external costs. Operating expenses correspond to the Company's operating loss.
- YTD loss totalled SEK -11,844 thousand (-15,416) after tax, corresponding to SEK -0.29 per share (-0.52).
- YTD investments in intangible non-current assets amounted to SEK 7,891 thousand (3,315), excluding investments in the form of acquisitions.
- In Q1 2015, the Company took over the shares of the British company Simbo Petroleum No.2 Ltd, which holds 40.5% 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 55,487 thousand.

Key events during the quarter

- Payment of the issue proceeds for the preferential rights issue in progress in June. The issue raised SEK 4,913 thousand for the Company.
- On 3 July 2015 Andreas Forssell took over as the new CEO and board member of Crown Energy after Ulrik Jansson left these posts.

Condensed consolidated financial information

Group condensed

Group, SEK thousand	2015-07-01	2014-07-01	2015-01-01	2014-01-01	2014-01-01
	2015-09-30	2014-09-30	2015-09-30	2014-09-30	2014-12-31
	Q3	Q3	Q1-Q3	Q1-Q3	Full year
Operating expenses	-1,975	-1,417	-6,283	-6,078	-9,448
Operating profit/loss	-1,975	-1,417	-6,283	-6,078	-9,448
Net financial items	-443	-3,103	-5,561	-9,338	-12,411
Net income for the period, after tax	-2,418	-4,520	-11,844	-14,626	-21,115
Earnings per share, SEK	-0.04	-0.16	-0.29	-0.52	-0.75
Equity per share, SEK	2.41	2.12	2.41	2.12	2.03
Change in cash and cash equivalents	1,291	-2,525	-32,263	-631	-1,994
Cash flow from investments in intangible assets	-2,436	-563	-3,033	-3,315	-3,830

CEO statement

Dear shareholders and investors,

Q3 has been fast-paced and productive to say the least, and this has continued to date. Unfortunately, we failed to close out any of the processes we worked on as hoped. However, we can report that we are in discussions on one or more extremely interesting potential transactions. I hope to have some news in the near future. What we can say now is that the transactions are both on the asset level and on the company level. We are also looking forward to soon being able to announce the results of the technical work and the updated asset report for Block 2B in South Africa.

After an exciting trip to Cape Town in South Africa, we are also pleased to report that we have received an extension of our licence Manja Block 3108 in Madagascar. It is basically a four-year extension that creates enough time and flexibility in the production programme to be highly attractive to a partner. As a result, we were able to resume several discussions with potential partners who for one reason or another had previously held off on making a decision, but who now can analyse the asset again, with fully upgraded and improved conditions. In South Africa, we were also able to meet existing and potential partners from our other Africa-based projects during Africa Oil Week, the largest conference for oil companies operating in Africa.

Business decisions that affected the Company's performance

The activities undertaken with respect to our capital structure in Q2 enabled us to continue our efforts to take the next step in strengthening the Company's financial position going forward. Having a strong financial position will be extremely important in times of uncertainty surrounding the oil price and when the appetite from major oil companies has been low over the past one to two-year period, but we are beginning to see certain changes in attitude now. It is too soon to call it a trend reversal, but we have already seen a couple of interesting transactions in close proximity to our assets and soon we will feel sufficiently confident in an increased level of activity in the future. We will be on the scene when things get moving again, as we have positioned ourselves accordingly now.

Outlook

Crown Energy is well positioned with a balanced portfolio of exciting projects that have great potential for development. We have commenced some change processes with cost cuts where we see they are possible, but we are also picking up the pace in areas which may lead to potential financiers or partners. It is important to meet companies in our sphere of interest, as they are the ones who will farm in or invest in our projects to improve them and realise their potential value. We continue to be well equipped with assets located in geologically attractive areas with more reasonable development costs than many other projects around the world.

We are currently conducting several processes in parallel which should be capable of leading to substantial financial breakthroughs for Crown Energy. This is also necessary in light of the Company's current financial position. We will work on wrapping up one or more of these ongoing processes and thus create solid prospects for a long-term and robust Crown Energy. We hope to have some concrete news for the market and our shareholders in the near future. As with all business, nothing is a done deal until it is on paper and money is in the system.

Overall, this gives us reason to believe in our assets and that we will be able to capitalise on them. This is how we will create value for you, our shareholders.

Andreas Forssell

CEO, Crown Energy AB (publ)

Operations, January-September 2015

Income statement

Operating profit/loss

Q3, July-September

Operating expenses for Q3 totalled SEK -1,975 thousand (-1,417). The majority of operating expenses related to other external costs of SEK -963 thousand (-152) and employee benefit expenses of SEK -953 thousand (-1,233). Other external costs were higher compared year-on-year, which was mainly due to the fact that the costs of the previous year were unusually low. However, the external costs were generally higher compared year-on-year as a result of the acquisition of Simbo Petroleum No.2 Ltd, which was not included in the Group last year, and provisions for board fees that were not recognised in the same quarter last year. Employee benefit expenses were down year-on-year, which can be explained by the fact that the former CEO left his post in July 2015. This resulted in a decrease in payroll expenses, social security contributions and pension expenses. The difference between the years was counteracted slightly as a result of one person being on parental leave last year.

Depreciation of equipment in Q2 totalled SEK -9 thousand and was at the same level as compared year-on-year. Other operating expenses of SEK -50 thousand (-23) were related to exchange rate effects in items of an operational character. Since no revenue was generated, operating expenses also corresponded with earnings.

The January-September period

Operating expenses totalled SEK -6,283 thousand (-6,078), with other external costs accounting for SEK -2,972 thousand (-2,054). The costs for 2015 are higher in comparison to 2014 and the reason for this is the same as for Q2, i.e. accrual effects of board fees and higher costs resulting from the acquisition of the new subsidiary. YTD employee benefit expenses totalled SEK -3,219 thousand (-3,905). The slightly lower costs year-on-year can be explained by the fact that the former CEO left his post in July 2015, see above.

Depreciation of equipment totalled SEK -25 thousand and was at the same level as compared year-on-year. Other operating expenses of SEK -67 thousand (-94) related to exchange rate effects. Since no revenue was generated, operating expenses also corresponded with earnings.

Net financial items

Q3, July-September

Net financial items for Q2 totalled SEK -443 thousand (3,103). Financial income amounted to SEK 817 thousand (999). Financial income primarily relates to exchange rate effects. Financial expenses amounted to SEK -1,260 thousand (-4,102), of which SEK -1,144 thousand (-4,270) were related to the net effects of changes in the convertible loans in the form of interest expenses.

The January-September period

Net financial items totalled SEK -5,561 thousand (-9,338), with financial income amounting to SEK 2,715 thousand (1,837). Financial income mainly relates to exchange effects due to fluctuations in the USD. Financial expenses amounted to SEK -8,276 thousand (-11,175), of which SEK -7,873 thousand (-

11,174) related to the net effects of changes in the convertible loans in the form of interest expenses and the effects of accounting adjustments in Q2 since 85 per cent of the convertible loan was bought back by the Company. Other financial expenses mainly relate to effects resulting from the ongoing revaluation of provisions.

Tax

Compared year-on-year for January–September when tax income of SEK 790 thousand was recognised attributable to capitalisation of tax losses, no tax was recognised in the income statement for Q3 and the first nine months of 2015. See Note 9, *Deferred tax*, for more information.

Earnings after tax

Loss (after tax) for Q3 2015 totalled SEK -2,418 thousand (-4,520), corresponding to SEK -0.04 per share (-0.16). YTD loss (after tax) totalled SEK -11,844 thousand (-14,626), corresponding to SEK -0.29 per share (-0.52).

Financial position

Total capitalised expenses for acquiring rights, prospecting costs, etc., which are recognised as intangible non-current assets, totalled SEK 176,338 thousand at 30 September 2015, a net increase of SEK 68,879 thousand from 31 December 2014. The YTD change consists partially of new capital expenditures during the period of SEK 7,891 thousand (3,315) and translation differences of SEK 5,501 thousand (6,560). 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 in the rate between SEK and USD over the last year, the translation differences between the periods was significant and affected assets by increasing or decreasing 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 55,487 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.

Property, plant, and equipment totalled SEK 74 thousand after depreciation of SEK 25 thousand was taken for the period.

Other receivables amounted to SEK 1,239 thousand, compared to SEK 6,899 thousand at 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. The reversal occurred in conjunction with the Company's takeover of Simbo Petroleum No.2 Ltd.

Cash and cash equivalents at the end of the period totalled SEK 2,296 thousand compared with SEK 34,626 thousand at 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.

Equity totalled SEK 134,139 thousand. The increase since year-end 2014 is attributed to the two offset issues conducted during

the period, which raised SEK 79,432 thousand, and the preferential rights issue completed in July, which raised SEK 4,912 thousand. Issue expenses totalled SEK 1,599 thousand, thus reducing equity. An additional SEK 3,219 thousand increased equity and relates to an accounting effect from the takeover of the South Africa asset, meaning that KV1 2013/2016 convertible loans were delivered to the seller.

Loans from related parties amounted to SEK 6,704 thousand, a net increase of SEK 600 thousand since 31 December 2014. An additional SEK 800 thousand was borrowed in Q1 and a repayment of SEK 200 thousand was made in Q2.

The Company's convertible loans were reduced as a result of the Company's buy-back and amounted at 30 September 2015 to SEK 10,465 thousand. The convertible loans were reclassified in Q2 from non-current to current liabilities. See Note 8, *Convertible loans*, for more information.

Other provisions at 30 September 2015 totalled SEK 9,219 thousand compared with SEK 8,893 thousand at year-end 2014. The buy-back option arising from the acquisition of Crown Energy Iraq AB was recognised at SEK 6,204 thousand; the carrying amount of this buy-back option has not changed since year-end 2014. Other provisions relating to the acquisition of subsidiary Amicoh Resources Ltd totalled SEK 3,015 thousand at 30 September 2015.

Other current liabilities consists principally of accounts payable, employee-related taxes, and miscellaneous accrued expenses that totalled SEK 4,860 thousand, which is a decrease of SEK 2,612 thousand since year-end 2014. The decrease is mainly explained by the de-recognition of accrued interest expense related to the convertible loans that were bought back in Q2. The buy-back meant that payment of interest in May decreased significantly. The accrued interest attributable to the convertible loans at 30 September 2015 totalled SEK 611 thousand compared with SEK 5,242 thousand at year-end.

Cash flow

Cash flow from operating activities for Q3 totalled SEK -1,020 thousand (-1,884). YTD cash flow from operating activities totalled SEK -6,976 thousand (-8,903). Cash flow from operating activities can vary significantly between quarters and years, so it is difficult to compare the periods.

Cash flow from investing activities for Q3 2015 totalled SEK -2,436 thousand (-563). This outflow consisted of regular expenditures on the Company's licences. YTD cash flow from investing activities amounted to SEK -27,973 thousand (-3,315). The large disbursement represented the cash settlement paid to acquire Simbo Petroleum No.2 Ltd in Q1 2015. See Note 10, *Cash flow*, for a more detailed specification.

Net cash flow from financing activities in Q3 totalled SEK 4,747 thousand (-78), attributable to a preferential rights issue that raised SEK 4,912 thousand, and additional issue expenses attributed to the issues for the year in the amount of SEK -166 thousand. YTD cash flow from financing activities totalled SEK 2,685 thousand (11,587) comprising the aforementioned preferential rights issue, total issue expenses in the amount of SEK -1,599 thousand, net borrowings totalling SEK 600 thousand from Ulrik Jansson and a payment of interest on convertible

loans of SEK -1,228 thousand. See Note 10, *Cash flow*, for specifics.

Projects

Following are project status updates.

Block 2B – South Africa

An updated Competent Person's Report (CPR) was released in June this year covering the A-J1 oil discovery. The report showed an increased resource volume and reduced uncertainty for the discovery following the interpretation of the 3D seismic data. A second updated CPR covering the exploration prospects and Contingent Resource potential in the area covered by 3D data is being prepared. This work will allow the group to decide on the best way forward to realise the significant remaining potential in the block.

This is likely to involve a new public campaign to attract new partners to support funding of an appraisal/exploration well. This campaign is planned to commence 4Q 2015. Meanwhile Crown continue to hold private discussions with targeted interested parties.

This process will allow Crown to manage exposure in the licence and make sure that maximum value is extracted for the shareholders.

The current licence period extends to May 2017, there is no obligation to drill a well in this period,

Block P PDA – Equatorial Guinea

The cooperation and shared operatorship between Vaalco Energy and GE Petrol continues to focus on the Venus Field and its development. Unfortunately progress remains slow. The partnership continues to work to optimise costs and investigate the most appropriate development option in the current reduced oil price environment. The group remains optimistic that a solution can be found, and approved, that will allow oil production by the end of 2017.

Crown continues to investigate alternative options how the company's 5% equity held in the project can be translated to shareholder value in the short to medium term.

3108 Manja – Madagascar

Following a meeting with OMNIS, the regulatory body of national petroleum and mineral resources in Madagascar, on 28 October 2015, it has been agreed to extend the exploration period for 4 years until 15 November 2019 as two consecutive two year phases. The work programme during the first two year phase will consist of an FTG (Full Tensor Gravity) survey over the block, followed by optional 2D seismic.

The second two year phase will contemplate drilling of the first exploration well. The agreement is subject to an official "Avenant" from the government, expected within the next two months.

The Company believes that lower cost levels for services and co-operation with other licence holders in the country will allow the project to move ahead and generate long-term benefits for the company.

Salah ad-Din – Iraq

Along with developments in Iraq in general and the region specifically, it is now even clearer that last year's national elections led to a diversion of governing authority from the central government in Baghdad to the regions around the country. Since Crown Energy's licence is contracted from the Salah ad-Din region, this is a good development with positive growth in value over time. Discussions with the regional government further confirmed that the region is almost entirely free of unsettling elements and that things currently look much more positive.

On ground activities within the licence area and the province of Salah ad-Din continue to be suspended as a result of unrest in the area. However, discussions have continued in Q3 with key stakeholders and good progress has been made on the way forward when conditions allow. The opening of a representative office for Crown Energy in Erbil in Kurdistan is anticipated shortly. This will be financed by the Salah ad-Din region

Crown Energy remain positive that there is hope for a better future in Iraq in general and for Salah ad-Din specifically. The licence is extremely prospective and includes a large number of oil fields, some producing and many either requiring re-development or not yet developed with very large quantities of oil and gas. Crown Energy hopes and believes that once the unrest subsides, work can begin on evaluating the most appropriate path forward for developing these huge assets. Focus will primarily be on increasing production through existing facilities, using established export routes.

Key events during the period

Q1 and Q2

Registration of new shares

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

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*.

Offset issue in which loans are converted into new shares

Between 13 and 23 April 2015, Crown Energy bought back convertibles valued at SEK 66,432 thousand. A total of 21,924,830 new shares were issued as a result of this buy-back. See Note 8, *Convertible loans*, for more information on the buy-back.

A further offset of a loan of SEK 13 million against Simbo Petroleum No.3 Ltd was implemented in conjunction with the above buy-back. The loan arose in conjunction with acquisition of the South Africa asset.

The two offset issues were registered on 18 and 19 May 2015 and resulted in the number of Crown Energy shares increasing by 25,828,733 and the share capital increasing by SEK 759 thousand. The offset issues led to the filing of prospectuses with the Swedish Financial Supervisory Authority (FI), which are available for download on both Crown Energy's and FI's websites.

Update of asset reports

The Company's previous CPR on Crown Energy's projects in Equatorial Guinea, South Africa, and Madagascar were updated in May 2015, while a new CPR was prepared for the Company's project in Iraq. The inclusion of Iraq this time resulted in a significant increase in the Company's oil resources. That CPR was published by Crown Energy on 12 May 2015. That particular CPR was updated since the prospectus rules required it. Meanwhile, the Company had previously announced to the market that ERC Equipoise had been hired to specifically undertake a more thorough examination to certify and appraise the Company's asset in South Africa, focusing on the reservoir within the A-J1 deposit in the Block 2B licence in South Africa. The work was completed in June 2015 and the results were published in the form of a new CPR that was limited to the A-J1 deposit. On 4 June 2015 Crown Energy was able to announce that the A-J1 deposit had been upgraded from 8 million barrels of prospective resources to 37 million barrels of contingent resources (2C).

Q3

Preferential rights issue

The proceeds of the preferential rights issue in progress between 29 May and 15 June 2015 were paid on 1 July 2015 and the new shares were registered on 8 July 2015. The number of Crown Energy shares increased by 1,475,229 through the preferential rights issue, and the share capital increased by SEK 43 thousand. After the issue, the total number of Crown Energy shares totalled 55,547,373, and the share capital amounted to SEK 1,633 thousand. The issue raised SEK 4,913 thousand in cash for the Company.

Organisational changes

On 3 July 2015 Andreas Forssell took over as the new CEO of Crown Energy after Ulrik Jansson left his CEO position and his membership on the board. After the change in CEO, management also appointed Jenny Björk as the Company's new CFO.

Instead of severance pay, the Company signed a consultancy agreement with Ulrik Jansson with a term from July to December 2015. An amount of SEK 125 thousand excl. VAT is invoiced per month.

Events after the reporting period

Four year extension of the Manja licence

Following a meeting with OMNIS, the oil and gas authority in Madagascar, on 28 October 2015, it has been agreed to extend the exploration period for 4 years until 15 November 2019 as two consecutive two year phases.

Outlook

Operations

Crown Energy is well positioned with a balanced portfolio of exciting projects that have great potential for development. We

still see many opportunities for further improvements and we will do everything we can to take advantage of them. In light of an oil price that has changed significantly over the last 12 months, we must leave no stone unturned and retest our strategies.

Financing and going concern

We are well equipped with assets located in geologically attractive areas with more reasonable development costs than many other projects around the world. There are undoubtedly major challenges at the current oil price levels, but given that an oil project spans such long cycles, we are not hesitating to continue believing in our assets and that we will be able to capitalise on them, even in the current oil price environment.

Since the Group has not generated any revenue or profits, financing has historically been done by issuing new shares and convertible loans. This may also be necessary in the future.

The Company is currently working on a couple of qualifying processes aiming to secure the Company's capital base in the long term. These processes involve contributing new capital to the Company and farming out one or more assets in Crown Energy's subsidiaries. The Company has reason to believe that one of these processes may be completed shortly.

The Company has an effective organisation which is presently strongly driven by low costs, but can still adequately bear investments in both its own assets and interests from external stakeholders. This is precisely what is required of a small listed exploration company in the current market climate. However, in spite of this, constant cash flows are required to offset expenses. In addition, the Company has outstanding convertible loans maturing within a twelve-month period and other recurring investments. As a result, the Company will need to strengthen its capital base again within a three to six-month period to be able to continue as a going concern for at least the next twelve months.

Our Plan A is to extinguish all outstanding capital obligations, i.e. investments, recurring management and repayment of loans by completing one of the ongoing processes described above. Plan B is to bring in capital from existing shareholders. This may be done via new share issues, directed share issues or preferential rights issues, or via other offers to existing shareholders or holders of warrants, or a combination of the above.

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

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 Company's licence in Iraq. 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.

The market

This quarter has seen the oil price steady around its current level of around \$50 per barrel and it appears likely that this will remain the case for the next quarter as well. The industry is now beginning to adjust to the new price environment. As mentioned in the second quarter, this is becoming a time of consolidation within the industry and we expect to see more in the line of oil company mergers over the next months both in the exploration and production side and in the services side of the industry. Crown's projects are all onshore or shallow water offshore and thus well positioned in the current environment. Over a longer period of time, the cut backs and reduced investment by the industry in new projects will have an effect on the amount of oil available in the supply chain, as this will have a knock on effect on the price of oil as well, no doubt resulting in upwards price pressure.

Parent Company

The Parent Company did not generate any sales in Q3 2015. The YTD revenue of SEK 806 thousand was related to invoicing of subsidiaries in Q1.

The Parent Company's earnings before tax for Q3 totalled SEK 175 thousand (-4,212). Earnings before tax for YTD totalled SEK -4,446 thousand (-12,201).

Cash and cash equivalents at 30 September 2015 totalled SEK 2015 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 2 persons (3) employed by the Parent Company at the end of the period. This decrease refers to the fact that Ulrik Jansson left his post as CEO of the Company.

Equity at the end of the period was SEK 148,501 thousand compared with SEK 66,982 thousand at 31 December 2014. The change was mostly due to the period's issues. For details, see the description of consolidated equity on page 3-4.

The Company's convertible loans were reduced as a result of the Company's buy-back and amounted at 30 September 2015 to SEK 10,465 thousand. The convertible loans were reclassified in Q2 from non-current to current liabilities. See Note 8, *Convertible loans*, for more information.

Financial information

▪ Year-end report	11 February 2016
▪ 2015 Annual Report	By 8 April 2016
▪ AGM	29 April 2016
▪ Three-month report	12 May 2016
▪ Six-month report	11 August 2016
▪ Nine-month report	11 November 2016

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Financial information

All financial information is published on 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.

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Condensed consolidated income statement

All amounts in SEK thousand	Note	2015-07-01	2014-07-01	2015-01-01	2014-01-01	2014-01-01
		2015-09-30	2014-09-30	2015-09-30	2014-09-30	2014-12-31
Revenue		–	–	–	–	–
Other operating income		–	–	–	–	–
Other external costs		-963	-152	-2,972	-2,054	-4,448
Employee benefit expenses		-953	-1,233	-3,219	-3,905	-4,863
Depreciation/amortisation and impairment of property, plant, and equipment and intangible assets		-9	-9	-25	-25	-33
Other operating expenses		-50	-23	-67	-94	-104
Operating profit/loss		-1,975	-1,417	-6,283	-6,078	-9,448
Financial income		817	999	2,715	1,837	3,176
Financial expenses		-1,260	-4,102	-8,276	-11,175	-15,587
Earnings before tax		-2,418	-4,520	-11,844	-15,416	-21,859
Income tax	9	–	–	–	790	744
Net profit/loss for the period		-2,418	-4,520	-11,844	-14,626	-21,115
Earnings per share and share related data						
Average number of basic shares, thousand	3	55,419	28,062	41,447	27,911	27,969
Average number of diluted shares, thousand	3	55,419	28,062	41,447	27,911	27,969
Basic earnings per share, SEK	3	-0.04	-0.16	-0.29	-0.52	-0.75
Diluted earnings per share, SEK	3	-0.04	-0.16	-0.29	-0.52	-0.75

Condensed consolidated statement of comprehensive income

All amounts in SEK thousand	Note	2015-07-01	2014-07-01	2015-01-01	2014-01-01	2014-01-01
		2015-09-30	2014-09-30	2015-09-30	2014-09-30	2014-12-31
Net profit/loss for the period		-2,418	-4,520	-11,844	-14,626	-21,115
Other comprehensive income						
Translation differences		-1,329	2,549	2,929	3,736	6,683
Total items that can be reclassified to profit or loss:		-1,329	2,549	2,929	3,736	6,683
Other comprehensive income, net of tax		-1,329	2,549	2,929	3,736	6,683
Total comprehensive income for the period		-3,747	-1,971	-8,915	-10,890	-14,432
Total comprehensive income attributable to:						
Parent Company shareholders		-3,747	-1,971	-8,915	-10,890	-14,432
Comprehensive income for the period		-3,747	-1,971	-8,915	-10,890	-14,432

Condensed consolidated statement of financial position

ASSETS

All amounts in SEK thousand	Note	2015-09-30	2014-09-30	2014-12-31
ASSETS				
Non-current assets				
Intangible assets	4, 11, 12	176,338	101,754	107,459
Property, plant, and equipment	11	74	107	99
Total non-current assets		176,412	101,861	107,558
Current assets				
Other receivables	7	1,239	6,869	6,899
Cash and cash equivalents	5	2,296	35,925	34,626
Total current assets		3,535	42,794	41,525
TOTAL ASSETS		179,947	144,655	149,083

EQUITY AND LIABILITIES

All amounts in SEK thousand	Note	2015-09-30	2014-09-30	2014-12-31
EQUITY				
Capital and reserves attributable to Parent Company shareholders				
Share capital		1,633	827	827
Non-registered share capital		–	–	3
Other contributed capital		183,276	97,280	98,114
Reserves		9,341	3,466	6,413
Accumulated earnings		-48,267	-27,152	-27,152
Net profit/loss for the period		-11,844	-14,626	-21,115
Total equity		134,139	59,795	57,090
LIABILITIES				
Non-current liabilities				
Loans from related parties	1.8	6,704	4,704	6,104
Convertible loans	7.8	–	54,500	55,964
Deferred tax liabilities	9	14,560	12,565	13,560
Other provisions	6.7	9,219	8,676	8,893
Total non-current liabilities		30,483	80,445	84,521
Current liabilities				
Convertible loans	7.8	10,465	–	–
Other current liabilities	7	4,860	4,415	7,472
Total current liabilities		15,325	4,415	7,472
TOTAL EQUITY AND LIABILITIES		179,947	144,655	149,083
Pledged assets and contingent liabilities		50	34,385	34,385

Condensed consolidated statement of changes in equity

All amounts in SEK thousand	2015-09-30	2014-09-30	2014-12-31
Opening equity	57,090	68,843	68,843
Net profit/loss for the period	-11,844	-14,626	-21,115
Other comprehensive income, net of tax	2,929	3,736	6,683
Comprehensive income for the period	-8,915	-10,890	-14,432
Convertible loan KV1 2014/2016, net ¹	-	-556	-556
Conversions, KV1 2013/2016	-	2,398	2,398
Conversions, KV2 2014/2016	-	-	837
Option component, KV1 2013/2016 ²	3,219	-	-
Preferential rights issue	4,912	-	-
Offset issues	79,432	-	-
Issue expenses ³	-1,599	-	-
Closing equity	134,139	59,795	57,090
Attributed to:			
Parent company shareholders	134,139	59,795	57,090
Total equity	134,139	59,795	57,090

1) See the 2014 Annual Report for gross accounting.

2) Accounting effect resulting from Crown Energy's takeover of Block 2B in South Africa. The takeover released the portion of the convertible loan that was in third-party custody, resulting in equity effects. See Note 8, Convertible loans, for more information.

3) Deferred taxes on issue expenses are not accounted for.

Condensed consolidated statement of cash flows

All amounts in SEK thousand	Note	2015-07-01	2014-07-01	2015-01-01	2014-01-01	2014-01-01
		2015-09-30	2014-09-30	2015-09-30	2014-09-30	2014-12-31
Cash flow from operating activities		-1,020	-1,884	-6,976	-8,903	-11,151
Cash flow from investing activities	10	-2,436	-563	-27,973	-3,315	-3,830
Cash flow from financing activities	10	4,746	-78	2,685	11,587	12,987
Cash flow for the period		1,290	-2,525	-32,264	-631	-1,994
Cash and cash equivalents at start of period		1,056	38,615	34,626	36,584	36,584
Cash flow for the period		1,291	-2,525	-32,264	-631	-1,994
Exchange gains/losses on cash and cash equivalents		-50	-165	-66	-28	36
Cash and cash equivalents at end of period	5	2,296	35,925	2,296	35,925	34,626

Consolidated key ratios

See page 24 for definitions of key ratios.

Quarterly summary – Group

All amounts in SEK thousand unless otherwise stated	Note	2015-07-01	2015-04-01	2015-01-01	2014-10-01	2014-07-01	2014-04-01	2014-01-01	2013-10-01	2013-07-01
		2015-09-30 Q3	2015-06-30 Q2	2015-03-31 Q1	2014-12-31 Q4	2014-09-30 Q3	2014-06-30 Q2	2014-03-31 Q1	2013-12-31 Q4	2013-09-30 Q3
Profit/loss										
Other operating income		–	–	–	–	–	–	–	–	8
Operating profit/loss		-1,975	-2,517	-1,791	-3,370	-1,417	-2,369	-2,292	-2,684	-1,769
Net income for the period, after tax		-2,418	-6,599	-2,827	-6,489	-4,520	-4,088	-5,473	-5,808	-5,498
Earnings yield										
Return on equity, %		neg	neg	neg	neg	neg	neg	neg	neg	neg
Return on capital employed, %		neg	neg	neg	neg	neg	neg	neg	neg	neg
Financial position										
Equity/assets ratio, %		74.5%	74.9%	31.2%	38.3%	41.3%	43.4%	47.0%	51.2%	48.9%
Net debt/equity ratio, times		0.06	0.07	1.01	0.37	0.31	0.22	0.03	-0.03	-0.15
Net asset value per share, SEK		2.41	2.42	2.07	2.03	2.12	2.22	2.30	2.49	2.10
Total assets		179,947	174,871	187,813	149,083	144,655	142,255	134,746	134,426	110,395
Equity		134,139	131,044	58,521	57,090	59,795	61,783	63,362	68,843	53,996
Cash flow from investments		-2,436	-3,816	-21,721	-515	-563	-899	-1,853	-1,324	-617
Ratios per share										
Dividend per share, SEK		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Number of basic shares outstanding, thousand	3	55,547	54,072	28,243	28,143	28,143	27,845	27,598	27,598	25,755
Number of diluted shares outstanding, thousand		55,547	54,072	28,243	28,143	28,143	27,845	27,598	27,598	25,755
Average number of shares, thousand	3	55,419	40,405	28,218	28,143	28,062	27,823	27,823	26,396	25,755
Average number of diluted shares, thousand	3	55,419	40,405	28,218	28,143	28,062	27,823	27,823	26,396	25,755
Basic earnings per share, SEK	3	-0.04	-0.16	-0.10	-0.23	-0.16	-0.15	-0.20	-0.22	-0.21
Diluted earnings per share, SEK	3	-0.04	-0.16	-0.10	-0.23	-0.16	-0.15	-0.20	-0.22	-0.21
Equity per share, SEK		2.41	2.42	2.07	2.03	2.12	2.22	2.30	2.49	2.10
Cash flow from operating activities per share, SEK		-0.02	-0.08	-0.06	-0.08	0.00	0.00	0.00	-0.21	-0.19
Employees										
Average number of employees		2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0

Interim and full-year summary – Group

All amounts in SEK thousand unless otherwise stated	Note	2015-01-01	2014-01-01	2013-01-01	2014-01-01	2013-01-01	2012-01-01	2011-01-01
		2015-09-30 Q 1-3	2014-09-30 Q 1-3	2013-09-30 Q 1-3	2014-12-31 Full year	2013-12-31 Full year	2012-12-31 Full year	2011-12-31 Full year
Profit/loss								
Other operating income		–	–	–	–	–	–	342
Operating profit/loss		-6,283	-6,078	-6,587	-9,448	-9,271	-9,300	-3,158
Net income for the period, after tax		-11,844	-14,626	-8,591	-21,115	-14,399	-9,710	-3,042
Earnings yield								
Return on equity, %		neg	neg	neg	neg	neg	neg	neg
Return on capital employed, %		neg	neg	neg	neg	neg	neg	neg
Financial position								
Equity/assets ratio, %		74.5%	41.3%	48.9%	38.3%	51.3%	71.9%	2.4%
Net debt/equity ratio, times		0.06	n/a	-0.15	0.37	-0.02	n/a	n/a
Net asset value per share, SEK		2.41	2.12	2.10	2.07	2.49	2.15	0.07
Total assets		179,947	144,655	110,395	149,083	134,211	77,133	51,958
Equity		134,139	59,795	53,996	57,090	68,843	55,434	1,247
Cash flow from investments		-27,973	-3,315	-1,340	-3,830	-2,664	-11,791	-17,974
Ratios per share								
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	55,547	28,143	25,755	28,143	27,598	25,755	17,031
Number of diluted shares outstanding, thousand		55,547	28,143	25,755	28,143	27,598	25,755	17,031
Average number of shares, thousand	3	41,447	27,911	25,755	27,969	25,917	20,929	3,906
Average number of diluted shares, thousand	3	41,447	27,911	25,755	27,969	25,917	20,929	3,906
Basic earnings per share, SEK	3	-0.29	-0.52	-0.33	-0.75	-0.56	-0.46	-0.78
Diluted earnings per share, SEK	3	-0.29	-0.52	-0.33	-0.75	-0.56	-0.46	-0.78
Equity per share, SEK		2.41	2.12	2.10	2.03	2.49	2.15	0.07
Cash flow from operating activities per share, SEK		-0.21	-0.21	-0.41	-0.40	-0.59	-0.37	-0.16
Employees								
Average number of employees		2.7	3.0	3.0	3.0	3.0	2.0	0.0

Parent Company – Condensed income statement

All amounts in SEK thousand	Note	2015-07-01	2014-07-01	2015-01-01	2014-01-01	2014-01-01
		2015-09-30	2014-09-30	2015-09-30	2014-09-30	2014-12-31
Revenue		–	–	806	–	–
Other operating income		-32	–	–	–	–
Other external costs		-719	-516	-2,289	-2,035	-4,294
Employee benefit expenses		-953	-1,233	-3,219	-3,905	-4,863
Depreciation/amortisation and impairment of property, plant, and equipment and intangible assets		-9	-9	-25	-25	-33
Other operating expenses		-1	-14	-1	-14	-15
Operating profit/loss		-1,714	-1,772	-4,728	-5,979	-9,205
Interest income and similar items		327	298	345	435	779
Interest income, intercompany		2,940	1,531	7,813	4,518	6,071
Interest expenses and similar items		-1,378	-4,269	-7,876	-11,175	-15,354
Earnings before tax		175	-4,212	-4,446	-12,201	-17,709
Tax	9	–	–	–	790	744
Net profit/loss for the period		175	-4,212	-4,446	-11,411	-16,965

Parent Company – Condensed statement of comprehensive income

All amounts in SEK thousand	Note	2015-07-01	2014-07-01	2015-01-01	2014-01-01	2014-01-01
		2015-09-30	2014-09-30	2015-09-30	2014-09-30	2014-12-31
Net profit/loss for the period		175	-4,212	-4,446	-11,411	-16,965
Other comprehensive income						
<i>Total items that can be reclassified as profit or loss</i>		–	–	–	–	–
Other comprehensive income, net of tax		–	–	–	–	–
Total comprehensive income		175	-4,212	-4,446	-11,411	-16,965

Parent Company – Condensed balance sheet

ASSETS

All amounts in SEK thousand	Note	2015-09-30	2014-09-30	2014-12-31
ASSETS				
Non-current assets				
Participations in Group companies		19,704	19,704	19,704
Property, plant, and equipment		74	107	99
Receivables from Group companies		21,244	21,244	21,244
Total non-current assets		41,022	41,055	41,047
Current assets				
Receivables from Group companies		124,039	57,821	60,230
Current receivables	7	813	1,023	601
Cash and bank balances	5	2,191	35,356	34,485
Total current assets		127,043	94,200	95,316
TOTAL ASSETS		168,065	135,255	136,363

EQUITY AND LIABILITIES

All amounts in SEK thousand	Note	2015-09-30	2014-09-30	2014-12-31
EQUITY				
Equity				
Restricted equity				
Share capital		1,633	827	827
Non-registered share capital		–	–	3
Total restricted equity		1,633	827	830
Non-restricted equity				
Share premium reserve		179,276	93,280	94,114
Accumulated earnings		-27,962	-10,997	-10,997
Net profit/loss for the year		-4,446	-11,411	-16,965
Total non-restricted equity		146,868	70,872	66,152
Total equity		148,501	71,699	66,982
Non-current liabilities				
Convertible loan	7.8	–	54,500	55,964
Loans from related parties	1.7	6,704	4,704	6,104
Total non-current liabilities		6,704	59,204	62,068
Current liabilities				
Convertible loan		10,465	–	–
Other current liabilities	7	2,395	4,352	7,313
Total current liabilities		12,860	4,352	7,313
TOTAL EQUITY AND LIABILITIES		168,065	135,255	136,363
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	Note	2015-09-30	2014-09-30	2014-12-31
Opening equity		66,982	81,268	81,268
Net profit/loss for the period		-4,446	-11,411	-16,965
Comprehensive income for the period		–	–	–
Comprehensive income for the period		-4,446	-11,411	-16,965
Convertible loan KV1 2014/2016, net ¹		–	-556	-556
Conversions, KV1 2013/2016		–	2,398	2,398
Conversions, KV1 2014/2016		–	–	837
Option component, KV1 2013/2016 ²		3,219	–	–
Offset issues		79,432	–	–
Preferential rights issue		4,913	–	–
Issue expenses ³		-1,599	–	–
Closing equity		148,501	71,699	66,982

1) See the 2014 Annual Report for gross accounting

2) Accounting effect resulting from Crown Energy's takeover of Block 2B in South Africa. The takeover released the portion of the convertible loan that was in third-party custody, resulting in equity effects. See Note 8, Convertible loans, for more information.

3) Deferred taxes on issue expenses are 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 2014 annual accounts, the consolidated accounts were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act. The financial statements of the Parent Company were prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's RFR 2 Accounting for Legal Entities.

The same accounting policies were used during the period as were used for the 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.

Seasonal fluctuations

It is assessed that there are no material seasonal fluctuations in the exploration industry, nor for Crown Energy as an individual company.

Note 1 Transactions with related parties

Purchases and sales within the Group

Of the Parent Company's YTD revenue, 100 (0) per cent consists of re-invoicing to other companies within the Group. Of the Parent Company's total interest income, 96 per cent relates to other companies within the Group at 30 September 2015.

Loans from related parties

The Parent Company holds an interest-free loan from major shareholder Ulrik Jansson (privately and via companies) totalling SEK 6,704 thousand as at 30 September 2015. The loan has increased by SEK 600 thousand (net of repayments) since year-end 2014.

Purchase of services

One person in management, Peter Mikkelsen, works in his respective management position under a consultancy agreement. Technical services are also purchased from Nick Johnson, who joined the Board in May 2015. Their services are purchased on normal commercial terms and they invoice regularly for work performed. Peter Mikkelsen invoiced for about GBP 6.3 thousand and Nick Johnson for GBP 6.6 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 80 thousand were purchased during the period. As mentioned, Ulrik Jansson left his post as CEO on 3 July 2015. The employment agreement stipulates a notice period of six months. Instead of severance pay, Crown Energy has signed a consultancy agreement with Ulrik Jansson. The term of the agreement is from July to December 2015 and the cost is SEK 125 thousand per month. As at 30 September, Ulrik Jansson has invoiced for a total of SEK 125 thousand via his company Tarrango Oil AB.

Note 2 Ownership structure

The number of shares registered in Crown Energy's share register as of publication of this report is 55,547,373 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 major shareholders at 30 September 2015 and known changes thereafter:

Shareholders	Number of shares	Percentage of shares
Ulrik Jansson, privately and via companies	24,240,976	43.6%
Comtrack Ventures Ltd	7,933,156	14.3%
Alan Simonian	3,429,521	6.2%
Bertil Lindkvist	2,060,613	3.7%
Avanza Pension	1,652,781	3.0%
Other shareholders	16,230,326	29.2%
Total number of shares	55,547,373	100.0%

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 1,221,101 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 an asset acquisition, a total of SEK 55,487 thousand was recognised as an increase through acquisition of assets in the period from January to September 2015. See Note 12, *Acquisition of Simbo Petroleum No.2 Ltd*, for more information on the transaction.

Group (SEK thousand)	2015-07-01	2014-07-01	2015-01-01	2014-01-01	2014-01-01
	2015-09-30	2014-09-30	2015-09-30	2014-09-30	2014-12-31
Opening carrying amount	172,024	96,715	107,459	91,879	91,879
Capital expenditures for the period	2,491	563	7,891	3,315	3,830
Increase through acquisition of assets	–	–	55,487	–	–
Translation differences	1,823	4,476	5,501	6,560	11,750
Closing accumulated cost of acquisition	176,338	101,754	176,338	101,754	107,459

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:

Group (SEK thousand)	2015-09-30	2014-09-30	2014-12-31
Acquisition of Amicoh Resources Ltd			
Additional consideration, commercial deposit	3,015	2,454	2,688
Additional consideration, warrants	0	18	1
Acquisition of Crown Energy Iraq			
Provision for buy-back option	6,204	6,204	6,204
Closing balance	9,219	8,676	8,893

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 deposit discovery on Madagascar. The portion paid at discovery of a commercial deposit is recognised as a provision at a value of SEK 3,015 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 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 buy back 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. 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

Carrying amount and fair value

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

The present value of loans from related parties, corresponding to an estimated fair value at 30 September 2015, was estimated at SEK 6,385 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 30 September 2015 amounted to SEK 12,211 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 30 June 2015 on NGM Equity at 68 per cent of the nominal value, corresponding to a fair value of SEK 8,303 thousand (including conversion option) and an annual rate of about 14.7 per cent.

As mentioned in Note 6, *Provisions*, the provision for the Crown Energy Iraq buy-back 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:

Group, SEK thousand	Level 1	Level 2	Level 3	Total
2015-09-30				
Total assets	-	-	-	-
Liabilities				
Financial liabilities measured at fair value via income statement:				
- Provision for additional consideration, commercial deposit	-	-	3,015	3,015
- Provision for additional consideration, warrants	-	-	-	-
Total liabilities	-	-	3,015	3,015

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 -237 thousand (107) and was recognised in the income statement as (unrealised) financial income or expense.

Note 8 Convertible loans

Up until May 2015, the Company held two convertible loan series: KV1 2013/2016 and KV2 2014/2016. On 13 April 2015, the Board proposed, as part of a major refinancing package, that Crown Energy offer to buy back outstanding convertibles for SEK 10 per convertible (corresponding to the convertible's nominal amount). Convertibles valued at SEK 66,432 thousand were bought back between 13 and 23 April 2015, corresponding to about 85 per cent of the previous convertible debt. After approval of the issue at the AGM on 13 May 2015, 2,924,830 new shares were issued as a result of the buy-back. The Company's share capital increased by about SEK 645 thousand after the new shares were 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 totalled SEK 12,211 thousand after the buy-back. Interest amounting to SEK 1,228 thousand was paid out as planned on 4 May 2015 to those who retained their convertibles.

Convertible series KV2 2014/2016 was bought back in its entirety. Terms and accounting policies for the remaining convertible series (KV1 2013/2016) are described in the 2014 Annual Report. KV1 2013/2016 is traded on NGM Equity.

Carrying amount

Classification of the convertible loans is as follows below: The convertible loans are to be repaid in April 2016, and consequently the loan was reclassified from non-current to current in Q2 2015.

Long-term borrowing				
Group and Parent Company (SEK thousand)	2015-09-30	2014-09-30	2014-12-31	
Convertible loans:				
KV1 2013/2016	-	37,961	39,663	
KV2 2014/2016	-	16,539	16,301	
	-	54,500	55,964	
Current borrowings				
Group and Parent Company (SEK thousand)	2015-09-30	2014-09-30	2014-12-31	
Convertible loans:				
KV1 2013/2016	10,465	-	-	
KV2 2014/2016	-	-	-	
	10,465	-	-	

Changes for the period:

At 1 January 2015	61,207
Takeover of licence, increase in liability for convertibles in custody of third party	12,875
Equity component of the above	-3,219
Buy-back, nominal value	-66,432
Interest expense, Jan-Sep 2015	7,873
Interest paid	-1,228
Liability component at 30 September 2015	11,076
Liability consists of the following components:	
Convertible loan	10,465
Accrued interest	611
Liability component at 30 September 2015	11,076

As mentioned earlier in this interim report, the Block 2B South African asset was taken over in the first half of 2015. The effect of this was that the convertibles being held in the custody of a third party, amounting to SEK 12,875 thousand, were delivered to the seller and the liability was recognised in the Company's accounting. A portion of the convertible loans, SEK 3,219 thousand, was recognised as an option component of equity due to accounting rules for convertible loans.

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 30 June 2015, including the conversion option. Note that the recognised liability in the balance sheet does not include the conversion option:

Group and Parent Company (SEK thousand)	Carrying amount (excl. conversion option)	Nominal value (incl. conversion option)	Fair value (incl. conversion option)
Convertible loans	10,465	12,211	8,303
	10,465	12,211	8,303

The accrued interest payable attributable to the convertible loans was recognised as a current liability and amounted to SEK 204 thousand at 30 June 2015. The fair value of the short-term interest payable corresponds to its carrying amount, as the impact of discounting is not significant.

Net financial expenses in the income statement for January-June 2015 amounted to SEK -7,872 thousand (-11,174) as a result of the convertible loan.

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 Q3 and the period from January to September 2015, so no deferred tax was recognised in the income statement.

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.

Financing activities, SEK thousand	2015-07-01	2014-07-01	2015-01-01	2014-01-01	2014-01-01
	2015-09-30	2014-09-30	2015-09-30	2014-09-30	2014-12-31
Preferential rights issue	4,912		4,912		
Issue expenses, offset issues	-166		-1,599		
Convertible issue 2014		-78		15,945	15,946
<i>Of which:</i>					
<i>Convertible loan issued</i>				16,984	16,985
<i>Total transaction expenses attributable to convertible issue</i>		-78		-1,039	-1,039
Interest payment on convertible loan			-1,228	-6,208	-6,209
Borrowings from related parties			800	1,850	3,250
Repayment of loans from related parties			-200		
Total cash flow from financing activities	4,746	-78	2,685	11,587	12,987

Investing activities

	2015-07-01	2014-07-01	2015-01-01	2014-01-01	2014-01-01
Investing activities, SEK thousand	2015-09-30	2014-09-30	2015-09-30	2014-09-30	2014-12-31
Acquisition of subsidiaries	–	–	7	–	–
<i>Cash and cash equivalents in Simbo Petroleum No.2 Ltd</i>	–	–	7	–	–
Investments in intangible assets	-2,436	-563	-27,980	-3,315	-3,830
<i>Increase in intangible assets through acquisition of subsidiary (see Note 12)</i>	–	–	-24,947	–	–
<i>Investments in intangible assets</i>	-2,436	-563	-3,033	-3,315	-3,830
Total cash flow from investing activities	-2,436	-563	-27,973	-3,315	-3,830

Note 11 Segments

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

Group, SEK thousand	Property, plant, and equipment			Intangible assets			Total non-current assets		
	2015-09-30	2014-09-30	2014-12-31	2015-09-30	2014-09-30	2014-12-31	2015-09-30	2014-09-30	2014-12-31
Geographic areas									
Sweden	74	107	99	–	–	–	74	107	99
Equatorial Guinea	–	–	–	4,827	4,723	4,752	4,827	4,723	4,752
Madagascar	–	–	–	79,006	65,930	71,600	79,006	65,930	71,600
Iraq	–	–	–	31,222	31,101	31,107	31,222	31,101	31,107
South Africa	–	–	–	61,283	–	–	61,283	–	–
Total	74	107	99	176,338	101,754	107,459	176,412	101,861	107,558

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 would acquire in its entirety. The share transfer agreement between Crown Energy and the sellers of Simbo No.2 was completed in July 2013. The consideration for the stake in the licence totalled SEK 48,757 thousand, including payment in cash in the amount of SEK 35,882 thousand and convertibles at a nominal amount of SEK 12,875 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:

Consideration paid for Simbo No.2, SEK thousand	2015
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
Total consideration paid for Simbo No.2	34,529

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. The debt was subject to offset against shares in Q2 2015;

see the description of the directed share issue under Significant events after the end of the reporting period. The consideration amount was reduced by the amount of the debt.

The consideration is broken down as follows:

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

Accounting in Crown Energy Ventures Corporation

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

Participations in Group companies, SEK thousand	2015
Cost of acquiring subsidiaries	34,529
Directly attributable acquisition costs	3,775
Total acquisition costs for Simbo No.2 shares	38,304

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 3,775 thousand were also recognised as an acquisition cost for the acquired licence.

Intangible assets, SEK thousand	2015
Increase through acquisition of subsidiaries:	
Acquired assets (licences)	18,149
Surplus value	33,563
Directly attributable acquisition costs	3,775
Total increase in intangible assets due to the acquisition of Simbo No.2	55,487

Cash flows attributable to acquisition

As mentioned earlier, directly attributable acquisition costs amounted to SEK 3,775 thousand. The majority of these costs were paid in April 2015, so they did not affect Q1 cash flow. 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 acquisition:

Group, SEK thousand	2015-07-01	2015-01-01
	2015-09-30	2015-09-30
Cash consideration, subsidiary/licence	–	-35,882
Directly attributable acquisition costs	–	-3,775
Disbursement from escrow in 2014 for cash calls	–	1,548
Repayment to seller as relates to cash calls	–	–
Adjustments for non-cash items:	–	–
Directly attributable acquisition costs (non-cash 2015)	–	482
Adjustment to consideration at takeover (non-cash)	–	12,680
Cash flow attributable to increase in intangible assets through acquisition of subsidiary	–	-24,947

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, 11 November 2015

Andreas Forssell
CEO
Board member

Alan Simonian
Chairman of the Board

Andrew Harriman
Board member

Nick Johnson
Board member

About Crown Energy

General

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

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

Business concept

Through exploration and reprocessing, Crown Energy develops oil and gas projects in underexplored areas, initially in Africa. 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.

Goals

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

Strategy

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

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

Vision

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

Business model

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

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.

More information

See the Company's 2014 Annual Report and its website at www.crownenergy.se.

Glossary and definitions

Glossary – Concepts and measurements related to the oil industry

Farm-in

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

Farm-out

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

Mboe/Mmboe

Thousand barrels of oil equivalents/Million barrels of oil equivalents

Operator

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

Exploration

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

Reserves and resources

Oil assets are divided into reserves and resources. The difference is in how far the oil company has come in working with the licence, whether the discoveries are of a commercial nature, etc. In short, resources are considered reserves when they are deemed commercially recoverable and a development plan has been approved by the local licencing authority. Reserves are divided into proven, probable, and possible. Resources are divided into contingent and prospective categories. Crown Energy calculates reserves and resources in accordance with the Society of Petroleum Engineers Petroleum Resources Management System of 2007. For a detailed description of resources and reserves, see the 2014 Annual Report.

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.