



**CROWN
ENERGY**

**Half year report
January-June 2016
CROWN ENERGY AB (PUBL)**

11 August 2016

Crown Energy AB (publ)

Half year report 2016

The consolidated financial statements of the Crown Energy Group ("Crown Energy", "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 six-month period ended on 30 June 2016.

Q2 – APRIL-JUNE 2016

- No sales were recognised.
- The operating loss totalled SEK -2,490 thousand (-2,517), consisting primarily of employee benefit expenses and other external costs.
- Profit after tax was SEK 4,724 thousand (-6,599), corresponding to SEK 0.08 per share (-0.16).
- Investments in exploration and evaluation assets totalled SEK 836 thousand (1,464).

H1 – JANUARY-JUNE 2016

- No sales were recognised.
- The operating loss totalled SEK -4,346 thousand (-4,308), consisting primarily of employee benefit expenses and other external costs.
- Profit after tax was SEK 651 thousand (-9,426), corresponding to SEK 0.02 per share (-0.27).
- Investments in exploration and evaluation assets totalled SEK 2,475 thousand (5,400).

KEY EVENTS DURING THE QUARTER

- The SEK 63 million in proceeds of the directed issue resolved on by the annual general meeting in May 2016 were received on 29 June. The investment in Crown Energy gives the Company a new principal owner and gives investors the option to invest an additional SEK 63 million until May 2018. The issue raised the share capital by 31,500,000 new shares, with a dilutive effect of 34 per cent for existing shareholders.
- The directed issue enabled the repayment of the convertible loans and associated interest. The repayment was made on 30 June. As a result of the delayed payment to the convertible holders, they were also compensated in the form of extra interest from the due date until 30 June. No convertible loans remained after the repayment.

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

	2016-04-01	2015-04-01	2016-01-01	2015-01-01	2015-01-01
	2016-06-30	2015-06-30	2016-06-30	2015-06-30	2015-12-31
GROUP, ALL AMOUNTS IN SEK THOUSAND	Q2	Q2	Q1-2	Q1-2	FULL YEAR
Operating expenses	-2,490	-2,517	-4,346	-4,308	-8,717
Operating profit/loss	-2,490	-2,517	-4,346	-4,308	-8,644
Net financial items	7,214	-4,082	4,997	-5,118	-6,933
Net profit/loss for the period, after tax	4,724	-6,599	651	-9,426	-15,577
Earnings per share	0.08	-0.16	0.02	-0.27	-0.35
Equity per share	2.13	2.03	3.64	2.42	2.34
Change in cash and cash equivalents	45,363	-10,820	52,198	-33,554	-34,543
Cash flow from investments in intangible assets	-786	-3,816	-1,203	-25,544	-28,702

CEO statement

Dear shareholders and investors,

Crown Energy has undergone major changes in the first part of 2016. A year ago, we realigned our strategy to invest everything we had in completing transactions, both in projects and on the company level. As a result, we were able to capitalise the Company in the spring with the help of a new principal owner. This is a key step in the long-term progress of Crown Energy toward its objective of being self-financing via its own earnings, via transactions in existing projects, and also in ongoing efforts to add cash flow generating operations to the Company's existing business areas.

Crown Energy's strategy along with its new principal owner and capital enable us to fulfil the plan and strategy we previously announced. We will update our shareholders and the market on our plans, activities and events crucial for the Company's development on an ongoing basis. We are presently working very intensively on all fronts to ensure that these developments unfold as quickly as possible.

We will also make certain changes to our organisation in conjunction with the capitalisation of the Company. Alan Simonian will be employed by the Company with responsibility for the oil project portfolio, both strategically and in day-to-day operations. This reinforces the Company's position in the projects in which we are currently involved and provides better balance between existing and new projects. This enables us to continue to be a reliable partner in the oil and gas industry and gives us the strength to be a part of its development and future.

BUSINESS DECISIONS THAT AFFECTED THE COMPANY'S PERFORMANCE

Thanks to very hard work in the winter of 2015/2016, the Company was able to propose the directed share issue to Cement Fund to the AGM. The meeting's approval of the transaction gave the Company a new principal owner that will play a major role in facilitating the continuing development of the Company. In discussions between the Company and Cement Fund, the parties saw eye to eye on the way in which a company in the commodities market should progress to more quickly achieve success. Continuing to work hard is a given, but capital and contacts are the key. The transaction which has now been completed substantially strengthens us in this regard. Our strategic choices in 2015 turned out to be a good match with current market trends, thus enabling us to attract investors, capitalise existing and future projects, and continue our journey.

OUTLOOK

The Company now has a more stable foundation than ever before. Our capital and organisation are adapted to accommodate an exciting continuation of Crown Energy's development efforts. We can now take an active approach to our assets and assume a position of strength when new transactions come up in the future. This ensures a bright future for the Company.

FINANCING

The issue of shares and warrants to Cement Fund gives the Company adequate working and investment capital going forward.

We look forward to continuing our efforts to capitalise on our assets, thus creating value for you, our shareholders.

Andreas Forssell

CEO Crown Energy AB (publ)

Summary of accounts and operations – January–June 2016

INCOME STATEMENT

Operating loss

Q2

The Group did not have any revenue or other operating income in Q2 2016 (2015).

Other external costs for Q2 2016 totalled SEK -1,251 thousand (-1,387). Crown Energy has, in general, cut its external costs year-on-year. The reason that the costs are still at the same level year-on-year is that the Company has had costs amounting to slightly more than SEK 500 thousand attributable to legal counsel in connection with contract amendments and similar matters.

Employee benefit expenses came in at SEK -1,010 thousand (-1,120) and are approximately in line with the past year, as expected.

Depreciation of equipment in Q2 totalled SEK -8 thousand and is at the same level as compared year-on-year.

Other operating expenses of SEK -221 thousand (-2) mainly relate to exchange rate effects in operating items.

January-June

The Group did not have any revenue or other operating income in the period from January to June 2016 (2015).

Other YTD external costs totalled SEK -2,012 thousand (-2,009). As mentioned above, Crown Energy has cut its recurring external costs year-on-year. The reason that the costs are nevertheless still at the same level year-on-year is the same as mentioned above.

YTD employee benefit expenses came in at SEK -2,069 thousand (-2,266) and are approximately in line with the past year, as expected.

YTD Depreciation of equipment totalled SEK -16 thousand and is at the same level as compared year-on-year.

Other operating expenses of SEK -249 thousand (-17) mainly relate to exchange rate effects in operating items.

Net financial items

Q2

Net financial items for Q2 2016 totalled SEK 7,214 thousand (-4,082). Net financial items comprise revenue in the amount of SEK 7,985 thousand (0), which in turn comprises exchange rate effects in the amount of SEK 1,781 thousand as a result of the restatement of internal transactions in foreign currency and other financial income

in the amount of SEK 6,204 thousand. This other financial income is an accounting effect due to the fact that the buy-back option for Crown Energy Iraq AB expired in May 2016. The buy-back option was previously recognised as a provision in the balance sheet. Once the option expired without any shares being claimed, the provision was removed, which had a positive effect in the income statement of SEK 6,204 thousand. This revenue does not impact cash flow.

Financial expenses amounted to SEK -771 thousand (-4,082), of which SEK -637 thousand (-2,424) was related to interest expenses due to the convertible loans.

January-June

YTD net financial items amounted to SEK 4,997 thousand (-5,118). The financial income in the amount of SEK 6,829 thousand consists of the aforementioned reversal of the provision of SEK 6,204 thousand and exchange rate differences in the amount of SEK 625 thousand. The financial expenses of SEK -1,832 thousand (-7,016) mainly consist of interest expenses attributable to the convertible loans.

Tax

No tax was recognised in the income statement in 2016 or 2015. See Note 9, Deferred tax, for more information.

Earnings after tax

Earnings after tax for Q2 2016 was SEK 4,724 thousand (-6,599), corresponding to SEK 0.08 per share (-0.16).

YTD earnings after tax was SEK 651 thousand (-9,426), corresponding to SEK 0.02 per share (-0.27).

FINANCIAL POSITION

Non-current assets

Property, plant, and equipment, in the form of office equipment, totalled SEK 49 thousand (66) after depreciation of SEK -16 thousand (-16) was taken for the period since year-end 2015 (2014).

Exploration and evaluation assets totalled SEK 180,527 thousand at 30 June 2016. The YTD net change in exploration and evaluation assets was SEK 4,082 thousand (64,565). The change in this period partially consists of new capital expenditures during the period from January to June in the amount of SEK 2,475 thousand (5,400) and translation and revaluation effects in the amount of SEK 1,607 thousand (3,678). These assets also increased in the comparison quarter of 2015 by SEK 55,487 thousand as a

result of the acquisition of Simbo Petroleum No.2 Ltd. The translation and revaluation effects mentioned above are due to the fact that some of the assets were acquired in USD and were translated to the closing rate (see Note 5, Exploration and evaluation assets) and the fact that some of the subsidiaries have the USD as their functional currency. As a result of the major changes that occurred over the past years in the rate between SEK and USD, the translation and revaluation effects between the periods were significant and affect the assets by increasing or decreasing them. These effects do not affect cash flow. See Note 5, Exploration and evaluation assets, for a breakdown of changes for the period.

Current assets

Other receivables amounted to SEK 1,026 thousand, compared to SEK 791 thousand on 31 December 2015. The increase in comparison to year-end 2015 is mainly due to higher VAT receivable in the first half of 2016.

Cash and cash equivalents at the end of the period totalled SEK 52,354 thousand compared with SEK 156 thousand on 31 December 2015. The increase in cash and cash equivalents is due to the directed share issue conducted in Q2 2016. See Note 10, Cash flow, and the section entitled Key events during the reporting period.

Equity

Equity totalled SEK 196,927 thousand. The increase since year-end 2015 is attributable to the two directed share issues completed in February and June 2016. The issues increased equity by a total of SEK 74,000 thousand before issue expenses. Issue expenses totalled SEK 8,532 thousand for both issues, thus reducing equity.

Non-current liabilities

Loans from related parties amounted to SEK 6,304 thousand, a net decrease of SEK 400 thousand since 31 December 2015 as the result of repayments.

Deferred tax liabilities totalled SEK 14,722 thousand and are attributable to surplus values in exploration and evaluation assets. The increase since year-end 2015 is attributable to translation differences because some of the underlying assets were acquired in USD and translated using the closing rate.

Other provisions at 30 June 2016 totalled SEK 3,184 thousand compared with SEK 9,250 thousand at year-end 2015. The change since year-end is mainly attributable to the reversal of the previous provision of SEK 6,204 thousand for a buy-back option in Crown Energy Iraq AB. Other changes refer to revaluations to fair value attributable to other remaining provisions. For more information on provisions and reversals for the period, see Note 6, Provisions.

Current liabilities

As mentioned previously in this interim report, the convertible loans and associated interest were repaid in late June 2016. Crown Energy thus does not have any remaining convertible loans.

Other current liabilities amount to SEK 12,819 thousand and consist principally of accounts payable, employee-related tax liabilities, and miscellaneous accrued expenses. This amount includes a large reserve in the amount of SEK 6,300 thousand for issue expenses attributable to the issue conducted in June 2016.

CASH FLOW

Q2

Cash flow from operating activities in Q2 totalled SEK -1,989 thousand (-4,143). 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 Q2 2016 totalled SEK -786 thousand (-3,816). There was an outflow in the amount of SEK -3,532 thousand in the comparison period of 2015 as a result of the acquisition of Simbo Petroleum No.2 Ltd. See Note 10, Cash flow, for a more detailed specification.

Net cash flow from financing activities for Q2 totalled SEK 48,138 thousand (-2,861). The positive cash flow is explained by a directed issue of SEK 63,000 thousand, issue expenses of SEK -945 thousand, repayment of convertible loans totalling SEK -13,817 thousand and a repayment of SEK -100 thousand for loans to related parties. See Note 10, Cash flow, for a detailed specification.

January-June

Cash flow from operating activities for the period totalled SEK -4,150 thousand (-5,956). 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 January-June 2016 totalled SEK -1,203 thousand (-25,537). There was an outflow in the amount of SEK -24,947 thousand in the comparison period of 2015 as a result of the acquisition of Simbo Petroleum No.2 Ltd. See Note 10, Cash flow, for a more detailed specification.

Net cash flow from financing activities for January-June totalled SEK 57,551 thousand (-2,061). The positive cash flow is explained by two directed issues totalling SEK 74,000 thousand, issue expenses of SEK -2,232 thousand, repayment of convertible loans (including interest) totalling SEK -13,817 thousand and repayments of SEK -400 thousand for loans to related parties. Non-cash issue expenses did not correspond to those recognised in equity, because an expense was not yet paid at the end of the period.

Instead, a provision has been made for it. See Note 10, Cash flow, for a detailed specification.

PROJECTS

Following are project status updates.

Block 2B – South Africa

Following the announcement of Africa Energy's farm-in of Block 2B, the Company is now waiting for regulatory approval for the transaction. The competent authority in South Africa is now processing this and we cannot expect any real large-scale activities within the licence area until it has been received. Crown Energy looks forward to being a part of an exciting future with Africa Energy in a project with great potential for developing into something substantial. It is estimated that approval will be received within the next three months.

Block P PDA – Equatorial Guinea

As mentioned in the 2015 Annual Report, work on Block P (PDA) is progressing slowly. The partnership is currently working on reviewing the operatorship, attempting to optimise costs and finding a development option that works financially given the current low oil prices.

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

3108 Manja – Madagascar

Crown Energy has previously agreed with OMNIS, the oil and gas authority in Madagascar, to extend the licence for four years, to 15 November 2019.

Thus far, work has been ongoing to obtain information for implementation of the production commitment for the first two years, which includes a full tensor gravity (FTG) survey of the licence area. This may be followed by additional voluntary 2D seismic data. The plan is to perform exploration drilling on the licence over second two-year period.

The Company is working on finding a partner for implementation of the above step within the Manja licence area. Major efforts will be required in both the short and long term and it is extremely important that we are able to expand the base for which the project can be developed. It is important to raise capital and bring in expertise, especially when it is time to drill the prospect.

Salah ad-Din – Iraq

Major efforts have been made during the period to analyse the options of the licence for the future. Developments in the region have been highly positive and our relations with the governing administration remain very good.

In these efforts, we have also decided, thanks to a clearer technical analysis of the licence conditions, to communicate contingencies involving ownership and other commercial conditions between us in our role as the operator and the region to a greater degree. We have created an extra margin of safety for a potential participating interest which the region may be entitled to under certain circumstances according to the licence conditions. In addition, there are certain official documents we wish to develop jointly with the region, which we are doing on an ongoing basis. As a result, we have taken precautions in the CPR published on 7 July in the case of the owner distribution of the license being 60 per cent for the operator, i.e. Crown Energy, and 40 per cent ownership for the region. In addition, the Company will revisit this once an agreement is signed regarding ownership with the Salah ad-Din region.

As mentioned previously with regard to this licence, the agreement with Salah ad-Din includes an exploration and production licence. The licence covers several existing oil fields and discoveries, but in spite of the large and obviously commercial discoveries, there has only been limited production – under the auspices of the federally controlled North Oil Company at the time. However, regulatory approval is required from both the regional (Salah ad-Din) and the federal (Baghdad) authorities for resuming production in the fields where North Oil Company previously was active and where facilities and installations may be in place. In addition to the oil fields mentioned above, there are many fields that have also been drilled and partially tested. These fields could also be interesting in terms of looking into whether they can be put into production. Any oil export sales from both existing and new fields will require approval from the federal (Baghdad) authorities.

KEY EVENTS DURING 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 meeting affirmed that Ulrik Jansson and Andrew Harriman resigned from the board since the 2015 AGM (3 July 2015 and 26 January 2016, respectively). Shareholders representing approximately 50 per cent of the shares and votes proposed that the board consist of three members without any deputies up until AGM 2016. 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 issue

As mentioned above, the extraordinary general meeting approved a directed issue on 26 January 2016. The issue 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 deviation of shareholders' preferential rights. Shares were subscribed for during the period 30 December 2015 to 31 January 2016.

The issue raised SEK 11 million before issue expenses for Crown Energy. The issue was registered in February 2016.

Conversions, KV1 2013/2016

The final conversion period for KV 1 2013/2016 was in March 2016. In total, six convertibles were converted into the same number of shares. The conversion was registered in April 2016.

Directed issue to international investors

On 4 April 2016, Crown Energy announced an agreement entered into with Cement Fund SCSp (Société en Commandite Spéciale) ("Cement Fund") on a directed issue of shares and warrants in Crown Energy for a minimum of SEK 63 million and a maximum of SEK 126 million. The initial total amount of unit subscriptions was SEK 63 million before expenses, giving Cement Fund approximately 34 per cent of ownership and votes in Crown Energy. In the event that Cement Fund opts to exercise its warrants and subscribe for additional shares, an additional amount of SEK 63 million would be raised for the Company and Cement Fund would then have a total of 50.8 per cent of ownership and votes. The directed issue resulted in an initial dilutive effect for existing shareholders of 34 per cent and may result in an additional 25.4 per cent (total 50.8 per cent) in the event that all warrants are exercised and subscribed.

On 4 May 2016, the AGM of Crown Energy approved the board's proposal regarding the aforementioned issue of 31,500,000 units, with each unit consisting of one (1) share and one (1) warrant. The issue price for each unit was SEK 2 (corresponding to SEK 2 per share), resulting in total issue proceeds of SEK 63,000 thousand. Each warrant entitles the holder to subscribe for one (1) new share in the Company at an issue price of SEK 2. Subscriptions for new shares by exercising warrants will be permitted during the period from 24 May 2016 until 24 May 2018. The new share issue increased the Company's share capital by SEK 926 thousand and the number of shares by 31,500,000. In the event that the warrants are exercised, the Company's share capital can increase by an additional SEK 926 thousand and the number of shares can increase by an additional 31,500,000.

On 29 June, Crown Energy received full payment for the issue. The shares and warrants were registered with the Swedish Companies Registration Office after the stock exchange closed on 30 June. The shares were thus not admitted for trading until July, not June (see description of Events after the reporting period).

AGM 2016

The annual general meeting ("AGM") was held on 4 May 2016. Except for resolutions about adoption of the income statement and the balance sheet, the allocation of profit, to discharge the directors and CEO from liability and the adoption of guidelines for remunerations, the AGM approved the directed issue of units, mentioned earlier. In addition, the AGM also resolved that the board of directors shall comprise of four directors Nick Johnson and Alan Simonian were re-elected as directors of the board and Jean Benaim and Pierre-Emmanuel Weil were elected as new directors of the board and Pierre-Emmanuel Weil was elected as the new chairman of the board. Andreas Forssell declined re-election and left the board of directors.

Repayment of convertible loans and interest

The board announced on 28 April 2016 that it had decided to postpone repayment of convertible loan KV1 2013/2016 and associated interest. An interest payment for the convertible loan matured on 29 April 2016 and the convertible loan matured for final payment on 2 May 2016. As a result of the aforementioned issue, Crown Energy felt it was certain it would be able to pay the outstanding obligations to convertible holders as soon as the funds from the issue were received. A commercially justifiable alternative financing to repay the loan at the maturity date could not be secured either. On 29 June, Crown Energy received full payment for the issue and then repaid the convertible loans and interest. The convertible holders received additional compensatory interest of 18 per cent per year from the maturity date until 30 June 2016 on the nominal amount and the overdue interest. Following the repayment, Crown Energy no longer has any convertible loans outstanding.

EVENTS AFTER THE REPORTING PERIOD

Publication of resource report

On 7 July 2016 Crown Energy published a Competent Persons Report (CPR) of the Company's assets. The report was prepared as a result of the Company's prospectus (see below). The report shows that, except for the exploration and production licence in Iraq, the oil assets are unchanged since the Company's most recent CPR from May 2015. The change in Iraq involves Crown Energy's participating interest and the fact that an in-depth legal interpretation of the production licence agreement has been conducted. According to this change, Crown Energy is estimated to hold 60 per cent of the licence, in comparison to its previous 100 per cent. For a description of this, see the section on Iraq under Projects.

Publication of prospectus

The prospectus, which was prepared as a result of the shares issued under the completed directed issue being admitted to trading on NGM Equity, was approved by Finansinspektionen (Swedish FSA) and published on 15 July 2015.

Registration of shares for trading

After the approval of the prospectus, 31,500,000 shares were admitted for trading on NGM, and the shares were delivered to Cement Fund's subsidiary Cement Sweden S.a.r.l on July 25, 2016.

OUTLOOK

Verksamheten

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 year to position itself in the current market conditions. The Company has an efficient 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.

With a new principal owner, Crown Energy will be focusing on value-creating activities. Value creation can be done through both new acquisitions and different types of partnerships.

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.

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 as mentioned above. The issue raised SEK 11 million for Crown Energy before issue expenses and it was forecasted that this would be sufficient for the coming 12 months in terms of recurring operating expenses and capital investments. However, it was estimated that the Company's outstanding convertible loans could not be repaid with the aforementioned funds. As mentioned in the section entitled

Key events during the reporting period, Crown Energy decided to postpone repayment of the convertible loan and associated interest.

The Company entered into an agreement with an international investor in early April 2016 on a directed issue of shares and warrants for a minimum of SEK 63 million and a maximum of SEK 126 million (see section entitled Key events during the reporting period). The investor initially subscribed for SEK 63 million and the issue proceeds were received in late June 2016. This investment will enable Crown Energy to take a major step forward in the Company's growth and have secured financing for both the short and long term. The investment will also create opportunities for greater investments of capital and resources in existing projects. The investment also enabled Crown Energy to repay the outstanding convertible loan, including interest.

Our Plan A is to extinguish all outstanding capital obligations within the next twelve months, investments as well as regular administration, using one of the already completed issues. However, it cannot be ruled out that the Company may need or want to raise capital from existing shareholders for investments beyond those described thus far. This may be done via new share issues, directed share issues or preferential rights issues, or via other offers to existing shareholders or a combination of the above.

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

RISKS AND UNCERTAINTY FACTORS

A detailed description of the Company's risks can be found in Crown Energy's 2015 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 social and political unrest. This instability could have a very negative impact on operations as regards permits and partnerships. 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. Crown Energy works continuously with its capital raising and refinancing.

MARKNADEN

In the second quarter 2016, oil prices improved and were close to USD 50 a barrel on the understanding that the market was gaining a balance between supply and demand. However, more recently there has been a softening of prices in July because of excess oil in storage and increasing production from OPEC countries, specifically in Saudi Arabia, Iran, and Iraq, coupled with an increase in rigs being deployed in USA for oil shale/fracking production. At this time of writing the oil price is just around USD 44.

It remains very likely that in the long term oil prices will go up as world oil consumption is increasing, and little investment has gone into developing new supplies of oil to replace the currently producing and inevitable depleting of existing oil fields. In the longer term it is possible that oil prices will hover around USD 60, as above this price USA oil shale production can quickly be switched back on again.

As previously mentioned in earlier reports, Crown Energy's assets are well suited to the current oil price environment.

PARENT COMPANY

The Parent Company's YTD revenue totalled SEK 0 thousand (806). The revenue in 2015 was related to invoicing of subsidiaries. Q2 revenue came in at SEK 0 (0) thousand.

The Parent Company's YTD earnings before tax totalled SEK 501 thousand (-4,621). Q2 earnings before tax totalled SEK 276 thousand (-1,891).

Cash and cash equivalents at 30 June 2016 totalled SEK 50,889 thousand compared with SEK 72 thousand at 31 December 2015. This increase is attributable to the directed issue completed in June 2016, which raised SEK 63,000 thousand in cash and cash equivalents for the Company before issue expenses.

There were 2 persons (3) employed by the Parent Company at the end of the period.

Equity at the end of the period was SEK 214,469 thousand compared with SEK 148,500 thousand at 31 December 2015. The change consists of the two issues during the period. For details, see the Parent Company's statement of changes in equity on page 16.

As mentioned previously, the Company repaid the entire convertible loan and associated interest in late June 2016. As a result, there are no longer any convertible loans. See Note 8, Convertible loans, for more information.

Condensed consolidated income statement

ALL AMOUNTS IN SEK THOUSAND	NOTE	2016-04-01	2015-04-01	2016-01-01	2015-01-01	2015-01-01
		2016-06-30	2015-06-30	2016-06-30	2015-06-30	2015-12-31
Revenue		–	–	–	–	–
Other operating income		–	–	–	–	73
Other external costs		-1,251	-1,387	-2,012	-2,009	-4,607
Employee benefit expenses		-1,010	-1,120	-2,069	-2,266	-4,077
Depreciation/amortisation and impairment of property, plant, and equipment and intangible assets		-8	-8	-16	-16	-33
Other operating expenses		-221	-2	-249	-17	–
Operating loss		-2,490	-2,517	-4,346	-4,308	-8,644
Financial income		7,985	–	6,829	1,898	2,447
Financial expenses		-771	-4,082	-1,832	-7,016	-9,380
Earnings before tax		4,724	-6,599	651	-9,426	-15,577
Income tax	9	–	–	–	–	–
Net profit/loss for the period		4,724	-6,599	651	-9,426	-15,577
Earnings per share and share related data						
Average number of basic shares, thousands	4	61,394	40,405	34,345	34,345	45,001
Average number of diluted shares, thousands	4	61,394	40,405	34,345	34,345	45,001
Basic earnings per share, SEK	4	0.08	-0.16	0.02	-0.27	-0.35
Diluted earnings per share, SEK	4	0.08	-0.16	0.02	-0.27	-0.35

Condensed consolidated statement of comprehensive income

ALL AMOUNTS IN SEK THOUSAND	NOTE	2016-04-01	2015-04-01	2016-01-01	2013-01-01	2015-01-01
		2016-06-30	2015-06-30	2016-06-30	2015-06-30	2015-12-31
Net profit/loss for the period		4,724	-6,599	651	-9,426	-15,577
Other comprehensive income						
Translation differences		1,634	-2,096	631	2,162	2,699
Total items that can be reclassified to profit or loss		1,634	-2,096	631	2,162	2,699
Other comprehensive income, net of tax		1,634	-2,096	631	2,162	2,699
Total comprehensive income for the period		6,358	-8,695	1,282	-7,264	-12,878
Total comprehensive income attributable to:						
Parent Company shareholders		6,358	-8,695	1,282	-7,264	-12,878
Comprehensive income for the period		6,358	-8,695	1,282	-7,264	-12,878

Condensed consolidated statement of financial position

ALL AMOUNTS IN SEK THOUSAND	NOTE	2016-06-30	2015-06-30	2015-12-31
ASSETS				
Non-current assets				
Equipment, tools, fixtures, and fittings	11	49	83	66
Exploration and evaluation assets	5, 11, 12	180,527	172,024	176,445
Total non-current assets		180,576	172,107	176,511
Current assets				
Other receivables	7	1,026	1,708	791
Cash and cash equivalents		52,354	1,056	156
Total current assets		53,380	2,764	947
TOTAL ASSETS		233,956	174,871	177,458
EQUITY				
Capital and reserves attributable to Parent Company shareholders				
Share capital		2,721	1,589	1,633
Non-registered share capital		0	-	-
Other contributed capital		247,657	178,573	183,276
Reserves		9,743	8,575	9,112
Accumulated earnings		-63,845	-48,267	-48,267
Net profit/loss for the period		651	-9,426	-15,577
Total equity		196,927	131,044	130,177
LIABILITIES				
Non-current liabilities				
Loans from related parties	2, 8	6,304	6,704	6,704
Deferred tax liabilities	9	14,722	14,301	14,498
Other provisions	6, 7	3,184	9,123	9,250
Total non-current liabilities		24,210	30,128	30,452
Current liabilities				
Convertible loans	7, 8	-	9,728	11,209
Other current liabilities	7	12,819	3,971	5,620
Total current liabilities		12,819	13,699	16,829
TOTAL EQUITY AND LIABILITIES		233,956	174,871	177,458
Pledged assets and contingent liabilities	13	102,863	50	102,863

Condensed consolidated statement of changes in equity

ALL AMOUNTS IN SEK THOUSAND	2016-06-30	2015-06-30	2015-12-31
Opening equity	130,177	57,090	57,090
Net profit/loss for the period	651	-9,426	-15,577
Other comprehensive income, net of tax	631	2,162	2,699
Comprehensive income for the period	1,282	-7,264	-12,878
Transactions with shareholders:			
Conversions, KV1 2013/2016 1)	0	-	-
Option component, KV1 2013/2016	-	3,219	3,219
Directed share issue, January 2016	11,000	-	-
Directed issue, June 2016	64,000	-	-
Shares 2)	44,100	-	-
Warrants 2)	18,900	-	-
Preferential rights issue	-	-	4,913
Offset issues	-	79,432	79,432
Issue expenses 3)	-8,532	-1,433	-1,599
Closing equity	196,927	131,044	130,177
Attributable to:			
Parent Company shareholders	196,927	131,044	130,177
Total equity	196,927	131,044	130,177

1) Conversions amounted to less than SEK 1 thousand.

2) Issue price for 1 unit (consisting of one (1) share and (1) warrant) was SEK 2. There was no distribution made in the SPA with Cement Fund between the value of the share and the warrant. In accordance with current accounting regulation, a distribution is however made within equity between the shares and the warrants, based on an option valuation according to the Black & Scholes model. Each warrant is valued to SEK 0.60.

3) Deferred taxes on issue expenses were not recognised.

Condensed consolidated statement of cash flows

ALL AMOUNTS IN SEK THOUSAND	2016-04-01	2015-04-01	2016-01-01	2015-01-01	2015-01-01
	2016-06-30	2015-06-30	2016-06-30	2015-06-30	2015-12-31
Cash flow from operating activities	-1,989	-4,143	-4,150	-5,956	-8,533
Cash flow from investing activities	10	-786	-3,816	-1,203	-28,695
Cash flow from financing activities	10	48,138	-2,861	57,551	-2,061
Cash flow for the period	45,363	-10,820	52,198	-33,554	-34,543
Cash and cash equivalents at start of period	6,964	11,877	156	34,626	34,626
Cash flow for the period	45,363	-10,820	52,198	-33,554	-34,543
Exchange gains/losses on cash and cash equivalents	27	-1	0	-16	73
Cash and cash equivalents at end of period	52,354	1,056	52,354	1,056	156

Consolidated key ratios

For definitions of key ratios, see pages 25-26.

QUARTERLY SUMMARY – GROUP

Quarterly summary of the last eight quarters:

ALL AMOUNTS IN SEK THOUSAND UNLESS OTHERWISE STATED	NOTE	2016-04-01	2016-01-01	2015-10-01	2015-07-01	2015-04-01	2016-01-01	2014-10-01	2014-07-01	2014-04-01
		2016-06-30	2016-03-31	2015-12-31	2015-09-30	2015-06-30	2015-03-31	2014-12-31	2014-09-30	2014-06-30
		Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Earnings										
Other operating income		-	-	140	-	-	-	-	-	-
Operating profit/loss		-2,490	-1,856	-2,361	-1,975	-2,517	-1,791	-3,370	-1,417	-2,369
Net profit/loss for the period, after tax		4,724	-4,073	-3,733	-2,418	-6,599	-2,827	-6,489	-4,520	-4,088
Earnings yield										
Return on equity, %		neg	neg	neg	neg	neg	neg	neg	neg	neg
Return on capital employed, %		neg	neg	neg	neg	neg	neg	neg	neg	neg
Financial position										
Equity/assets ratio, %		84.2%	73.4%	73.4%	74.5%	74.9%	31.2%	38.3%	41.3%	43.4%
Net debt/equity ratio, times		-0.27	0.04	0.08	0.06	0.07	1.01	0.37	0.31	0.22
Net asset value per share, SEK		2.13	2.21	2.34	2.41	2.42	2.07	2.03	2.12	2.22
Total assets		233,956	183,612	177,458	179,947	174,871	187,813	149,083	144,655	142,255
Equity		196,927	134,814	130,177	134,139	131,044	58,521	57,090	59,795	61,783
Cash flow from investments		-786	-417	-722	-2,436	-3,816	-21,721	-515	-563	-899
Ratios per share										
Dividend per share, SEK		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Number of basic shares outstanding, thousand	4	92,547	61,047	55,547	55,547	54,072	28,243	28,143	28,143	27,845
Number of diluted shares outstanding, thousand	4	92,547	61,047	55,547	55,547	54,072	28,243	28,143	28,143	27,845
Average number of shares, thousand	4	61,394	58,236	55,547	55,419	40,405	28,218	28,143	28,062	27,823
Average number of diluted shares, thousand	4	61,394	58,236	55,547	55,419	40,405	28,218	28,143	28,062	27,823
Basic earnings per share, SEK	4	0.08	-0.07	-0.07	-0.04	-0.16	-0.10	-0.23	-0.16	-0.15
Diluted earnings per share, SEK	4	0.08	-0.07	-0.07	-0.04	-0.16	-0.10	-0.23	-0.16	-0.15
Equity per share, SEK		2.13	2.21	2.34	2.41	2.42	2.07	2.03	2.12	2.22
Cash flow from operating activities per share, SEK		0.05	-0.04	-0.03	-0.02	-0.08	-0.06	-0.08	0.00	0.00
Employees										
Average number of employees		2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0

INTERIM AND FULL-YEAR SUMMARY – GROUP

Interim summary, comparison period and full-year summary of the last four years (five years not possible):

ALL AMOUNTS IN SEK THOUSAND UNLESS OTHERWISE STATED	NOTE	2016-01-01	2015-01-01	2015-01-01	2014-01-01	2013-01-01	2012-01-01	2011-01-01
		2016-06-30	2015-06-30	2015-12-31	2014-12-31	2013-12-31	2012-12-31	2011-12-31
		Q1-Q2	Q1-Q2	FULL YEAR	FULL YEAR	FULL YEAR	FULL YEAR	FULL YEAR
Earnings								
Other operating income		–	–	73	–	–	–	342
Operating profit/loss		-4,346	-4,308	-8,644	-9,448	-9,271	-9,300	-3,158
Net profit/loss for the period, after tax		651	-9,426	-15,577	-21,115	-14,399	-9,710	-3,042
Earnings yield								
Return on equity, %		neg	neg	neg	neg	neg	neg	neg
Return on capital employed, %		neg	neg	neg	neg	neg	neg	neg
Financial position								
Equity/assets ratio, %		84.2%	74.9%	73.4%	38.3%	51.3%	71.9%	2.4%
Net debt/equity ratio, times		-0.27	0.07	0.08	0.08	-0.02	n/a	n/a
Net asset value per share, SEK		3.64	2.42	2.34	2.07	2.49	2.15	0.07
Total assets		233,956	174,871	177,458	149,083	134,211	77,133	51,958
Equity		196,927	131,044	130,177	57,090	68,843	55,434	1,247
Cash flow from investments		-1,203	-25,537	-28,695	-3,830	-2,664	-11,791	-17,974
Ratios per share								
Dividend per share, SEK		n/a	n/a	n/a	n/a	n/a	n/a	n/a
Number of basic shares outstanding, thousand	4	54,072	54,072	55,547	28,143	27,598	25,755	17,031
Number of diluted shares outstanding, thousand	4	54,072	54,072	55,547	28,143	27,598	25,755	17,031
Average number of shares, thousand	4	34,345	34,345	45,001	27,969	25,917	20,929	3,906
Average number of diluted shares, thousand	4	34,345	34,345	45,001	27,969	25,917	20,929	3,906
Basic earnings per share, SEK	4	0.02	-0.27	-0.35	-0.75	-0.56	-0.46	-0.78
Diluted earnings per share, SEK	4	0.02	-0.27	-0.35	-0.75	-0.56	-0.46	-0.78
Equity per share, SEK		3.64	2.42	2.34	2.03	2.49	2.15	0.07
Cash flow from operating activities per share, SEK		-0.21	-0.21	-0.21	-0.40	-0.59	-0.37	-0.16
Employees								
Average number of employees		2.0	3.0	2.5	3.0	3.0	2.0	0.0

Condensed Parent Company income statement

ALL AMOUNTS IN SEK THOUSAND	NOTE	2016-04-01	2015-04-01	2016-01-01	2015-01-01	2015-01-01
		2016-06-30	2015-06-30	2016-06-30	2015-06-30	2015-12-31
Revenue		-	-	-	806	806
Other operating income		-	15	-	32	137
Other external costs		-1,127	-1,110	-1,661	-1,570	-3,443
Employee benefit expenses		-970	-1,120	-2,028	-2,266	-4,077
Depreciation/amortisation and impairment of property, plant, and equipment and intangible assets		-8	-8	-16	-16	-33
Other operating expenses		-221	-	-246	-	-
Operating loss		-2,326	-2,223	-3,951	-3,014	-6,610
Interest income and similar items		86	-	86	252	326
Interest income, intercompany		3,036	2,992	6,060	4,873	10,768
Interest expenses and similar items		-520	-2,660	-1,694	-6,732	-8,931
Earnings before tax		276	-1,891	501	-4,621	-4,447
Tax	9	-	-	-	-	-
Net profit/loss for the period		276	-1,891	501	-4,621	-4,447

Condensed Parent Company statement of comprehensive income

ALL AMOUNTS IN SEK THOUSAND	NOTE	2016-04-01	2015-04-01	2016-01-01	2015-01-01	2015-01-01
		2016-06-30	2015-06-30	2016-06-30	2015-06-30	2015-12-31
Net profit/loss for the period		276	-1,891	501	-4,621	-4,447
Other comprehensive income						
<i>Total items that can be reclassified as profit or loss</i>		-	-	-	-	-
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income		276	-1,891	501	-4,621	-4,447

Condensed Parent Company balance sheet

ALL AMOUNTS IN SEK THOUSAND	NOTE	2016-06-30	2015-06-30	2015-12-31
ASSETS				
Non-current assets				
Participations in Group companies		20,204	19,704	20,204
Property, plant, and equipment		49	83	66
Receivables from Group companies		21,244	21,244	21,244
Total non-current assets		41,497	41,031	41,514
Current assets				
Receivables from Group companies		136,303	118,539	127,342
Current receivables	7	1,001	1,292	563
Cash and bank balances	5	50,889	898	72
Total current assets		188,193	120,729	127,977
TOTAL ASSETS		229,690	161,760	169,491
EQUITY				
Equity				
Restricted equity				
Share capital		2,720	1,589	1,633
Non-registered share capital		-	-	-
Total restricted equity		2,720	1,589	1,633
Non-restricted equity				
Share premium reserve		243,657	174,573	179,276
Accumulated earnings		-32,409	-27,962	-27,962
Net profit/loss for the year		501	-4,621	-4,447
Total non-restricted equity		211,749	141,990	146,867
Total equity		214,469	143,579	148,500
Non-current liabilities				
Loans from related parties	1, 7	6,304	6,704	6,704
Total non-current liabilities		6,304	6,704	6,704
Current liabilities				
Convertible loans		-	9,728	11,209
Other current liabilities	7	8,917	1,749	3,078
Total current liabilities		8,917	11,477	14,287
TOTAL EQUITY AND LIABILITIES		229,690	161,760	169,491
Pledged assets		50	50	50
Contingent liabilities		None	None	None

Condensed Parent Company statement of changes in equity

ALL AMOUNTS IN SEK THOUSAND	NOTE	2016-06-30	2015-06-30	2015-12-31
Opening equity		148,500	66,982	66,982
Net profit/loss for the period		501	-4,621	-4,447
Other comprehensive income for the period		-	-	-
Comprehensive income for the period		501	-4,621	-4,447
Conversions, KV1 2013/2016 1)		0	-	-
Option component, KV1 2013/2016		-	3,219	3,219
Directed share issue, January 2016		11,000	-	-
Directed issue, June 2016		63,000	-	-
Shares 2)		44,100	-	-
Warrants 2)		18,900	-	-
Directed issue		74,000	-	-
Offset issues		-	79,432	79,432
Preferential rights issue		-	-	4,913
Issue expenses 3)		-8,532	-1,433	-1,599
Closing equity		214,469	143,579	148,500

- 1) Conversions amounted to less than SEK 1 thousand.
- 2) Issue price for 1 unit (consisting of one (1) share and (1) warrant) was SEK 2. There was no distribution made in the SPA with Cement Fund between the value of the share and the warrant. In accordance with current accounting regulation, a distribution is however made within equity between the shares and the warrants, based on an option valuation according to the Black & Scholes model. Each warrant is valued to SEK 0.60.
- 3) Deferred taxes on issue expenses were not recognised.

Notes

NOTE 1 GENERAL INFORMATION, ACCOUNTING POLICIES

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 2015 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 2015 financial year and as described in the 2015 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 2015 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 2 TRANSACTIONS WITH RELATED PARTIES

Purchases and sales within the Group

The Parent Company's revenue in the first half of 2016 represents 0 per cent (0) of re-invoicing to other companies within the Group. In Q2 2016, the Parent Company's revenue represents 0 per cent (100) of re-invoicing to other companies within the Group. Of the Parent Company's total interest income in the first half of 2016, 99 per cent (95) relates to other companies within the Group.

Loans from related parties

The Parent Company holds interest-free loans from former CEO Ulrik Jansson. Ulrik Jansson raised these loans on an ongoing basis privately and via companies, including via USB Investment BV (second-largest owner of Crown Energy). The loans totalled SEK 6,304 thousand at 30 June 2016. The loan decreased by SEK 400 thousand since 31 December 2015 due to repayments.

Purchase of services

Peter Mikkelsen works in his management position under a consultancy agreement. Technical services are also contracted from board member Nick Johnson. Their services are purchased on normal commercial terms and they invoice regularly for work performed. In the first half of 2016, Peter Mikkelsen invoiced a total amount of GBP 2.5 thousand (5) and Nick Johnson GBP 0.5 thousand (3), which is equivalent to SEK 31 thousand and SEK 7 thousand respectively at an average exchange rate for the period from January to June 2016.

Crown Energy also purchases technical consulting services from Simco Petroleum Ltd. (Simco). Alan Simonian, board member, currently owns 33 per cent of Simco and also sits on Simco's board. Services from Simco are purchased on normal commercial terms. Services were purchased in the first half of 2016 in the amount of USD 50 thousand (60), which is equivalent to SEK 423 thousand calculated using an average rate for the period from January to June 2016.

Other transactions

No other transactions with related parties were entered into in Q2 2016. However, the acquisition of Simbo Petroleum No.2 Ltd, which holds the Block 2B licence in South Africa, was completed in the comparison period of 2015. The sellers were Comtrack Ventures Ltd (major shareholder of Crown Energy AB) and Alan Simonian (shareholder of Crown Energy AB). 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"). For more information on the transaction, see the 2015 Annual Report.

NOTE 3 OWNERSHIP STRUCTURE

The number of shares registered in Crown Energy AB's share register as of publication of this report is 92,547,379 with a quotient value of SEK 0.03 per share.

The Company's shares are listed on NGM Equity. The five largest shareholders together owned 72 per cent of the total share capital at 30 June 2016. Ownership structure at 30 June 2016 and known subsequent changes:

SHAREHOLDERS	NUMBER OF SHARES	% OF OWNERSHIP
Cement Fund SCSp 1)	31,500,000	34.0%
USB Investment BV	15,313,107	16.6%
Andreas Forssell, privately and via companies	8,404,609	9.1%
Comtrack Ventures Ltd	7,933,156	8.6%
Alan Simonian, privately and via companies	3,429,521	3.7%
Other shareholders	25,966,986	28.0%
Total number of shares	92,547,379	100.0%

1) The shares are owned by the fully owned subsidiary Cement Sweden S.a.r.l.

NOTE 4 EARNINGS PER SHARE AND NUMBER OF SHARES

The Company's **Earnings per share** key ratio is calculated as: Earnings after tax divided by average number of shares for the period. This ratio is calculated both with and without dilutive effects.

Dilutive effect

The Parent Company had 31,500,000 warrants issued to its largest owner Cement Fund SCSp at 30 June 2016. The warrants can be converted into an equivalent number of ordinary shares upon conversion. In the event that Cement Fund opts to exercise its warrants and subscribe for additional shares, Cement Fund may then hold a total of 50.8 per cent of shares and votes in Crown Energy. Subscriptions for new shares by exercising warrants will be permitted during the period from 24 May 2016 until 24 May 2018. The issue price is SEK 2 per share. The warrants do not have any dilutive effect at this time, because the issue price is higher than the average price for Crown Energy's shares during the relevant periods (January-June and April-June).

Earnings per share and number of shares

The number of outstanding shares at 30 June 2016 totalled 92,547,379. The average number of shares for January-June was 59,823,619, and this figure for Q2 (April-June) was 61,393,532. As mentioned above, there is no dilutive effect.

YTD earnings before tax amounted to SEK 651 thousand, which puts earnings per share at 30 June 2016 at SEK 0.02 (both before and after dilution). Q2 earnings before tax amounted to SEK 4,726 thousand, which corresponds to earnings per share of SEK 0.08 (both before and after dilution).

NOTE 5 EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets comprise the acquisition of rights and other exploration expenses. No depreciation is taken during the exploration and development phase. All of the Group's exploration and evaluation assets are classified as intangible assets.

Revaluation effects are attributable to the acquisition of Amicoh Resources Ltd (which was made in USD) and the fact that these assets are translated using the closing rate. The revaluation effect that arises is recognised directly in the currency translation reserve in other comprehensive income. Translation differences are due to the fact that certain subsidiaries have the USD as their functional currency.

GROUP, ALL AMOUNTS IN SEK THOUSAND	2016-04-01	2015-04-01	2016-01-01	2015-01-01	2015-01-01
	2016-06-30	2015-06-30	2016-06-30	2015-06-30	2015-12-31
Opening carrying amount	176,445	174,917	176,445	107,459	107,459
Capital expenditures for the period	836	1,464	2,475	5,400	8,532
Increase through acquisition of assets	–	44	–	55,487	55,355
Translation and revaluation effects	3,246	-4,401	1,607	3,678	5,099
Closing accumulated cost of acquisition	180,527	172,024	180,527	172,024	176,445

NOTE 6 PROVISIONS

Following is a summary of the Group's provisions:

GROUP, ALL AMOUNTS IN SEK THOUSAND	2016-06-30	2015-06-30	2015-12-31
Acquisition of Amicoh Resources Ltd			
<i>Additional consideration, commercial discovery</i>	3,184	2,919	3,046
<i>Additional consideration, warrants</i>	–	0	–
Acquisition of Crown Energy Iraq			
<i>Provision for buy-back option</i>	–	6,204	6,204
Closing balance	3,184	9,123	9,250

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. This additional consideration is recognised at 30 June 2016 as a provision at a value of SEK 3,184 thousand (2,919) after present value calculations.

As part of the consideration for Amicoh Resources Limited, Crown Energy AB issued 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 no longer exists. The carrying amount was less than SEK 1 thousand at 30 June 2015.

For more information on provisions, see the 2015 Annual Report. No changes have occurred in Crown Energy's assessments of provisions since 31 December 2015.

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 enabled the sellers of Crown Energy Iraq to buy back 250 shares in the sold company within 30 months of the takeover date. With Crown Energy Iraq's current 1,000 shares, the sellers would have had the right to buy back 25 per cent of the company's shares. In conjunction with the acquisition, an assumption was made that the option would be exercised, and a provision was therefore made in the amount of SEK 6,204 thousand. However, the option period expired in May 2016 without any share subscriptions. Therefore, a provision is no longer recognised in the balance sheet. Given that the provision was a financial liability, the reversal has been recognised in the income statement as financial income in the amount of SEK 6,204 thousand.

NOTE 7 RECOGNITION 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 fair value of financial liabilities is calculated for disclosure purposes by discounting the future contractual cash flow at the current market interest rate available to the Group for similar financial instruments. The present value of loans from related parties, corresponding to the estimated fair value at 30 June 2016, was estimated at SEK 6,004 thousand, which is based on an interest rate of 5 per cent if the loans had been taken out at market conditions.

The fair value of financial instruments not traded in an active market is determined using discounted cash flows.

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 following table shows the financial items recognised at fair value via the income statement, divided into the three levels:

GROUP, ALL AMOUNTS IN SEK THOUSAND				
2016-06-30	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Total assets	-	-	-	-
Liabilities				
Financial liabilities measured at fair value via income statement:				
<i>Provision for additional consideration, commercial discovery</i>	-	-	3,184	3,184
Total liabilities	-	-	3,184	3,184

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 2015. The period's total net effect due to revaluation to fair value was SEK -138 thousand (-230) 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. Convertibles valued at SEK 66,432 thousand were bought back in April 2015, which corresponded to about 85 per cent of the previous total convertible debt. The convertibles holders who chose not to sell their convertibles as offered remained under the original terms of the convertible and they will continue to be traded on NGM Equity as before. The nominal amount of these convertibles totalled SEK 12,211 thousand after the buy-back. The KV2 2014/2016 convertible series was bought back in its entirety.

An interest payment for the remaining convertible loan matured on 29 April 2016 and the convertible loan matured for final payment on 2 May 2016. The repayment was postponed due to the issue in progress. A payment of a nominal amount of SEK 12,211 thousand and interest was made on 29 June for the convertible loan in accordance with the convertible terms and conditions as well as additional interest of 18 per cent (per year) from the maturity date until 30 June 2016 (on the nominal amount of the convertibles at 2 May 2016 and on the interest overdue at 29 April 2016). Following this repayment, Crown Energy no longer has any outstanding convertible loans.

Carrying amounts

Classification of the convertible loans during the comparison periods was as follows below.

CURRENT BORROWINGS			
GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2016-06-30	2015-06-30	2015-12-31
Convertible loans:			
KV1 2013/2016	–	9,728	11,209
Total	–	9,728	11,209

Changes for the period:

GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	
At 1 January 2016	12,125
Conversion 31 March 2016	0
Interest expenses Jan-April 2016	1,692
Repayment liabilities and interest	-13,817
Liability component at 30 June 2016	–

The conversions in March 2016 corresponded to amounts below SEK 1 thousand and only referred to conversion of six convertibles to six shares.

NOTE 9 DEFERRED TAX

A deferred tax liability was recognised and is related to the surplus values 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 them 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 asset were offset in the balance sheet. There was no further capitalisation of the tax loss in 2016 and 2015, so no deferred tax was recognised in the income statement.

NOTE 10 CASH FLOW

Financing and investing activities are specified as follows:

Financing activities

GROUP, ALL AMOUNTS IN SEK THOUSAND	2016-04-01	2015-04-01	2016-01-01	2015-01-01	2015-01-01
	2016-06-30	2015-06-30	2016-06-30	2015-06-30	2015-12-31
Directed issues	63,000	–	74,000	–	–
Preferential rights issue	–	–	–	–	4,912
Issue expenses	-945	-1,433	-2,232	-1,433	-1,599
Interest payment convertible loans	-1,606	-1,228	-1,606	-1,228	-1,228
Repayment convertible loans	-12,211	–	-12,211	–	–
Borrowings from related parties	–	–	–	800	800
Repayment of loans from related parties	-100	-200	-400	-200	-200
Total net cash flow from financing activities	48,138	-2,861	57,551	-2,061	2,685

Investing activities

	2016-04-01	2015-04-01	2016-01-01	2015-01-01	2015-01-01
GROUP, ALL AMOUNTS IN SEK THOUSAND	2016-06-30	2015-06-30	2016-06-30	2015-06-30	2015-12-31
Acquisition of subsidiaries	–	–	–	7	7
Cash and cash equivalents in Simbo Petroleum No.2 Ltd	–	–	–	7	7
Expenditures on exploration and evaluation assets	-786	-3,816	-1,203	-25,544	-28,702
Increase in exploration and evaluation assets through acquisition of subsidiaries, see Note 12	–	-3,532	–	-24,947	-25,014
Expenditures on exploration and evaluation assets	-786	-284	-1,203	-597	-3,688
Total cash flow from investing activities	-786	-3,816	-1,203	-25,537	-28,695

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 of non-current assets distributed across geographic areas.

GROUP, ALL AMOUNTS IN SEK THOUSAND	EQUIPMENT, TOOLS, FIXTURES, AND FITTINGS			EXPLORATION AND EVALUATION ASSETS			TOTAL NON-CURRENT ASSETS		
	2016-06-30	2015-06-30	2015-12-31	2016-06-30	2015-06-30	2015-12-31	2016-06-30	2015-06-30	2015-12-31
Sweden	49	83	66	–	–	–	49	83	66
Equatorial Guinea	–	–	–	4,863	4,779	4,839	4,863	4,779	4,839
Madagascar	–	–	–	82,085	77,269	79,119	82,085	77,269	79,119
Iraq	–	–	–	31,385	31,122	31,252	31,385	31,122	31,252
South Africa	–	–	–	62,194	58,854	61,235	62,194	58,854	61,235
Total	49	83	66	180,527	113,170	115,210	180,576	172,107	176,511

NOTE 12 ACQUISITION OF SIMBO PETROLEUM NO.2 LTD

Background

On 27 January, Crown Energy AB's subsidiary, Crown Energy Ventures Corporation, took over the shares of Simbo Petroleum No. 2 Ltd ("Simbo No. 2"). Simbo No. 2 currently holds 40.5 per cent of licence Block 2B in South Africa, but this figure will be 10 per cent once the farm-out to Africa Energy is completed.

For more information on the acquisition, see Note 26 in the 2015 Annual Report. Disclosures are made below in order to explain the comparison periods of 30 June 2015 and 31 December 2015.

Accounting in Group

Crown Energy recognised the acquisition of Simbo 2 as an asset acquisition. Accounting in the Group is presented below.

EXPLORATION AND EVALUATION ASSETS	2016-01-01	2015-01-01	2015-01-01
GROUP, ALL AMOUNTS IN SEK THOUSAND	2016-06-30	2015-06-30	2015-12-31
Increase through acquisition of subsidiaries:			
Acquired assets (licences)	–	18,149	18,149
Surplus values	–	33,563	33,563
Directly attributable acquisition costs	–	3,775	3,643
Total increase in exploration and evaluation assets due to acquisition of Simbo No. 2	–	55,487	55,355

Cash flows attributable to acquisition

Below is a breakdown of cash flow attributable to the acquisition:

GROUP, ALL AMOUNTS IN SEK THOUSAND	2016-01-01	2015-01-01	2015-01-01
	2016-06-30	2015-06-30	2015-12-31
Cash consideration, subsidiary/licence	–	-35,882	-35,882
Directly attributable acquisition costs	–	-3,775	-3,643
Disbursement from escrow in 2014 for cash calls	–	1,548	1,548
Adjustments for non-cash items:			
<i>Directly attributable acquisition costs (non-cash 2015)</i>	–	482	283
<i>Adjustment to consideration at takeover (non-cash)</i>	–	12,680	12,680
Cash flow attributable to increase in exploration and evaluation assets through acquisition of subsidiary	–	-24,947	-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 refer to the additional consideration for Simbo Petroleum No.2 Ltd and are currently presented at the maximum amount that may be paid at the time of settlement. For more information on the additional consideration, see the 2015 Annual Report. No changes to the estimate of the contingent liability have been made since 31 December 2015.

On the next page is a summary of pledged assets and contingent liabilities:

GROUP, ALL AMOUNTS IN SEK THOUSAND	2016-06-30	2015-06-30	2015-12-31
Pledged assets			
<i>Bank guarantee</i>	50	50	50
Contingent liabilities			
<i>Additional consideration Block 2B</i>	102,813	–	102,813
Total pledged assets and contingent liabilities	102,863	50	102,863

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 August 2016

Pierre-Emmanuel Weil
Chairman of the Board

Nick Johnson
Board member

Jean Benaim
Board member

Alan Simonian
Board member

REPORTING DATES

➤ Nine-month report

11 November 2016

PUBLICATION PURSUANT TO SWEDISH LAW

This information constitutes such information as Crown Energy AB (publ) is required to disclose under the Securities Markets Act. The information was submitted for publication on 11 August 2016 at 8:30 CET.

FINANCIAL INFORMATION

All financial information is posted at www.crownenergy.se as soon as it is released. Shareholders, other players in the stock market, and the public are free to subscribe to the Company's press releases and financial reports through NG News, Nordic Growth Markets news service, at www.ngnews.se.

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This is Crown Energy

GENERAL INFORMATION

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 licence 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 by finding and developing assets in early stages and then introducing larger oil and gas industry players to the projects for further development and production.

GOALS

Crown Energy's 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 by finding and developing assets in early stages and then introducing larger oil and gas industry players to the projects for further development and production.

MORE INFORMATION

See the 2015 Annual Report and website, www.crownenergy.se

Glossary and definitions

GLOSSARY – CONCEPTS AND MEASUREMENTS RELATED TO THE OIL INDUSTRY

Block/Concession/Licence

A country's exploration and production area is divided into different geographic blocks. Agreements are entered into with the host country which grant the company the right to explore and produce oil and gas within the specified area in exchange for the company paying a licence fee and royalties on production.

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

Onshore

Refers to operations on land.

Offshore

Refers to operations at sea.

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.

Prospect

A geographic exploration area in which commercial quantities of oil or gas have been established.

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, if the discoveries are of a commercial nature, etc. In short, resources are considered reserves when they are deemed commercially recoverable and a development plan has been approved by the local licencing authority. Reserves are divided into proven, probable, and possible. Resources are divided into contingent and prospective categories. Crown Energy calculates reserves and resources in accordance with the Society of Petroleum Engineers Petroleum Resources Management System of 2007.

Reservoirs

Accumulated oil or gas in a porous type of rock with good porosity, such as sandstone or limestone.

Seismic data

Seismic surveys are conducted to describe geological structures in the bedrock. Sound signals (blasts) are sent from the surface of the ground or the sea and the reflections are captured by special measuring instruments. Used to localise hydrocarbons.

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 equity 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.