

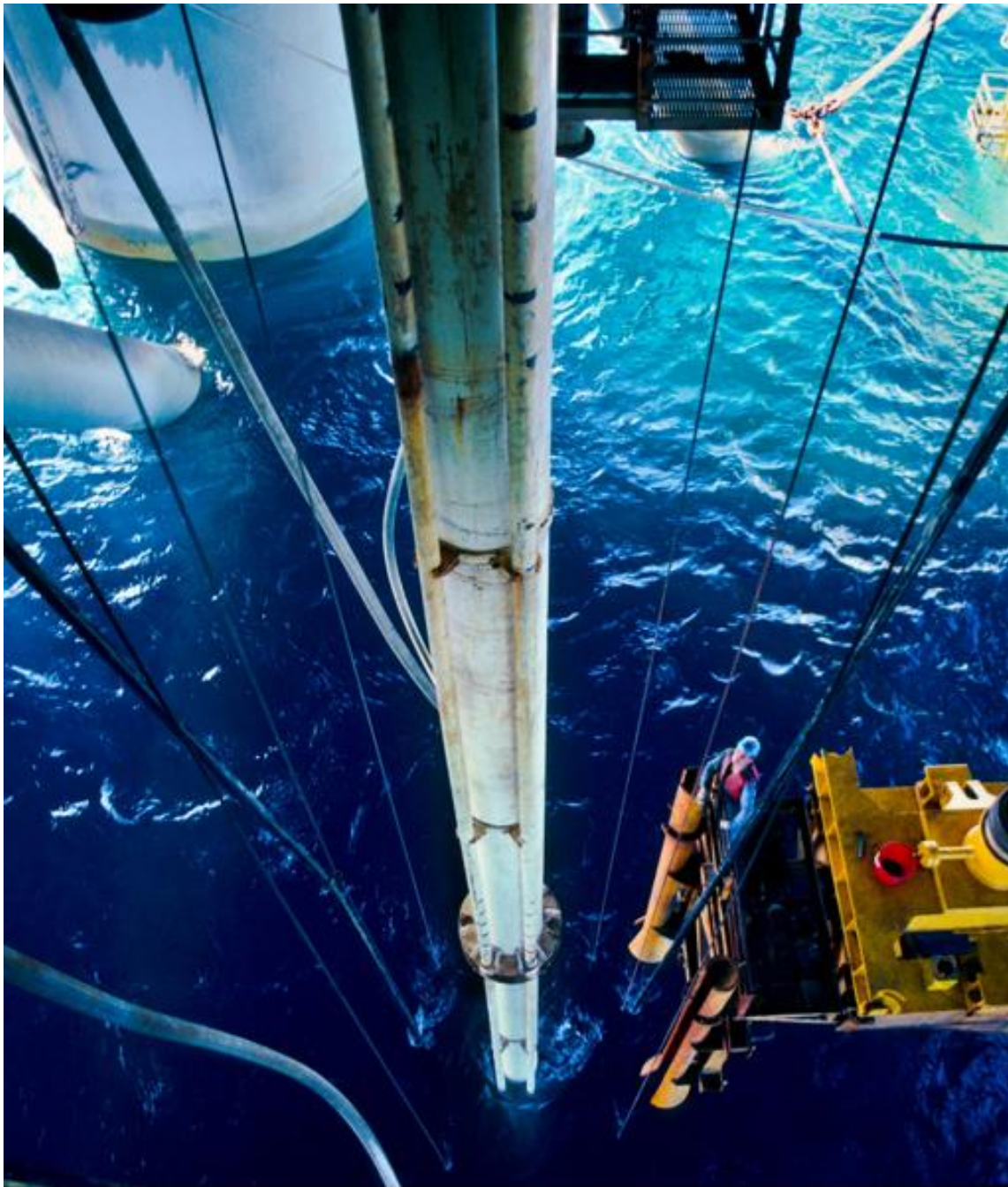


CROWN
ENERGY

Crown Energy AB (publ)

2015 Fourth Quarter and Year-End Report

11 February 2016



Crown Energy AB

2015 Fourth Quarter and Year-End Report

Fourth quarter – October-December 2015

- No sales were recognised.
- Operating income came in at SEK 140 thousand (0) and the operating loss totalled SEK -2,361 thousand (-3,370), consisting primarily of employee benefit expenses and other external costs.
- Loss after tax was SEK -3,733 thousand (-6,489), corresponding to SEK -0.07 per share (-0.23).
- Investments exploration and evaluation assets totalled SEK 655 thousand (515).

Full year – January-December 2015

- No sales were recognised.
- Operating income for 2015 totalled SEK 73 thousand (0). Operating expenses totalled SEK -8,644 thousand (-9,448), consisting primarily of employee benefit expenses and other external costs.
- Loss after tax was SEK -15,577 thousand (-21,859), corresponding to SEK -0.35 per share (-0.76).
- Investments in exploration and evaluation assets for the period amounted to SEK 3,688 thousand (3,830), excluding translation differences and 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 per cent of the Block 2B licence in South Africa. The acquisition increased the Company's exploration and evaluation assets in the form of licences by a total of SEK 55,355 thousand.

Key events during the quarter

- A four-year extension of the exploration licence was obtained for the Manja licence in Madagascar.
- A farm-out agreement was signed with Africa Energy Corp in December for Block 2B in South Africa. Under the agreement, Africa Energy fully finances future exploration/appraisal wells in the AJ basin and subsequent testing of the well in exchange for 30.5 per cent of Crown Energy's total 40.5 per cent stake in the licence. This leaves Crown Energy with a 10 per cent share which is free from any further dilutions from Government during the current exploration period. The transaction is subject to regulatory approval in South Africa.

Key events during the year

- In Q1 2015, the Company took over the shares of Simbo Petroleum No.2 Ltd, which owns 40 per cent of Block 2B in South Africa.
- In April 2015, Crown Energy AB bought back approximately 85 per cent of the outstanding convertibles. The transaction was completed in the form of an offset issue, resulting in a total of 21,924,830 shares being issued during the following month.
- Another offset issue was conducted in the same period as above with respect to a debt incurred in connection with the acquisition of the South Africa asset.
- Asset reports were updated in May and June 2015. The update incorporates Iraq into the report, which significantly increased the Company's oil resources. In addition, the A-J1 discovery under the South African licence was upgraded from 8 million barrels of prospective resources to 37 million barrels of contingent resources.
- A preferential rights issue in June raised a total of SEK 4,913 thousand in cash for Crown Energy. The issue increased the number of shares by 1,475,229.
- In July, Andreas Forssell was appointed the new CEO of Crown Energy AB after Ulrik Jansson left his post as CEO and board member. Jenny Björk was appointed new CFO.
- For events relating to Q4, see above.

Condensed consolidated financial information

Group, SEK thousand	2015-10-01	2014-10-01	2015-01-01	2014-01-01
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
	Q4	Q4	Full year	Full year
Operating expenses	-2,501	-3,370	-8,717	-9,448
Operating profit/loss	-2,361	-3,370	-8,644	-9,448
Net financial items	-1,372	-3,073	-6,933	-12,411
Net income for the period, after tax	-3,733	-6,489	-15,577	-21,115
Earnings per share, SEK	-0.07	-0.23	-0.35	-0.76
Equity per share, SEK	2.34	2.03	2.34	2.03
Change in cash and cash equivalents	-2,279	-1,363	-34,543	-1,994
Cash flow from investments in exploration and evaluation assets	-655	-515	-3,688	-3,830

CEO statement

Dear shareholders and investors,

For Crown Energy, 2015 was a very eventful year, and the world market price for crude oil has been challenging to say the least. We acquired the company holding shares in licence block 2B in South Africa over the year and proceeded to farm out this asset to the Lundin group company Africa Energy in a transaction with exciting ramifications for Crown Energy. I also took office as CEO of the Company during the year. Focus on staying the course and concentration on innovation should ensure that Crown Energy's journey will remain an exciting one. We are constantly adapting to current market conditions and working on finding more interesting transactions involving our assets. We are also assessing options for creating a cash flow generating segment in the future.

The oil price is slowing down the oil industry in general, but creates scope for new transactions as well. The price collapse began in 2014 and initially put a major check on transactions within the industry. But we have been able to see some light at the end of the tunnel on the basis of a couple of transactions that directly or indirectly affected us. One example is Maersk, which farmed in Africa Oil's assets in a major transaction announced in Q4 last year. But our transaction with Africa Energy in Block 2B is in any event, a sign that several transactions between oil industry companies are starting to be made again.

Business decisions that affected the Company's performance

Since Q3, we have worked hard to take a second look at Crown Energy's existing business model. We are adapting to the current climate, and are prepared to be capable of operating both in the event of lower oil prices and/or if they are back on the rise. As a result, we are assessing options for incorporating cash flow generating operations as well as continuing improvements to find farm-in partners for existing assets. The activities undertaken with respect to our capital structure in Q2, the farm-out in Q4 and finally the capitalisation now in the New Year enabled us to continue our efforts to take the next step in strengthening the Company's financial position going forward. It will be extremely important to have a strong financial position in these times of continuing oil price uncertainty. We want to have our place in the market, where the appetite from major oil companies has been low over the past one- to two-year period, but where we are now seeing signs of some changes in attitude. It is too soon to call it a trend reversal, but we expect an increase in the level of activity in 2016 and we want to be prepared for both purchases and sales. 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 continued our process of change with cost cuts on things that are not absolutely necessary, but we are also picking up the pace in areas which may lead to new financiers or partners. In our contact with companies in our sphere of influence, we are now seeing a clear change in the view of the future, mainly on the oil price outlook. Many people we are talking to forecast an oil price upswing in 2016 or early 2017. For that reason, there are several stakeholders who think that interesting investments can be made in oil and gas at this time. If you speculate that we are at or close to the bottom when it comes to oil prices, then you can get good prices on transactions. We are noticing a major change in attitude across the industry at the moment. And that is why we think those who will farm in, or invest in our projects in another way, will improve them and identify their potential value, and together we can enjoy common gains when and if a reversal of the current occurs as some are speculating. 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 have just finished raising some capital, and our immediate capital needs are therefore met. In addition, we are continuing to conduct several processes in parallel which should be capable of leading to substantial financial breakthroughs for Crown Energy. These processes must fit in well with the slightly revised strategy the Company is pursuing. We will continue to 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.

We think 2016 will be an interesting and exciting year and we continue to have confidence in our assets, as well as confidence that we will be able to capitalise on them. We believe we will be able to create value for you, our shareholders.

Andreas Forssell

CEO, Crown Energy AB (publ)

The consolidated financial statements of the Crown Energy Group ("Crown Energy", the "the Group"), of which Crown Energy AB (publ) with corporate identity number 556804-8598 is the parent company ("the Parent Company"), are hereby presented for the twelve-month period ended on 31 December 2015.

Operations, January-December 2015

Income statement

Operating profit/loss

Fourth quarter, October-December

Other operating income, which mainly consisted of exchange rate fluctuations in working capital, totalled SEK 140 thousand (0).

Operating expenses for Q4 totalled SEK -2,501 thousand (-3,370). The majority of operating expenses related to other external costs of SEK -1,635 thousand (-2,394) and employee benefit expenses of SEK -858 thousand (-958). Other external costs are marginally lower compared year-on-year, which is mainly due to the Group cutting costs in late 2015 for expenses such as consultants, travel and marketing. Employee benefit expenses were down year-on-year, which can be explained by organisational changes. This resulted in a decrease in payroll expenses, social security contributions and pension expenses.

Depreciation of equipment in Q4 totalled SEK -8 thousand and is at the same level as compared year-on-year. Other operating income and other operating expenses mainly relate to exchange rate effects in operating items. In Q4, there was a net income of SEK 140 thousand in comparison to a net expense in the same period of the previous year amounting to SEK -10 thousand.

Full year January-December

Operating expenses totalled SEK -8,717 thousand (-9,448), with other external costs accounting for SEK -4,607 thousand (-4,448). Costs attributable to the head office (administration, stock exchange, marketing, accounting etc.) have generally decreased in comparison to previous years as a result of cost savings (see above). In spite of this, total other external costs have increased due to that the Group had higher costs for consultants attributable to new projects and additional costs were incurred due to the acquisition of a new subsidiary. Employee benefit expenses totalled SEK -4,077 thousand (-4,863). The lower year-on-year employee benefit expenses can be explained by organisational changes; the Parent Company has one less employee because the previous CEO resigned in July 2015.

Depreciation of equipment totalled SEK -33 thousand and was at the same level as compared year-on-year. Other operating income and other operating expenses mainly relate to exchange rate effects in operating items. In 2015, there was a net income of SEK 73 thousand in comparison to a net expense in the same period of the previous year amounting to SEK -104 thousand.

Net financial items

Fourth quarter, October-December

Net financial items totalled SEK -1,372 thousand (-3,073) for Q4. Financial income for Q4 amounted to SEK 0 thousand (1,339). In Q4 2014, financial income was mainly related to exchange rate effects. The exchange rate effects led to a loss in the same period in 2015 which was recognised as a financial expense. Financial

expenses amounted to SEK -1,372 thousand (-4,412), of which SEK -1,049 thousand (-4,178) was related to the net effects of changes in the convertible loans in the form of interest expenses.

Full year January-December

Net financial items totalled SEK -6,933 thousand (-12,411), with financial income amounting to SEK 2,447 thousand (3,176). Financial income mainly relates to exchange rate effects due to fluctuations in the USD. Financial expenses amounted to SEK -9,380 thousand (-15,587), of which SEK -8,922 thousand (-15,353) related to the net effects of changes in the convertible loans in the form of interest expenses and the effects of Crown Energy buying back around 85 per cent of the convertible loan. Other financial expenses are mainly related to effects of ongoing remeasurement of provisions to fair value.

Tax

Compared year-on-year when tax income of SEK 744 thousand was recognised for the full year and SEK -46 thousand for Q4 attributable to capitalisation of tax losses, no tax was recognised in the income statement in 2015. See Note 9, *Deferred tax*, for more information.

Earnings after tax

Loss (after tax) for Q4 2015 (2014) totalled SEK -3,733 thousand (-6,489), corresponding to SEK -0.07 per share (-0.23). Loss (after tax) for full year 2015 totalled SEK -16,577 thousand (-21,115), corresponding to SEK -0.35 per share (-0.76).

Financial position

Total capitalised expenses in exploration and evaluation assets, totalled SEK 176,445 thousand at 31 December 2015, a net increase from 31 December 2014 of SEK 68,986 thousand. The change in 2015 (2014) partially consists of new capital expenditures during the period of SEK 8,532 thousand (3,830) and translation differences of SEK 5,099 thousand (11,750). 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, *Exploration and evaluation assets*). As a result of the major changes that occurred over the past year in the rate between SEK and USD, the translation differences between the periods were significant and affect 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 55,355 thousand due to the acquisition of Simbo Petroleum No.2 Ltd, with the takeover occurring in Q1 2015. See Note 4, , *Exploration and evaluation 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 66 thousand (99) after depreciation of SEK 33 thousand (33) was taken for the period.

Other receivables amounted to SEK 791 thousand, compared to SEK 6,899 thousand on 31 December 2014. The decrease compared with year-end 2014 is mainly explained by the fact that the previous prepaid expenses attributable to Crown Energy's licence in South Africa in Q1 2015 were recognised as

investments in licences. This change took place in conjunction with Crown Energy taking over Simbo Petroleum No.2 Ltd.

Cash and cash equivalents at the end of the period totalled SEK 156 thousand compared with SEK 34,626 thousand on 31 December 2014. The large net change relates to the acquisition of Simbo Petroleum No.2 Ltd. See Note 5, *Cash and cash equivalents*, and Note 10, *Cash flow*, for more information on the changes.

Equity totalled SEK 130,177 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 effect from the takeover of the South Africa asset, see Note 8, *Convertible loans*, for more information

Loans from related parties amounted to SEK 6,704 thousand, an 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 2015.

As a result of Crown Energy's buy-back, the convertible loans decreased, totalling SEK 11,209 thousand (55,964) at 31 December 2015. The convertible loans were reclassified in Q2 from non-current to current liabilities. See Note 8, *Convertible loans*, for more information.

Other provisions at 31 December 2015 totalled SEK 9,250 thousand compared with SEK 8,893 thousand at year-end 2014. The provision was made for the buy-back option arising from the acquisition of Crown Energy Iraq AB, which was recognised at SEK 6,204 thousand; the carrying amount of this provision has not changed since year-end 2014. Other provisions attributable to the acquisition of subsidiary Amicoh Resources Ltd totalled SEK 3,046 thousand at 31 December 2015.

Other current liabilities consist principally of accounts payable, employee-related tax liabilities, and miscellaneous accrued expenses. The total amount of other current liabilities is SEK 5,620 thousand (7,472). The decrease can mainly be explained by the derecognition of accrued interest expenses related to the convertible loans bought back in Q2. The buy-back resulted in a substantial decrease in the interest paid in May. The accrued expenses related to the convertible loans totalled SEK 916 thousand at 31 December 2015 in comparison to SEK 5,242 thousand at year-end 2014.

Cash flow

Cash flow from operating activities for Q4 totalled SEK -1,557 thousand (-2,248). Cash flow from operating activities for full year 2015 (2014) totalled SEK -8,533 thousand (-11,151). Cash flow from operating activities can vary significantly between quarters and years, which makes it difficult to compare periods.

Cash flow from investing activities for Q4 2015 totalled SEK -722 thousand (-515). This outflow consisted of regular expenditures on Crown Energy's licences. Full year 2015 (2014) cash flow from investing activities amounted to SEK -28,695 thousand (-3,830). The large disbursement in 2015 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 for Q4 totalled SEK 0 thousand (1,400). The amount for the previous year is related to borrowings from related parties. Cash flow from financing activities for full year 2015 (2014) totalled SEK 2,685 thousand (12,987) comprising a preferential rights issue of SEK 4,912 thousand, 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

Crown Energy announced the signing of a farm-out agreement with Africa Energy on 17 December. The agreement leaves Crown Energy with 10 per cent of the licence in exchange for Africa Energy paying for future drilling of the AJ prospect.

Africa Energy is a Canadian oil and gas company whose shares are listed in Toronto on the TSX Venture Exchange. Africa Oil Corp. owns 40.8 per cent of Africa Energy, and Africa Oil Corp. is in turn part of the Lundin Group.

The farm-out agreement gives Crown Energy the opportunity to be a part of very interesting exploration/appraisal drilling in Block 2B, in partnership with a player with world-class financial and technical backing. Africa Energy is a partner that is a very good match for Crown Energy at this time, mainly because of Lundin's reputation, speed and expertise, which will ensure that drilling will take place faster than otherwise with another type of partner. Africa Energy is simultaneously acquiring the other partners' shares of the licence. As a result, the operator will also be changed in the long term. Crown Energy considers it positive that Africa Energy has acquired the other partners' (Thombo Petroleum and Afren Plc) shares of the licence.

Crown Energy has estimated drilling costs of approximately USD 50 million and maybe more depending on the depth, technical solution chosen and, finally, additional testing of the well and its flow of oil in the event of an interesting discovery.

Given that Crown Energy is retaining shares of the licence, the agreement differs from the ones entered into with Afren Plc and Thombo Petroleum. Afren Plc is a company in liquidation and the price has been set to reflect a distressed sale. Thombo Petroleum is a private company which undoubtedly was considered to have difficulty covering the costs attached to the licence going forward. The price has been impacted by such conditions in this case as well. As a result, it is complicated to make direct comparisons between the Company's transaction and the other transactions made within the licence.

In summary, the value of the transaction should not only be seen in light of Africa Energy's direct financial obligation in respect of future drilling, but also what may come later. Crown Energy estimates that the time to drilling will be significantly shorter with the farm-out agreement going to a company of Africa Energy's stature. This signals that the journey has just begun in what is by far one of the most interesting phases of an exploration project – exploration/appraisal drilling. This is where you get answers as to the magnitude of existing resources. In one

scenario, we can assume that there are between 100 and 200 million barrels of oil in the AJ structure at this time. In addition, there are several structures which may contain another several hundred million barrels of oil. In total, there could be up to 600 million barrels of oil in the AJ basin. In addition, there is significant potential in the northern structures, which are still relatively unexplored, but are considered to have great potential. Thanks to the generous tax situation in South Africa, Crown Energy previously estimated a price of between USD 10 and 15 per barrel of oil resource in the ground. If drilling reveals volumes between 100-200 million barrels of oil, Crown Energy's ten per cent stake could be valued at between USD 100-200 million, which is equivalent to SEK 850 to 1700 million, based on an oil price between USD 65-80 per barrel. In this scenario, it would not be difficult for Crown Energy to continue financing its shares to continue exploring Block 2B.

The technical information of the project is presented as follows. An updated competent person's report (CPR) was published in June of this year covering the A-J1 discovery. Following interpretation of 3D seismic data, the report indicates a higher resource volume and a lower degree of uncertainty within the discovery. Another CPR on the potential of the prospect and the probability of contingent resources in the area covered by 3D data is in the process of being prepared. This work will make it possible for us and our partners to choose the best way forward to identify the great potential remaining in the licence.

The current licence period lasts until May 2017 and there is no obligation to drill a well during this period.

Block P PDA – Equatorial Guinea

Our partnership and shared operatorship with Vaalco Energy and GE Petrol continues to focus on the Venus field and its development. Unfortunately, it is progressing slowly. The partnership continues to focus on optimising costs and studying the most appropriate development option in the current situation of lower oil prices. Crown Energy continues to be optimistic that a solution can be brought to bear and approved, which could enable oil production by late 2017.

Crown Energy is continuing to study alternative options for how the Company's 5 per cent ownership of the licence could add substantial shareholder value in the short and medium term.

3108 Manja – Madagascar

Crown Energy has agreed with OMNIS, the oil and gas authority in Madagascar, to extend the licence for four years, to 15 November 2019. The production commitment for the first two years includes a full tensor gravity (FTG) survey of the licence area followed by additional voluntary 2D seismic data.

The plan is to perform exploration drilling on the licence over the two-year period. The agreement is subject to final approval from the ministry in Madagascar, which is expected to be received within a couple of months.

Crown Energy is very pleased with these renewed licence terms, which also led several new players to show an interest in the licence. The interested parties also recently visited our data room in London to collect information prior to making an investment decision.

Crown Energy forecasts that lower cost levels for services and partnerships with other licence holders in the country will drive project progress and generate long-term benefits.

Salah ad-Din – Iraq

Given the trend in Iraq in general and in the region in particular, it is now increasingly clear that last year's national elections led to a redistribution of power from the central government in Baghdad to the country's regions. It has been observed that the regions have assumed greater influence over their own assets from Baghdad. Given that Crown Energy's licence is contracted with the Salah ad-Din region, this development is positive for Crown Energy. Discussions with the regional authorities have provided further confirmation that the region is nearly completely free from crisis hot spots and that the circumstances currently seem much more positive than previously.

Crown Energy remains positive and hopeful about a better future in Iraq in general and in Salah ad-Din in particular. The licence is extremely rich in oil assets and features a large number of oil fields, some of which are in production and many are either in need of restoration or development. However, Crown Energy continues to take a cautious approach to activities in the licensed area and in the Salah ad-Din province due to the remaining security risks. As soon as the turbulence has subsided further, Crown Energy hopes and thinks that work can commence to assess the most suitable path forward for developing these enormous assets. The direction will mainly revolve around increasing production in existing facilities by using established sales channels.

Crown Energy has observed an increase in interest from external parties and discussions are progressing on investments in the project. Discussions have continued with key players in late 2015 and good progress has been made to date.

Key events during the period

Q1 to Q3

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 the Parent Company's outstanding KV1 2014/2016 convertible in December 2014.

Takeover of Simbo Petroleum No.2 Ltd

On 27 January 2015 Crown Energy 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 repurchased 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 repurchase.

Another loan in the amount of SEK 13 million in respect of Simbo Petroleum No.3 Ltd was offset in conjunction with the

aforementioned buy-back. The loan was raised in conjunction with the acquisition of the South African asset.

The two offset issues were registered on 18 and 19 May 2015 and resulted in the number of Crown Energy AB 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 previous CPRs of Crown Energy's projects in Equatorial Guinea, South Africa and Madagascar were updated in May 2015 and a new CPR was drafted for the Company's projects in Iraq as well. The inclusion of Iraq resulted in a substantial increase in the Company's oil resources. Crown Energy published this CPR on 12 May 2015. This CPR update was required by prospectus rules. Crown Energy had also previously announced to the market that ERC Equipoise ("ERCE") had been hired specifically to conduct a more in-depth survey to certify and appraise the asset in South Africa with a focus on the reservoir in discovery A-J1, in licence Block 2B in South Africa. This work was completed in June 2015 and the results were published in the form of a new CPR – limited to discovery A-J1. On 4 June 2015, Crown Energy announced that the A-J1 discovery had been upgraded from 8 million barrels of prospective resources to 37 million barrels of contingent resources (2C).

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 a total of SEK 43 thousand. Following the issue, the total number of shares in Crown Energy AB was 55,547,373, while share capital totalled SEK 1,633 thousand. The issue raised a total of SEK 4,913 thousand in cash for Crown Energy.

Organisational changes

On 3 July 2015, Andreas Forssel was appointed the new CEO of Crown Energy AB after Ulrik Jansson left his post as CEO and board member. After the change in CEO, management also appointed Jenny Björk as the Company's new CFO.

Q4

Four-year extension of Manja licence

Following a meeting on 28 October 2015 in Cape Town, South Africa with OMNIS, the oil and gas authority in Madagascar, an agreement was reached to extend the licence for four years, until 15 November 2019.

Farm-out agreement Block 2B South Africa

On 17 December, Crown Energy signed a farm-out agreement with Africa Energy Corp ("Africa Energy") for Block 2B in South Africa. The agreement leaves Crown Energy with a 10 per cent stake in exchange for Africa Energy fully financing a future exploration/appraisal well in the AJ basin and subsequent testing of the well. Africa Energy will pay Crown Energy for costs previously incurred within the scope of the joint costs of the licence as well as for costs from now until the access date, i.e. the date the farm-out transaction is completed. The transaction is subject to regulatory approval in South Africa, which means that

Africa Energy cannot access the licence until this permit has been awarded.

The farm-out did not have any impact on Crown Energy's income statement or balance sheet at 31 December 2015.

Board resolution on directed issue

On 29 December 2015, Crown Energy's board resolved on a directed issue of a maximum of 5.5 million new shares to a small number of investors in the amount of SEK 11 million less issue expenses. The resolution was subject to approval at the extraordinary general meeting.

Events after the reporting period

Extraordinary general meeting

On 26 January 2016, an extraordinary general meeting approved the directed issue proposed by the board in December 2015. The board approved the issue. Read more about the issue below.

In addition to the above directed issue, the board also obtained authorisation to resolve to issue new shares and/or convertibles and/or warrants on one or more occasions with or without derogation of shareholders' preferential rights until the next AGM. However, the number of financial instruments that may be issued under the authorisation is limited to a total of 10,000,000 shares.

The meeting noted that Ulrik Jansson and Andrew Harriman had resigned from the board since the 2015 AGM. Shareholders representing approximately 50 per cent of the shares and votes proposed that the board consist of three members without any deputies. Shareholders representing approximately 50 per cent of the shares and votes proposed that the board consist of Alan Simonian, Andreas Forssell and Nick Johnson, with Alan Simonian serving as chairman. This proposal was approved.

Directed share issue

As mentioned above, the extraordinary general meeting approved a directed issue on 26 January 2016. The subscription price for the shares was SEK 2 per share and a small number of investors selected in advance were entitled to subscribe for the shares, in derogation of shareholders' preferential rights. Share subscriptions were made during the period from 30 December 2015 to 31 January 2016.

The issue will raise SEK 11 million for Crown Energy before issue expenses, resulting in a total increase in the Company's share capital of SEK 161,697.62, and the total number of new shares was 5,500,000. After the issue, the Company's share capital will amount to SEK 1,794,767.40 and the number of shares to 61,047,373. The issue is not yet registered with the Swedish Companies Registration Office.

The proceeds of the issue will mainly be used to keep Crown Energy running as a going concern and to continue developing new and existing projects.

Outlook

Operations

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

projects around the world. 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. The Company has also worked hard over the past half-year to position itself in the current market conditions. This involves adapting farm-out activities and partner discussions and being flexible and attractive on the current market. Specifically, it involves discussions with government agencies and potential partners to adapt production programs etc., such as in the case of Manja in Madagascar, where we got an extension with a more flexible production program. In addition, we are looking into options for incorporating cash flow-generating operations in the long term. This can be done with existing assets, such as in Iraq, but could also be external operations incorporated into Crown Energy.

Financing and going concern

Since the Group has not generated any revenue or profits, financing has historically been done by issuing new shares and convertible loans.

The Company has an effective organisation which is presently strongly driven by low costs, but which can still adequately bear investments in both its own assets and interests from external stakeholders. This is precisely what is required of a small listed exploration company in the current market climate. However, in spite of this, constant cash flows are required to offset expenses and ongoing investments. To manage the costs of a going concern and ongoing investments in new and existing projects, we raised capital via a directed issue of new shares in January 2016 (see the section entitled *Events after the reporting period*). The issue raised SEK 11 thousand for Crown Energy before issue expenses and it is forecast that this will be sufficient for the coming 12 months in terms of recurring operating expenses and capital investments.

In addition to recurring costs and capital expenditures, the Company also has outstanding convertible loans and associated interest maturing in May 2016. As a result, Crown Energy will soon need to either further strengthen its capital base or find other options for managing the outstanding convertible loans.

Crown Energy is currently working on a couple of qualified processes with the goal of securing the Group's capital base for the long term. This may involve raising new capital for Crown Energy and implementing one or more farm-outs of assets in Crown Energy's subsidiaries. The Company has reason to believe that one of these processes may be completed shortly. It should be noted that a farm-out of Block 2B in South Africa was completed in December 2015. Farm-outs do not result in any substantial payments for costs incurred. On the other hand, Crown Energy will not need to pay its remaining share in the initial test drilling (see the *Projects* section) and associated costs.

Our Plan A is to extinguish all outstanding capital obligations, investments as well as recurring administration, 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 year-end report was prepared assuming a going concern in view of the potential transactions detailed above, the Company's current operations, and activities planned for the next 12 months, existing cash and cash equivalents and potentially the aforementioned share 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, the Group 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. 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.

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

The market

Since 2014, oil prices have been in a steep decline, coming in at USD 30 per barrel for Brent as of the time of this writing. The collapse of oil prices has been partly due to additional sources of

oil due to new technology (shale oil from fracking), and the low-cost OPEC producers being unable to agree on production cuts for political reasons.

USD 30 per barrel of oil is clearly an irrational price because low-cost producing countries in the Persian Gulf and Russia (who supply half of global demand) are suffering greatly at this price. And oil companies who concentrate on the more expensive producing areas (deep water, shale oil, oil sands, North Sea etc.) are unprofitable at such low oil prices. Although their oil production will eventually decline, the oil companies have cut capital expenditures by several billion dollars in developing replacement oil production in the aforementioned expensive producing areas, and this will invariably lead to future production decreases. With world market demand still increasing, and the limited financial capability of the low-cost producers to increase their production significantly to meet this demand, there will be a shortage of oil and that will make it inevitable that oil prices will increase to a more rational price. Crown Energy currently forecasts oil prices of around USD 60 per barrel in the long term.

Parent Company

The Parent Company did not generate any sales in Q4 2015. The revenue for the first half of the year of SEK 806 thousand was related to invoicing of subsidiaries in Q1.

The Parent Company's earnings before tax for Q4 totalled SEK -749 thousand (-5,508). Earnings before tax for full year 2015 (2014) amounted to SEK -5,197 thousand (-17,709).

Cash and cash equivalents at 31 December 2015 totalled SEK 72 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 147,750 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 pages 3-4.

The Company's convertible loans decreased as a result of the Company's buy-back, coming in at SEK 11,209 thousand (55,964) at 31 December 2015 (2014). The convertible loans were reclassified in Q2 from non-current to current liabilities. See Note 8, *Convertible loans*, for more information.

Dividends

The Board will not propose any dividend at the Annual General Meeting (AGM) on 29 April 2016.

Financial information

▪ 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

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 11 February 2016 at 8.30 am.

Financial information

All financial information is posted at www.crownenergy.se as soon as it published. 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.

For additional information, contact:

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

Address:

Crown Energy AB (publ)
Norrländsgatan 18,
SE-111 43 Stockholm, Sweden
www.crownenergy.se

Condensed consolidated income statement

All amounts in SEK thousand	Note	2015-10-01	2014-10-01	2015-01-01	2014-01-01
		2015-12-31	2014-12-31	2015-12-31	2014-12-31
Revenue		–	–	–	–
Other operating income		140	–	73	–
Other external costs		-1,635	-2,394	-4,607	-4,448
Employee benefit expenses		-858	-958	-4,077	-4,863
Depreciation/amortisation and impairment of property, plant, and equipment and intangible assets		-8	-8	-33	-33
Other operating expenses		–	-10	–	-104
Operating loss		-2,361	-3,370	-8,644	-9,448
Financial income		–	1,339	2,447	3,176
Financial expenses		-1,372	-4,412	-9,380	-15,587
Earnings before tax		-3,733	-6,443	-15,577	-21,859
Income tax	9	–	-46	–	744
Net loss for the period		-3,733	-6,489	-15,577	-21,115
Earnings per share and share related data					
Average number of basic shares, thousand	3	55,547	28,143	45,001	27,911
Average number of diluted shares, thousand	3	55,547	28,143	45,001	27,911
Basic earnings per share, SEK	3	-0,07	-0,23	-0,35	-0,76
Diluted earnings per share, SEK	3	-0,07	-0,23	-0,35	-0,76

Condensed consolidated statement of comprehensive income

All amounts in SEK thousand	Note	2015-10-01	2014-10-01	2015-01-01	2014-01-01
		2015-12-31	2014-12-31	2015-12-31	2014-12-31
Net loss for the period		-3,733	-6,489	-15,577	-21,115
Other comprehensive income					
Translation differences		-230	2,947	2,699	6,683
Total items that can be reclassified to profit or loss:		-230	2,947	2,699	6,683
Other comprehensive income, net of tax		-230	2,947	2,699	6,683
Total comprehensive income for the year		-3,963	-3,542	-12,878	-14,432
Total comprehensive income attributable to:					
Parent Company shareholders		-3,963	-3,542	-12,878	-14,432
Comprehensive income for the period		-3,963	-3,542	-12,878	-14,432

Condensed consolidated balance sheet

ASSETS

All amounts in SEK thousand	Note	2015-12-31	2014-12-31
ASSETS			
Non-current assets			
Exploration and evaluation assets	4, 11, 12	176,445	107,459
Property, plant, and equipment	11	66	99
Total non-current assets		176,511	107,558
Current assets			
Other receivables	7	791	6,899
Cash and cash equivalents	5	156	34,626
Total current assets		947	41,525
TOTAL ASSETS		177,458	149,083

EQUITY AND LIABILITIES

All amounts in SEK thousand	Note	2015-12-31	2014-12-31
EQUITY			
Capital and reserves attributable to Parent Company shareholders			
Share capital		1,633	827
Non-registered share capital		–	3
Other contributed capital		183,276	98,114
Reserves		9,112	6,413
Accumulated earnings		-48,267	-27,152
Net loss for the period		-15,577	-21,115
Total equity		130,177	57,090
LIABILITIES			
Non-current liabilities			
Loans from related parties	1, 8	6,704	6,104
Convertible loans	7, 8	–	55,964
Deferred tax liabilities	9	14,498	13,560
Other provisions	6, 7	9,250	8,893
Total non-current liabilities		30,452	84,521
Current liabilities			
Convertible loans	7, 8	11,209	–
Other current liabilities	7	5,620	7,472
Total current liabilities		16,829	7,472
TOTAL EQUITY AND LIABILITIES		177,458	149,083
Pledged assets and contingent liabilities	13	102,863	34,385

Condensed consolidated statement of changes in equity

All amounts in SEK thousand	2015-12-31	2014-12-31
Opening equity	57,090	68,843
Net loss for the period	-15,577	-21,115
Other comprehensive income, net of tax	2,699	6,683
Comprehensive income for the period	-12,878	-14,432
Convertible loan KV1 2014/2016, net 1)	-	-556
Conversions, KV1 2013/2016	-	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	130,177	57,090
Attributed to:		
Parent Company shareholders	130,177	57,090
Total equity	130,177	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 prompted an update to 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	2015-10-01	2014-10-01	2015-01-01	2014-01-01
		2015-12-31	2014-12-31	2015-12-31	2014-12-31
Cash flow from operating activities		-1,557	-2,248	-8,533	-11,151
Cash flow from investing activities	10	-722	-515	-28,695	-3,830
Cash flow from financing activities	10	-	1,400	2,685	12,987
Cash flow for the period		-2,279	-1,363	-34,543	-1,994
Cash and cash equivalents at start of period		2,296	35,925	34,626	36,584
Cash flow for the period		-2,279	-1,363	-34,543	-1,994
Exchange gains on cash and cash equivalents		139	64	73	36
Cash and cash equivalents at end of period	5	156	34,626	156	34,626

Consolidated key ratios

See page 28 for definitions of key ratios.

Quarterly summary – Group

Quarterly summary of the past eight quarters:

All amounts in SEK thousand unless otherwise stated	Note	2015-10-01	2015-07-01	2015-04-01	2015-01-01	2014-10-01	2014-07-01	2014-04-01	2014-01-01
		2015-12-31 Q4	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
Profit/loss									
Other operating income		140	–	–	–	–	–	–	
Operating loss		-2,361	-1,975	-2,517	-1,791	-3,370	-1,417	-2,369	-2,292
Net income for the period, after tax		-3,733	-2,418	-6,599	-2,827	-6,489	-4,520	-4,088	-5,473
Earnings yield									
Return on equity, %		neg	neg	neg	neg	neg	neg	neg	neg
Return on total assets, %		neg	neg	neg	neg	neg	neg	neg	neg
Financial position									
Equity/assets ratio, %		73.5%	74.5%	74.9%	31.2%	38.3%	41.3%	43.4%	47.0%
Net debt/equity ratio, times		0.08	0.06	0.07	1.01	0.37	0.31	0.22	0.03
Net asset value per share, SEK		2.34	2.41	2.42	2.07	2.03	2.12	2.22	2.30
Total assets		177,458	179,947	174,871	187,813	149,083	144,655	142,255	134,746
Equity		130,177	134,139	131,044	58,521	57,090	59,795	61,783	63,362
Cash flow from investments		-722	-2,436	-3,816	-21,721	-515	-563	-899	-1,853
Per share									
Dividend per share, SEK		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Number of basic shares outstanding, thousand	3	55,547	55,547	54,072	28,243	28,143	28,143	27,845	27,598
Number of diluted shares outstanding, thousand		55,547	55,547	54,072	28,243	28,143	28,143	27,845	27,598
Average number of shares, thousand	3	55,547	55,419	40,405	28,218	28,143	28,062	27,823	27,823
Average number of diluted shares, thousand	3	55,547	55,419	40,405	28,218	28,143	28,062	27,823	27,823
Basic earnings per share, SEK	3	-0.07	-0.04	-0.16	-0.10	-0.23	-0.16	-0.15	-0.20
Diluted earnings per share, SEK	3	-0.07	-0.04	-0.16	-0.10	-0.23	-0.16	-0.15	-0.20
Equity per share, SEK		2.34	2.41	2.42	2.07	2.03	2.12	2.22	2.30
Cash flow from operating activities per share, SEK		-0.03	-0.02	-0.08	-0.06	-0.08	0.00	0.00	0.00
Employees									
Average number of employees		2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0

Yearly summary – Group

Yearly summary of the past five years:

All amounts in SEK thousand unless otherwise stated	Note	2015-01-01	2014-01-01	2013-01-01	2012-01-01	2011-01-01
		2015-12-31 Full year	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		73	–	–	–	342
Operating loss		-8,644	-9,448	-9,271	-9,300	-3,158
Net income for the period, after tax		-15,577	-21,115	-14,399	-9,710	-3,042
Earnings yield						
Return on equity, %		neg	neg	neg	neg	neg
Return on total assets, %		neg	neg	neg	neg	neg
Financial position						
Equity/assets ratio, %		73.5%	38.3%	51.3%	71.9%	2.4%
Net debt/equity ratio, times		0.08	0.37	-0.02	n/a	n/a
Net asset value per share, SEK		2.34	2.07	2.49	2.15	0.07
Total assets		177,458	149,083	134,211	77,133	51,958
Equity		130,177	57,090	68,843	55,434	1,247
Cash flow from investments		-28,695	-3,830	-2,664	-11,791	-17,974
Per share						
Dividend per share, SEK		n/a	n/a	n/a	n/a	n/a
Number of basic shares outstanding, thousand	3	55,547	28,143	27,598	25,755	17,031
Number of diluted shares outstanding, thousand		55,547	28,143	27,598	25,755	17,031
Average number of shares, thousand	3	45,001	27,969	25,917	20,929	3,906
Average number of diluted shares, thousand	3	45,001	27,969	25,917	20,929	3,906
Basic earnings per share, SEK	3	-0.35	-0.75	-0.56	-0.46	-0.78
Diluted earnings per share, SEK	3	-0.35	-0.75	-0.56	-0.46	-0.78
Equity per share, SEK		2.34	2.03	2.49	2.15	0.07
Cash flow from operating activities per share, SEK		-0.21	-0.40	-0.59	-0.37	-0.16
Employees						
Average number of employees		2.5	3.0	3.0	2.0	0.0

Parent Company – Condensed income statement

	Note	2015-10-01	2014-10-01	2015-01-01	2014-01-01
		2015-12-31	2014-12-31	2015-12-31	2014-12-31
All amounts in SEK thousand					
Revenue		–	–	806	–
Other operating income		140	–	139	–
Other external costs		-1,154	-2,259	-3,443	-4,294
Employee benefit expenses		-858	-958	-4,077	-4,863
Depreciation/amortisation and impairment of property, plant, and equipment and intangible assets		-8	-8	-33	-33
Other operating expenses		–	-1	–	-15
Operating loss		-1,880	-3,226	-6,610	-9,205
Interest income and similar items		215	344	326	779
Interest income, intercompany		2,955	1,553	10,768	6,071
Interest expenses and similar items		-1,289	-4,179	-8,931	-15,354
Earnings before tax		1	-5,508	-4,447	-17,709
Tax	9	–	-46	–	744
Net loss for the period		1	-5,554	-4,447	-16,965

Parent Company – Condensed statement of comprehensive income

	Note	2015-10-01	2014-10-01	2015-01-01	2014-01-01
		2015-12-31	2014-12-31	2015-12-31	2014-12-31
All amounts in SEK thousand					
Net loss/profit for the period		1	-5,554	-4,447	-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		1	-5,554	-4,447	-16,965

Parent Company – Condensed balance sheet

ASSETS

All amounts in SEK thousand	Note	2015-12-31	2014-12-31
ASSETS			
Non-current assets			
Participations in Group companies		20,204	19,704
Property, plant, and equipment		66	99
Receivables from Group companies		21,244	21,244
Total non-current assets		41,514	41,047
Current assets			
Receivables from Group companies		127,342	60,230
Current receivables	7	563	601
Cash and bank balances	5	72	34,485
Total current assets		127,977	95,316
TOTAL ASSETS		169,491	136,363

EQUITY AND LIABILITIES

All amounts in SEK thousand	Note	2015-12-31	2014-12-31
EQUITY			
Equity			
Restricted equity			
Share capital		1,633	827
Non-registered share capital		–	3
Total restricted equity		1,633	830
Unrestricted equity			
Share premium reserve		179,276	94,114
Accumulated earnings		-27,962	-10,997
Net loss for the year		-4,447	-16,965
Total unrestricted equity		146,867	66,152
Total equity		148,500	66,982
Non-current liabilities			
Convertible loans	7, 8	–	55,964
Loans from related parties	1, 7	6,704	6,104
Total non-current liabilities		6,704	62,068
Current liabilities			
Convertible loans		11,209	–
Other current liabilities	7	3,078	7,313
Total current liabilities		14,287	7,313
TOTAL EQUITY AND LIABILITIES		169,491	136,363
Pledged assets		50	34,385
Contingent liabilities		None	None

Parent Company – Condensed statement of changes in equity

All amounts in SEK thousand	Note	2015-12-31	2014-12-31
Opening equity		66,982	81,268
Net loss for the period		-4,447	-16,965
Comprehensive income for the period		–	–
Comprehensive income for the period		-4,447	-16,965
Convertible loan KV1 2014/2016, net 1)		–	-556
Conversions, KV1 2013/2016		–	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		148,500	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 prompted an update to 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, 111 43 Stockholm.

Accounting policies

This interim report was prepared pursuant to IAS 34 Interim Financial Reporting, the Swedish Annual Accounts Act, and RFR 1 Supplementary Accounting Regulations for Groups. As with the 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 variations

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

Note 1 Transactions with related parties

Purchases and sales within the Group

The Parent Company's revenue in 2015 (2014) represents 100 per cent (0) of re-invoicing to other companies within the Group. Of the Parent Company's total interest income in 2015 (2014), 97 per cent (89) relates to other companies within the Group.

Loans from related parties

The Parent Company holds an interest-free loan from its largest shareholder, Ulrik Jansson, (privately and via companies) totalling SEK 6,704 thousand at 31 December 2015. The loan has increased by SEK 600 thousand (net of repayments) since year-end 2014.

Purchase of services

Peter Mikkelsen, works in his management position under a consultancy agreement. Technical services are also contracted from Nick Johnson, who was elected to the board in May 2015. Their services are purchased on normal commercial terms and they invoice regularly for work performed. During the period, Peter Mikkelsen invoiced for about GBP 20.5 thousand and Nick Johnson for about GBP 8.9 thousand, which calculated with an average exchange rate during the year, correspond to SEK 257 thousand and SEK 110 thousand. 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 110 thousand were purchased during the period.

Ulrik Jansson, the largest shareholder, resigned from his positions as CEO and board member on 3 July 2015. During autumn 2015, a consultancy agreement was signed with Ulrik Jansson, as part of the severance pay. As a result of the Company's strained financial position during the latter part of 2015, Ulrik Jansson has chosen to renounce from his total severance pay, why also the consultancy agreement was terminated. Previous invoicing is credited.

Other transactions

The acquisition of Simbo Petroleum No.2 Ltd, which holds the Block 2B licence in South Africa, was completed in February 2015. The sellers were Comtrack Ventures Ltd (major shareholder of Crown Energy AB) and Alan Simonian (major owner of Crown Energy AB and Chairman of the Board). The consideration consisted of payment in cash in the amount of SEK 35,882 thousand and convertibles at a nominal amount of SEK 12,875 thousand. The transaction was subject to normal commercial terms and conditions, given that the price was based on previously agreed levels with the external company Thombo Petroleum Ltd ("Thombo"). 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. However, the structure of the transaction was changed. Comtrack Ventures Ltd and Alan Simonian, among the co-owners of Thombo, chose to redeem their shares in the licence and put them in a separate, new British company, Simbo Petroleum No. 2 Ltd ("Simbo No. 2"), which Crown Energy acquired in its entirety. Thombo was left with 34.5 per cent of the licence.

Note 2 Ownership structure

The number of shares registered in Crown Energy AB'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 AB has about 2,000 shareholders. The Company's shares are listed on NGM Equity. The five major shareholders at 31 December 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%
Avanza Bank AB	4,856,455	8.8%
Alan Simonian	3,429,521	6.2%
Bertil Lindkvist	2,060,613	3.7%
Other shareholders	13,026,652	23.4%
Total number of shares	55,547,373	100.0%

Note 3 Earnings per share and number of shares

The Parent Company has issued a total of 1,221,101 convertibles that could be converted into an equivalent number of ordinary shares. The convertibles are not considered dilutive if they cause earnings per share to improve more (larger gain or smaller loss) after dilution than before dilution. As a result, outstanding convertibles do not create any dilution.

Note 4 Exploration and evaluation assets

Exploration and evaluation assets consist of acquisition of rights, planning costs, etc. No depreciation is taken during the exploration and development phase. All exploration and evaluation assets are classified as intangible assets.

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 55,355 thousand was recognised as an increase through acquisition of assets in 2015. Transaction costs were adjusted in Q4, resulting in a change of SEK -132 thousand in Q4. See Note 12, *Acquisition of Simbo Petroleum No.2 Ltd*, for more information on the transaction.

Group (SEK thousand)	2015-10-01	2014-10-01	2015-01-01	2014-01-01
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Opening carrying amount	176,338	101,754	107,459	91,879
Capital expenditures for the period	641	515	8,532	3,830
Increase through acquisition of assets	-132	–	55,355	–
Translation differences	-402	5,190	5,099	11,750
Closing accumulated cost of acquisition	176,445	107,459	176,445	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 cash and cash equivalents, 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)	2015-12-31	2014-12-31
Acquisition of Amicoh Resources Ltd		
Additional consideration, commercial discovery	3,046	2,688
Additional consideration, warrants	-	1
Acquisition of Crown Energy Iraq		
Provision for buy-back option	6,204	6,204
Closing balance	9,250	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 discovery on Madagascar. The portion paid for a commercial discovery 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 were determined in accordance with an established option pricing model (Black & Scholes). The warrants expired on 30 November 2015 without any share subscriptions. As a result, the provision has been adjusted down to zero. This adjustment has been recognised via the income statement as financial income in the amount of SEK 1 thousand.

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 AB ("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 neither 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 the estimated fair value at 31 December 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 31 December 2015 amounts 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 31 December 2015 on NGM Equity at 85 per cent of the nominal value, corresponding to a total fair

value of SEK 10,379 thousand (including conversion option) and an annual interest rate of about 11.8 per cent (compare with actual interest rate of 10% per year).

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, financial instruments require disclosures about fair value measurement by level. The next page 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
2015-12-31				
Total assets	–	–	–	–
Liabilities				
Financial liabilities measured at fair value via income statement:				
- Provision for additional consideration, commercial reservoir	-	-	3,046	3,046
Total liabilities	-	-	3,046	3,046

Provisions were recognised for contracted additional consideration in conjunction with the acquisition of subsidiary Amicoh Resources Ltd (see Note 6, *Provisions*). No changes have occurred in Crown Energy's assessments of fair value measurement applicable to provisions since 31 December 2014. The period's total net effect due to revaluation to fair value was SEK -358 thousand (-2) and was recognised in the income statement as (unrealised) financial income or expense.

Note 8 Convertible loans

Crown Energy (Parent Company) had two outstanding convertible loan series until May 2015: KV1 2013/2016 and KV2 2014/2016. 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, which corresponded to about 85 per cent of the previous total convertible debt. Following 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 new share issue increased the Company's share capital by about SEK 645 thousand.

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

The KV2 2014/2016 convertible series was bought back in its entirety. The terms and conditions 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)	2015-12-31	2014-12-31
Convertible loans:		
KV1 2013/2016	–	39,663
KV2 2014/2016	–	16,301
	–	55,964

Current borrowings		
Group and Parent Company (SEK thousand)	2015-12-31	2014-12-31
Convertible loans:		
KV1 2013/2016	11,209	–
KV2 2014/2016	–	–
	11,209	–

Changes for the period:

Group and Parent Company (SEK thousand)	
At 1 January 2015	61,207
Takeover of licence, increase in liability for convertibles in custody of third party	12,875
Equity component of above increase	-3,219
Buy-back, nominal value	-66,432
Interest expenses, Jan-Dec 2015	8,922
Interest paid	-1,228
Liability component at 31 December 2015	12,125
Liability consists of the following components:	
Convertible loans	11,209
Accrued interest	916
Liability component at 31 December 2015	12,125

As mentioned earlier in this interim report, the Block 2B South African asset was taken over in the first half of 2015. As a result, the convertibles, totalling SEK 12,875 thousand, which were in the custody of a third party, were delivered to the seller and the debt was updated in the Group's accounts. In addition, this resulted in an option component of SEK 3,219 thousand being recognised through equity.

The accrued interest payable attributable to the convertible debt instruments was recognised as a current liability and at 31 December 2015 amounted to SEK 916 thousand. The fair value of the short-term interest payable corresponds to its carrying amount, as the impact of discounting is not significant.

Financial expenses in the income statement for full year 2015 (2014) came in at a net amount of SEK -8,922 thousand (15,353) as a result of the convertible loan. The equivalent expenses for Q4 totalled SEK -1,049 thousand (4,178).

See Note 7, *Accounting of financial instruments*, for a description of fair value calculation. The fair value corresponds to the price that the convertible loan traded at on NGM Equity at 31 December 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	11,209	12,211	10,379
	11,209	12,211	10,379

Note 9 Deferred tax

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

Crown Energy has unused tax losses and historically has not capitalised a deferred tax asset relating to 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 2015, so no deferred tax was recognised in the income statement.

Note 10 Cash flow

Financing activities

Below 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	2015-10-01	2014-10-01	2015-01-01	2014-01-01
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Preferential rights issue	–	–	4,912	–
Issue expenses, preferential rights issues and offset issues	–	–	-1,599	–
Convertible issue 2014	–	–	–	15,946
<i>Of which:</i>	–	–	–	–
<i>Convertible loan issued</i>	–	–	–	16,985
<i>Total transaction expenses attributable to convertible issue</i>	–	–	–	-1,039
Interest payment on convertible loan	–	–	-1,228	-6,209
Borrowings from related parties	–	1,400	800	3,250
Repayment of loans from related parties	–	–	-200	–
Total cash flow from financing activities	–	1,400	2,685	12,987

Cash flows from investing activities

Investing activities, SEK thousand	2015-10-01	2014-10-01	2015-01-01	2014-01-01
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Acquisition of subsidiaries	–	–	7	–
<i>Cash and cash equivalents in Simbo Petroleum No.2 Ltd</i>	–	–	7	–
Investments in exploration and evaluation assets	-722	-515	-28,702	-3,830
<i>Increase in exploration and evaluation assets through acquisition of subsidiary (see Note 12)</i>	-67	–	-25,014	–
<i>Investments in exploration and evaluation assets</i>	-655	-515	-3,688	-3,830
Total cash flow from investing activities	-722	-515	-28,695	-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		Exploration and evaluation assets		Total non-current assets	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Geographic areas						
Sweden	66	99	–	–	66	99
Equatorial Guinea	–	–	4,839	4,752	4,839	4,752
Madagascar	–	–	79,119	71,600	79,119	71,600
Iraq	–	–	31,252	31,107	31,252	31,107
South Africa	–	–	61,235	–	61,235	–
Total	66	99	176,445	107,459	176,511	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 will 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 2015. This approval meant that Crown Energy was legally entitled to Simbo No.2's shares and thus the Block 2B licence.

The owners of the selling company, Simbo Petroleum No.3 Ltd, are Comtrack Ventures and Alan Simonian.

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 offset 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. 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
Exploration and evaluation assets	51,712
Receivables	-
Liabilities	-17,190
Total identified net assets, Simbo No.2	34,529

Additional consideration (earn out)

A separate earn out agreement provides for additional consideration as well. The agreement was being renegotiated in 2015, which is why disclosures on the additional consideration were not made earlier in conjunction with the takeover. The additional consideration agreement has now been renegotiated and stipulates the following:

- The maximum total amount of the additional consideration is SEK 102,813 thousand and is due upon production start-up.
- Commencement of staged payments must be made to the sellers nine (9) months after the first oil/gas cargo.
- The additional consideration may be reduced by 35 per cent if the oil price at the time of first oil is USD 50 or lower.
- The additional consideration may be reduced by 15 per cent if the oil price at the time of first oil is USD 65 or lower.

Any additional consideration in conjunction with asset acquisitions is recognised pursuant to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. There is currently great uncertainty with respect to whether the aforementioned additional consideration will be settled. There are several factors impacting the probability of settlement of the additional consideration which are outside of the control of Crown Energy: the probability of successful drilling (and going to production), the fact that the operatorship will change in 2016 and that Africa Energy Plc will substantially have control over the asset. At present, Crown Energy assesses the probability of settlement to be low, and the additional consideration does not meet the requirements for recognition as a provision. Instead, it is recognised as a contingent liability, outside of the statement of financial position. Recognition of the additional consideration will be assessed on an ongoing basis and may change as the conditions of the licence change, e.g. in the event of successful appraisal drilling etc. It should be noted that the assessment of the probability of settlement of the additional consideration has no connection with Crown Energy's commercial assessments of the licence (chance of success, economic models etc.)

The contingent liability is recognised at the maximum possible amount of the additional consideration, e.g. SEK 102,813 thousand.

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. It should be noted that the acquisition costs were adjusted in Q4 from SEK 3,775 thousand to SEK 3,643 thousand.

Participations in Group companies, SEK thousand	2015
Cost of acquiring subsidiaries	34,529
Directly attributable acquisition costs	3,643
Total acquisition costs for Simbo No.2 shares	38,172

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 the licence were recognised as intangible assets, amounting to SEK 51,712 thousand. Directly attributable acquisition costs of SEK 3,643 thousand were also recognised as an acquisition cost for the acquired licence. It should be noted that the acquisition costs were adjusted in Q4 from SEK 3,775 thousand to SEK 3,643 thousand.

Exploration and evaluation assets, SEK thousand	2015
Increase through acquisition of subsidiaries:	
Acquired assets (licences)	18,149
Surplus value	33,563
Directly attributable acquisition costs	3,643
Total increase in exploration and evaluation assets due to the acquisition of Simbo No.2	55,355

Cash flows attributable to acquisition

As mentioned earlier, directly attributable acquisition costs amounted to SEK 3,643 thousand. The majority of these costs were paid in April 2015. It should be noted that the acquisition costs were adjusted in Q4 from SEK 3,775 thousand to SEK 3,643 thousand, which impacted Q4 cash flow (see below).

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	2015-10-01	2015-01-01
	2015-12-31	2015-12-31
Cash consideration, subsidiary/licence	–	-35,882
Directly attributable acquisition costs	132	-3,643
Disbursement from escrow in 2014 for cash calls	–	1,548
Adjustments for non-cash items:	–	–
Directly attributable acquisition costs (non-cash 2015)	-199	283
Adjustment to consideration at takeover (non-cash)	–	12,680
Cash flow attributable to increase in exploration and evaluation assets through acquisition of subsidiary	-67	-25,014

Note 13 Pledged assets and contingent liabilities

Pledged assets refers to a bank guarantee of SEK 50 thousand with Euroclear Sweden AB as beneficiary. A bank guarantee was required by Euroclear upon listing on NGM Equity, since the Company was newly established and did not show positive earnings.

Contingent liabilities refers to the additional consideration for Simbo Petroleum No.2 Ltd and has been presented at present at the maximum amount that may be paid at the time of settlement. For more information on the additional consideration, see Note 12, *Acquisition of Simbo Petroleum No.2 Ltd*.

Following is a summary of pledged assets and contingent liabilities:

Group, SEK thousand	2015-12-31	2014-12-31
Pledged assets		
Bank guarantee	50	50
Cash and cash equivalents in escrow	–	34,335
Contingent liabilities		
Earn out - Block 2B, see note 12	102,813	–
Total pledged assets and contingent liabilities	102,863	34,385

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

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

Stockholm, 11 February 2016

Andreas Forssell
CEO
Board member

Alan Simonian
Chairman of the Board

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

Business concept

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

Goals

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

Strategy

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

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

Value is created 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 2014 Annual Report and website, 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 at an oil discovery. 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 proved, 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.