

Crown Energy AB (publ)

Year-end report 2013

Crown Energy AB (publ) and its subsidiaries (Crown Energy, the Company, or the Group) is an international oil and gas group engaged in oil and gas exploration in Africa and the Middle East. Value is created through finding and developing assets in early stages and then introducing larger oil and gas industry players to the projects for further development and production. The Parent Company, whose commercial domicile is Stockholm, Sweden, is listed on NGM Equity.

Fourth quarter 2013

- The Company did not recognize any sales or operating income.
- Operating expenses for Q4 totalled SEK -2,684 thousand (-2,669), consisting primarily of employee expenses and other external costs. Since Crown Energy has no operating income, operating expenses also correspond with earnings for the quarter.
- Earnings before tax for the period totalled SEK -5,671 thousand (-2,934). Net income for the period after tax totalled SEK -5,808 thousand (-2,934), corresponding to SEK -0.22 per share (-0.11).
- Expenditures on exploration licenses in Q4 totalled SEK 1,991 thousand (3,931).

Full year 2013

- The Company did not recognize any sales or operating income.
- Operating expenses totalled SEK -9,271 thousand (-9,300), consisting primarily of employee expenses and other external costs. Since Crown Energy has no operating income, operating expenses also correspond with earnings for the year.
- Earnings before tax for the period totalled SEK -17,842 thousand (-9,710). Net income for the period after tax totalled SEK -14,399 thousand (-9,710), corresponding to SEK -0.56 per share (-0.46).
- Expenditures on exploration licenses in 2013 totalled SEK 3,229 thousand (11,791). Exploration licences also increased by SEK 27,767 thousand as a result of subsidiary acquisitions.

Summary of key events in 2013

- Funding for the acquisition of 40.5% of Block 2B in South Africa was secured through the issuance of a three-year convertible debt instrument with an annual percentage rate of 10%. The convertible issue raised SEK 44,124 thousand in cash for Crown Energy.
- Crown Energy took a decision to acquire Tigris Oil Sweden AB, which holds a licence in Salah ad-Din in Iraq. The consideration comprised newly issued Crown Energy shares, and the final consideration totalled 1,842,715 shares, for which the issue price was set at SEK 8 per share. On 18 November 2014, Crown Energy took over Tigris Oil Sweden AB.
- In September 2013, Crown Energy recruited a chief operating officer (COO).
- Holders exercised 246,934 convertibles during the 1 to 30 December 2013 conversion period, which meant that an equal amount of new shares were subscribed for during the period.

Condensed consolidated financial information

SEK THOUSAND	2013-10-01	2012-10-01	2013-01-01	2012-01-01
	2013-12-31	2012-12-31	2013-12-31	2012-12-31
	Q4	Q4	Full year	Full year
Revenue	-	-	-	-
Operating expenses	-2,684	-2,669	-9,271	-9,300
Operating loss	-2,684	-2,669	-9,271	-9,300
Net financial items	-2,987	-265	-8,571	-410
Net income for the period, after tax	-5,808	-2,934	-14,399	-9,710
Earnings per share, SEK	-0.22	-0.11	-0.56	-0.46
Equity per share, SEK	2.37	2.15	2.49	2.15
Change in cash and cash equivalents	-7,344	-6,175	24,821	10,207
Cash flow from investments in intangible assets	-305	-1 352	2 499	-11,791

CEO statement

Dear shareholders and investors,

Acquisitions were the name of the game in 2013. The financing of our interest in Block 2B in South Africa was completed and we also acquired the Salah ad-Din licence in Iraq. These acquisitions broaden our asset base and have allowed us to extend an exciting portfolio that we can continue to develop and build value around.

Financing of the acquisition of our South African asset was made possible through a convertible loan that runs from May 2013 to April 2016, i.e. over three years. With an interest rate of 10 per cent and a conversion rate of SEK 10 per share, we believe that this is an attractive investment security since it is also secured against the South Africa asset. Conversion is allowed twice a year and we saw a number of convertibles converted into shares in the first year, namely about SEK 2.5 million was converted into about 245,000 new shares in December. All we need for the acquisition to be completed is regulatory approval from South Africa.

As of this writing all partners involved with the South Africa licence, including Thombo Petroleum and Afren, are analysing the results of the seismic data that was gathered in 2013. We hope to be able to present this to the market soon. Such a presentation is made simultaneously with the other licence partners.

Acquisition of the Iraqi asset was implemented via a non-cash issue. The seller of Tigris Oil i Sverige AB, which holds 100 per cent of the Salah ad-Din oil and gas licence, received about 1.8 million new Crown Energy shares. Accordingly, the acquisition price was about SEK 15 million, as the price per share was set at SEK 8. We believe that the price is favourable and that the asset has the potential to develop very well over time. We have an interesting and realistic plan for this asset, yet we cannot deny that there is uncertainty in Iraq, especially on the political front, and oil resources are obviously a sensitive issue.

We are very pleased with the progress that the company has made with the acquisition of Tigris Oil. This acquisition broadens both our geographic and operational focus areas. Oil has already been identified within the Iraqi licence area, so the focus will be on starting up test production as soon as possible. This is a new area for Crown Energy that requires new abilities, which we have partially satisfied by recruiting Surinder Rai as our COO.

Our projects in Madagascar and Equatorial Guinea are proceeding along the same lines as before. That is, finding a partner for our Madagascar licence and working together with our partners in Equatorial Guinea on the strategic choices of either developing the existing Venus reservoir or focusing further efforts on exploring the structures surrounding this reservoir.

In summary, 2013 was in many respects a year of building in which we continued to acquire assets with great potential. But they do not come without great risk. We have made great strides in creating an exciting international oil and gas company focused on exploration and projects in early stages with vast potential for generating great value.

Ulrik Jansson

CEO, Crown Energy AB (publ)

Operations – Fourth quarter and full year 2013

Income statement

Earnings

Operating expenses for Q4 totalled SEK -2,684 thousand (-2,669), of which SEK -1,316 thousand (-1,533) relates to other external costs and SEK -1,320 thousand (-805) relates to employee benefit expenses. Other external costs are slightly lower compared year-on-year and can be explained by costs in Q4 2012 that included preparation of the prospectus required for the initial public offering (IPO). Employee benefit expenses for the period were higher than last year due to the fact that another person was hired in 2013. At the end of Q3 2013 office equipment was purchased for the new offices. In Q4 2013, expenses amounting to SEK -33 thousand arose resulting from depreciation of this equipment. Other operating expenses of SEK -15 thousand (-331) were related to exchange rate effects. Since no revenue was generated, operating expenses also corresponded with earnings.

Operating expenses for full year 2013 totalled SEK -9,271 thousand (-9,300), of which SEK -3,948 thousand (-4,157) related to other external costs and SEK -5,259 thousand (-4,812) related to employee benefit expenses. Overall, operating expenses decreased between 2012 and 2013 by SEK 29 thousand. Despite increased employee benefit expenses resulting from hiring an additional employee, increased expenses associated with new facilities, and more travel and marketing events, the increase was offset somewhat by the high expenses that Crown Energy had in 2012 attributable to the IPO (prospectus, lawyers, stock exchange expenses, etc.) and the fact that much of the accounting and financial work is now performed internally instead of by consultants. See the preceding paragraph for a description of depreciation and other operating expenses. Since no revenue was generated, operating expenses also corresponded with earnings.

Net financial items

Net financial items totalled SEK -2,987 thousand (-265) for Q4 and SEK -8,571 thousand (-410) for full year 2013. The large increase is due to the convertible debt instrument that Crown Energy issued in April 2013. In Q4 2013, the convertible debt instrument resulted in an expense of SEK -3,013 thousand, including interest and discounting effects. For the full year 2013, expenses for the debt instrument totalled SEK -8,450 thousand. Net financial items were also affected by the discounting and translation effects of fair value valuation of the Company's provisions and exchange rate effects. These discounting and translation differences do not affect cash flow.

Tax

For 2013, the Company recognizes deferred tax revenue in the income statement attributable to capitalization of tax losses. Revenue for the full year amounted to SEK 3,443 thousand. As a result of a revaluation of the tax loss in Q4, the deferred tax asset decreased when compared to Q3. This resulted in a deferred tax expense of SEK -137 thousand in Q4. See Note 9, *Deferred tax*, for more information.

Earnings after tax

Loss (after tax) for full year 2013 totalled SEK -14,399 thousand (-9,710), corresponding to SEK -0.56 per share (-0.46). Loss (after tax) for Q4 totalled SEK -5,808 thousand (-2,934), corresponding to SEK -0.22 per share (-0.11).

Financial position

Total capitalized expenses for acquiring rights, prospecting costs, etc., which are recognized as intangible non-current assets, totalled SEK 91,878 thousand at 31 December 2013, a year-on-year net increase of SEK 30,933 thousand. The change since 31 December 2012 consists of expenditures for the year of SEK 3,229 thousand and translation differences of SEK -63 thousand. Apart from this, assets increased due to the acquisition of Tigris Oil Sweden AB and its Iraqi licence. The increase resulting from the acquisition totalled SEK 27,767 thousand. See Note 4, *Intangible assets*, for a table of changes for the year. Translation differences do not affect cash flow. Capitalized costs in intangible non-current assets for Q4 totalled SEK 1,991 thousand (3,931). Capitalizations for Q4 2013 relate primarily to expenses for the Iraqi licence. The decrease in the rate of expenditures compared with the periods of previous years is due to reduced activity with the Madagascar and Equatorial Guinea licences.

Crown Energy moved offices in Stockholm on 1 October. Following the purchase of equipment for the new offices, SEK 132 thousand net in property, plant, and equipment was recognized, including depreciation.

Cash and cash equivalents at the end of the period totalled SEK 36,584 thousand compared with SEK 11,762 thousand on 31 December 2012. The increase is mainly due to the issuance of a convertible debt instrument.

SEK 27,846 thousand in equity (net of issue costs and deferred tax) was injected as a result of recognizing the option component of the convertible debt instrument of SEK 7,745 thousand and the conversion to shares in December 2013 that amounted to SEK 1,846 thousand. Equity increased by SEK 18,255 thousand, net of issue expenses, as a result of the acquisition of Tigris Oil Sweden AB and the consideration that was settled through a non-cash issue.

The convertible debt instrument was issued in April 2013 to pay for the acquisition of shares in the company that owns a stake in Block 2B in South Africa. As of 31 December 2013, the carrying amount of the convertible debt instrument totalled SEK 35,412 thousand. See Note 8, *Convertible debt instruments*, for more information.

Other provisions increased during the year due to the buy-back option that arose from the acquisition of Tigris Oil Sweden AB. The value of the buy-back option at 31 December 2013 was SEK 6,204 thousand. Other provisions relating to the acquisition of subsidiary Amicoh Resources Ltd totalled SEK 2,686 thousand at the same date.

Other current liabilities consists principally of trade payables, employee-related taxes, and miscellaneous accrued expenses that total SEK 7,310 thousand. Of these accrued expenses SEK 4,218 thousand is classified as accrued interest on the convertible debt instrument.

Cash flow

Cash flow from operating activities amounted to SEK -5,663 thousand (-5,375) in Q4, which is in line with last year and mainly related to an outflow via salaries and recurring costs. For the full year, the same item totalled SEK -16,282 thousand (-9,545).

Cash flow from investing activities for Q4 2013 totalled SEK -1,324 thousand (-6,175). This outflow consisted of investments in intangible assets, but also expenditures on equipment and effects in cash and cash equivalents from the acquisition of Tigris Oil. The increase in intangible assets of SEK 27,767 thousand did not affect cash flow, as it involved a non-cash issue. Full year 2013 cash flow from investing activities amounted to SEK -2,664 thousand (-11,791). Cash flows from investing activities in 2013 were somewhat lower than in 2012 due to a slight reduction in the rate of investment in existing projects during the past year, as mentioned earlier.

Cash flow from financing activities for the full year amounted to SEK 43,768 thousand (31,543). The positive effect in 2013 is explained by the convertible issue that was implemented during the year, which affected cash flow by SEK 44,124 thousand. Issue expenses related to the non-cash issue offset the positive effect somewhat. See Note 10, *Cash flow from financing activities*, for more details and gross specifications.

Projects

In 2013, no significant exploration work was conducted in Crown Energy's current projects. Following are project status updates.

Block P – Equatorial Guinea

Since Vaalco Energy joined us as a partner in the project, much of our efforts have been focussed on the strategy going forward. The alternatives being discussed by the parties are to either expand the existing reservoir (Venus) or do additional preliminary exploration work on structures situated around the Venus reservoir.

3108 Manja – Madagascar

After 2012's drilling preparations, geotechnical and geophysical analyses of existing data, and approval of a licence agreement extension, Crown Energy's 2013 focus is on finding a partner that it can work with both operationally and financially.

The political situation in the country has been a complicating factor in finding a licence partner. In December 2013, however, a new president was elected, which means that political uncertainty is eliminated. At the end of the year, Crown Energy's licence was extended through November 2015. This means that Crown Energy can continue to try to find a project partner.

Block 2B – South Africa

In 2013, 3D seismic data was collected and was processed at the end of the year. Analysis and interpretation of the processed material will be done next. Each partner will interpret the material separately and, after comparing notes, will notify the operator and partners of the results. Crown Energy is currently conducting its own analysis and interpretation of the material. The data collected is of good quality and Crown Energy estimates that the documentation will provide the necessary supporting information for taking decisions on future drilling through the licence.

The application regarding a change of ownership for part of the licence was submitted to the South African authorities. As mentioned in previous reports, the acquisition of and access to a stake in the licence is subject to approval by the South African authorities, and this process is now under way.

Salah ad-Din - Irak

On 14th June 2013, Crown Energy's board put forth a proposal to acquire Tigris Oil Sweden AB (Tigris Oil), which holds a licence in Salah Ad Din, Iraq. The final acquisition agreement was signed in September 2013. Final approval of the acquisition was made at an extraordinary general meeting on 31st October 2013. After awaiting regulatory approval, Crown took possession of Tigris Oil on 18th November 2013.

The licence covers the entire area of the Salah Ad Din governorate in northern Iraq, an area of approximately 24,000 square kilometres. The license contains a number

of existing discovered oil fields, with multi-billion barrel potential, for example Ajeel, Hamrin, Tikrit and Balad fields.

Despite the apparent large and commercial discoveries, only limited production has occurred from just one field. Activities over the last 20 years have been limited due to the political instability.

From Q3 2013 onwards, Crown Energy's activities have initially focused on building an organisation for the operations in Iraq. The first major step was the recruitment of a COO with extensive experience in oil and gas exploration in the Middle East. The Iraq focused organisation has been further developed by appointing highly experienced specialist consultants.

A comprehensive technical work programme has been developed and is presently in progress. The first phases consist of data gathering, inventurisation and database setup, portfolio review and ranking.

The development plan for the Iraq operations is to follow a simple twin track strategy, where a fast track development of an existing discovered field is carried out in parallel with the longer term exploration and appraisal programme across the entire license.

When the company was acquired, its registered name was Tigris Oil i Sverige AB. In January 2014 a new name was registered: Tigris Oil Sweden AB. The new name is used in this year-end report.

Key events during the period (full year 2013)

Completion of share transfer agreement and registration of convertible issue

On 24 July the share transfer agreement between Crown Energy and the sellers of the company that owns a stake in the Block 2B licence in South Africa was completed. The consideration for the stake in the licence totalled SEK 48,757 thousand. Completion of the acquisition requires the approval of the South African authorities. Crown Energy will not be able to formally take over the licence until this occurs.

To finance the acquisition, it was determined at an extraordinary general meeting in June 2013 to issue 6,438,757 convertibles with preferential rights for shareholders. Trading in paid subscription units on NGM Equity began in late May. The convertible issue was registered with the Swedish Companies Registration Office on 31 July 2013. As of 5 August 2013, trading of paid subscription units on NGM Equity was replaced by convertibles. The convertible issue raised SEK 44,124

thousand in cash after transaction costs for Crown Energy.

The consideration will be paid partly with cash totalling SEK 35,882 thousand and partly with Crown Energy convertibles totalling SEK 12,875 thousand. Until the South African authorities approve the change of ownership, the cash and convertibles will be held by a third party.

For information on how the convertible debt instrument was handled in the accounts, see Note 8, *Convertible debt instruments*.

Decision on acquisition and takeover of Tigris Oil

In June, Crown Energy's board resolved to exercise an option it has held since 2012. The decision means that Crown Energy acquires 100 per cent of Tigris Oil through a consideration of SEK 15 million. The sellers were T Intressenter AB and USB Investment B.V. The Board's proposal meant that payment for Tigris Oil would consist of newly issued Crown Energy shares through a non-cash issue. The number of shares was to be determined on the basis of an agreed-upon issue price relative to the SEK 15 million consideration. An extraordinary general meeting of Crown Energy AB was held 31 October 2013, at which the shareholders resolved to approve the acquisition of Tigris Oil in accordance with the proposal made by the Board. It was also resolved that, with deviation from shareholders' preferential rights, to issue up to 3,000,000 shares to T Intressenter AB and USB Investment B.V. as payment for Tigris Oil.

Regulatory approval of the acquisition was received from the regional Iraqi authorities in early November 2013. In doing so, all conditions for the acquisition were satisfied and on 18 November 2013, Crown Energy took over Tigris Oil. The final consideration comprised 1,842,715 newly issued Crown Energy shares, for which the issue price was set at SEK 8 per share. For recognition of acquisitions, see Note 11, *Acquisition of Tigris Oil*.

Recruitment of chief operating office

In September 2013, Crown Energy recruited Surinder S. Rai as COO for Crown Energy's operations in Iraq, Madagascar, South Africa, and Equatorial Guinea. Surinder Rai has worked in the oil industry for over 16 years and is a chemical engineer with technical training from English universities. He has worked for several major oil companies around the world, including Chevron and Hess. Before assuming his position at Crown, he was employed by Gulf Keystone Petroleum, where he was responsible for development of oil production in Kurdistan, Iraq. Gulf Keystone Petroleum is a successful company with very positive growth on the market. Mr Rai

will initially be employed by Crown Energy as a consultant.

Conversions – KV1 2013/2016

Between 1 and 30 December 2013, holders of Crown Energy's KV1 2013/2016 convertible had an opportunity to convert to shares. Holders exercised 246,934 convertibles, which meant that an equal amount of new shares were subscribed for during the period. The nominal value of the convertibles exercised during the conversion period in December 2013 amounted to SEK 2,470 thousand.

Events after the reporting period

Registration of new shares

On 8 January 2014, 246,934 new Crown Energy shares were registered with the Swedish Companies Registration Office as a result of the conversions of Crown Energy's KV1 2013/2016 convertible instrument.

Registration of new Tigris Oil board etc.

On 21 January 2014 a number of corporate changes were registered with the Swedish Companies Registration Office for Tigris Oil. Among other things, some board members changed, the articles of association were amended, and the company changed its name to Tigris Oil Sweden AB.

Outlook

Operations

The acquisition of Tigris Oil is aligned with Crown Energy's growth strategy. Important goals in the near future include continuing to build up the organization in Iraq and Sweden, collecting additional information on existing reservoirs, and conducting additional surveys. Crown Energy will focus future work on further exploration of the licence area. Trial production at one of the existing multi-million barrel oilfields/reservoirs within the licence area will also be initiated. As work progresses, Crown Energy will provide information about the technical game plan and efforts to find a suitable industrial partner for further development, project financing, and production.

Otherwise, Crown continually appraises new opportunities in line with its business concept and goals. New projects must be compatible with Crown's basic values regarding political risk, infrastructure, the environment, and potential.

The Company is developing prospects for investors to own a share that generates good revenue, so Crown can be an attractive investment for both small and large investors in the market.

Financing and going concern

Since the Group has not generated any revenue or profits, financing has historically been done through new share issues. As mentioned earlier, a convertible issue was effected in Q2 2013 for the purpose of financing acquisition of the Block 2B licence. In October 2013, a non-cash issue was approved to finance Tigris Oil i Sverige AB.

To cope with the increased costs that acquisition of the Iraqi licence, among other things, will entail and the expenses brought about by the convertible loan, the Company will require additional financing in order to continue operations over the next 12 months. The Board believes that financing should primarily be done through the sale of assets, agreements with farm-in partners, or new share issues. Our focus is on finding a partner for the Madagascar or Iraq licences. Given the potential of the Company's licences and likely future financing, the Board assesses that the Company is able to continue as a going concern.

Risks and uncertainty factors

A detailed description of the Company's risks can be found in Crown Energy's 2012 Annual Report. No pervasive modifications to significant risks and uncertainty factors were made during the period for the Group or the Parent Company. Following is a summary of some of the major risks.

The main risk associated with Crown Energy's exploration and appraisal operations is that the assets the Group holds will not be developed into commercial reservoirs. Oil prices affect the operation even though the Group currently does not produce any oil. For example, lower oil prices could affect the Group through fluctuations in expected profitability, decreased interest in farm-out projects, or possible sales of assets.

Crown Energy has operations in several countries, which means that the Group is subject to currency exposure, primarily in USD. Currency exposure in USD affects net investments in foreign operations as well as anticipated future income.

Oil and gas exploration is a capital-intensive business, which means that in the future the Group may need capital injections to continue operating activities or to acquire new licences. Historically, financing has been primarily through new share issues. The main risk associated with financing is that new shares may be issued under less favourable market conditions.

Given that Crown Energy is engaged in and may expand its activities in developing countries, it can be affected by factors such as political, social, economic, and religious instability, including terrorism, military coercion, war, and

general and political unrest. This instability could have a very negative impact on the Company's operations as regards permits and partnerships. The countries in which the Company operates may also have legal systems that differ greatly from Sweden's, which could affect the Company's ability to exercise or enforce its rights and obligations. These risks have become even more relevant due to the acquisition of a license in Iraq during the year.

Parent Company

The Parent Company's earnings before tax for Q4 totalled SEK -4,729 thousand (-113). The Parent Company's earnings before tax decreased compared to prior years due to interest expenses from interest and discount effects arising from the convertible debt instrument. The negative earnings were offset somewhat by the interest income that the Parent Company now obtains on receivables from subsidiaries. Interest was also paid over the full year 2012, but was first calculated at year-end 2012.

The Parent Company's earnings before tax for full year 2013 totalled SEK -12,121 thousand (-4,821). The explanation for the change is the same as stated above.

For full year 2013, the Company recognized deferred tax revenue in the income statement attributable to capitalization of tax losses. Recognition occurred in Q2. The deferred tax asset was revalued in Q4, which meant that it was written down by SEK -137 thousand. The recognized net amount for 2013 totalled SEK 3,443 thousand.

Cash and cash equivalents at 31 December 2013 totalled SEK 35,957 thousand compared with SEK 11,563 thousand at 31 December 2012. The increase is mainly due to the issuance of a convertible debt instrument.

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

Equity at the end of the period was SEK 81,267 thousand compared with SEK 62,100 thousand at 31 December 2012. Apart from net loss for the year of SEK -8,678

thousand, equity increased by SEK 38,919 thousand. The increase is attributable to recognition of the option component of the convertible debt instrument, conversions in December 2013 of the same, and the implemented non-cash issue related to the acquisition of Tigris Oil. See the Parent Company's report of changes in equity for specifics on the changes mentioned above. As the conversion was registered with the Swedish Companies Registration Office in January 2014, the increase in share capital was recognized on a separate line entitled *Non-registered share capital*.

The convertible debt instrument was issued in April 2013 to pay for the acquisition of shares in the company that owns a stake in Block 2B in South Africa. As of 31 December 2013, the carrying amount of the convertible debt instrument totalled SEK 35,412 thousand. For more information about the convertible debt instrument, see Note 8, *Convertible debt instruments*. As a result of the convertible debt instrument, accrued interest expenses of SEK 4,218 thousand were also recognized.

Dividend

The Board will not propose any dividend at the Annual General Meeting (AGM) on 14 May 2014.

Reporting dates

▪ 2013 Annual Report	Week of 21 April 2014
▪ Annual General Meeting 2014	14 May 2014
▪ Interim report Q1 2014 (January-March 2014)	14 May 2014
▪ Interim report Q2 2014 (January-June 2014)	14 August 2014
▪ Interim report Q3 (January-September 2014)	14 November 2014

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Financial information

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

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About Crown Energy AB (publ)

Crown Energy is an international oil and gas company engaged in oil and gas exploration in Africa and the Middle East. Value is created through finding and developing assets in early stages and then introducing larger oil and gas industry players to the projects for further development and production. Find out more at www.crownenergy.se.

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Condensed consolidated income statement

All amounts in SEK thousand	Note	2013-10-01	2012-10-01	2013-01-01	2012-01-01
		2013-12-31	2012-12-31	2013-12-31	2012-12-31
Revenue		-	-	-	-
Other operating income		-	-	-	-
Other external costs		-1,316	-1,533	-3,948	-4,157
Employee benefit expenses		-1,320	-805	-5,259	-4,812
Depreciation/amortization and impairment of property, plant, and equipment and intangible assets		-33	-	-33	-
Other operating expenses		-15	-331	-31	-331
Operating loss		-2,684	-2,669	-9,271	-9,300
Financial income		-32	26	19	26
Financial expenses		-2,955	-291	-8,590	-436
Loss before tax		-5,671	-2,934	-17,842	-9,710
Income tax	9	-137	-	3,443	-
Net loss for the period		-5,808	-2,934	-14,399	-9,710
Earnings per share and share related data					
Average number of basic shares, thousand	3	26,396	25,755	25,917	20,929
Average number of diluted shares, thousand	3	26,396	25,755	25,917	20,929
Basic earnings per share, SEK	3	-0.22	-0.11	-0.56	-0.46
Diluted earnings per share, SEK	3	-0.22	-0.11	-0.56	-0.46

Condensed consolidated statement of comprehensive income

All amounts in SEK thousand	2013-10-01	2012-10-01	2013-01-01	2012-01-01
	2013-12-31	2012-12-31	2013-12-31	2012-12-31
Net loss for the period	-5,808	-2,934	-14,399	-9,710
Other comprehensive income				
<i>Items that can be reclassified to profit or loss:</i>				
Translation differences	418	-192	-37	-23
Total items that can be reclassified to profit or loss:	418	-192	-37	-23
Other comprehensive income, net of tax	418	-192	-37	-23
Total comprehensive income for the period	-5,390	-3,126	-14,436	-9,733
Total comprehensive income attributable to:				
Parent Company shareholders	-5,390	-3,126	-14,436	-9,733
Comprehensive income for the period	-5,390	-3,126	-14,436	-9,733

Condensed consolidated balance sheet

ASSETS

All amounts in SEK thousand	Note	2013-12-31	2012-12-31
ASSETS			
Non-current assets			
Intangible non-current assets	4, 11	91,879	60,946
Property, plant, and equipment		132	-
Total non-current assets		92,011	60,946
Current assets			
Other receivables	7	5,616	4,423
Cash and cash equivalents	5	36,584	11,762
Total current assets		42,200	16,185
TOTAL ASSETS		134,211	77,131

EQUITY OCH LIABILITIES

All amounts in SEK thousand	Note	2013-12-31	2012-12-31
EQUITY			
Share capital, 27,597,745 shares		811	757
Non-registered share capital, 246,934 shares		8	-
Other contributed capital		91,446	67,662
Reserves		-270	-233
Loss brought forward		-8,753	-3,043
Net loss for the period		-14,399	-9,710
Total equity		68,843	55,433
LIABILITIES			
Non-current liabilities			
Loans from related parties	1, 8	2,854	2,854
Convertible debt instruments	7, 8	35,412	-
Deferred tax liabilities	9	11,297	11,310
Other provisions	6, 7	8,890	2,543
Total non-current liabilities		58,453	16,707
Current liabilities			
Other current liabilities	7	6,915	4,991
Total current liabilities		6,915	4,991
TOTAL EQUITY AND LIABILITIES		134,211	77,131
Pledged assets and contingent liabilities		50	50

Condensed consolidated statement of changes in equity

All amounts in SEK thousand	2013-12-31	2012-12-31
Opening balance	55,433	1,247
Net loss for the period	-14,399	-9,710
Other comprehensive income, net of tax	-37	-23
Comprehensive income for the period	-14,436	-9,733
Share issue	-	72,181
Issue expenses, new share issue*	-	-8,262
Convertible debt instrument, net	7,745	-
Of which:		
Option component	13,056	-
Issue expenses	-1,867	-
Deferred tax	-3,443	-
Conversions, KV1 2013/2016**	1,846	-
Non-cash issue	18,611	-
Issue expenses, non-cash issue	-356	-
Closing balance	68,843	55,433
Attributable to:		
Parent Company shareholders	68,843	55,433
Total equity	68,843	55,433

*Deferred taxes on issue expenses were not accounted for.

**Share capital attributed to conversion but not yet registered. The shares were registered at the Swedish Companies Registration Office on 8 January 2014.

Condensed consolidated statement of cash flows

All amounts in SEK thousand	Note	2013-10-01	2012-10-01	2013-01-01	2012-01-01
		2013-12-31	2012-12-31	2013-12-31	2012-12-31
Cash flow from operating activities		-5,664	-5,375	-16,283	-9,545
Cash flow from investing activities		-1,324	-6,175	-2,664	-11,791
Cash flow from financing activities	10	-356	3,949	43,768	31,543
Cash flow for the period		-7,344	-7,601	24,821	10,207
Cash and cash equivalents at start of period		43,933	19,365	11,762	1,563
Cash flow for the period		-7,344	-7,601	24,821	10,207
Exchange gains/losses on cash and cash equivalents		-5	-2	1	-8
Cash and cash equivalents at end of period	5	36,584	11,762	36,584	11,762

Consolidated key ratios

Quarterly summary

All amounts in SEK thousand unless otherwise stated	Note	2013-10-01	2013-07-01	2013-04-01	2013-01-01	2012-10-01	2012-07-01	2012-04-01	2012-01-01
		2013-12-31	2013-09-30	2013-06-30	2013-03-31	2012-12-31	2012-09-30	2012-06-30	2012-03-31
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Profit/loss									
Other operating income		-	8	-	-	-	-	-	-
Operating loss		-2,684	-1,769	-2,671	-2,146	-2,669	-3,273	-1,367	-1,991
Net income for the period, after tax		-5,808	-5,498	-865	-2,227	-2,934	-3,389	-1,465	-1,922
Earnings yield									
Return on equity, %		neg	neg	neg	neg	neg	neg	neg	neg
Return on capital employed, %		neg	neg	neg	neg	neg	neg	neg	neg
Financial position									
Equity/assets ratio, %		51.2%	48.9%	51.8%	74.0%	71.9%	73.3%	28.8%	37.1%
Net indebtedness, times		-0.02	-0.15	-0.25	n/a	n/a	n/a	n/a	n/a
Net asset value per share, SEK		2.49	2.10	2.37	2.07	2.15	2.23	0.94	1.08
Total assets		134,426	110,395	117,737	71,887	77,133	78,439	59,942	53,325
Equity		68,843	53,996	61,002	53,210	55,434	57,521	17,291	19,780
Cash flow from investments		-1,324	-617	-368	-354	-6,175	-1,685	-1,352	-2,579
Ratios per share									
Number of basic shares outstanding, thousand	3	27,598	25,755	25,755	25,755	25,755	25,755	18,348	18,348
Number of diluted shares outstanding, thousand		27,598	25,755	25,755	25,755	25,755	25,755	18,348	18,348
Average number of shares, thousand	3	26,396	25,755	25,755	25,755	25,755	21,930	18,348	17,470
Average number of diluted shares, thousand	3	26,396	25,755	25,755	25,755	25,755	21,930	18,348	17,470
Basic earnings per share, SEK	3	-0.22	-0.21	-0.03	-0.09	-0.11	-0.15	-0.08	-0.11
Diluted earnings per share, SEK	3	-0.22	-0.21	-0.03	-0.09	-0.11	-0.15	-0.08	-0.11
Equity per share, SEK		2.49	2.10	2.37	2.07	2.15	2.23	0.94	1.08
Cash flow from operating activities per share, SEK		-0.21	-0.19	0.01	-0.23	-0.21	0.07	-0.21	-0.12
Employees									
Average number of employees		3.0	3.0	3.0	3.0	2.0	2.0	2.0	2.0

Yearly summary

All amounts in SEK thousand unless otherwise stated	Note	2013-01-01	2012-01-01	2011-01-01
		2013-12-31	2012-12-31	2011-12-31
		Full year	Full year	Full year
Profit/loss				
Other operating income		-	-	342
Operating loss		-9,271	-9,300	-3,158
Net income for the period, after tax		-14,399	-9,710	-3,042
Earnings yield				
Return on equity, %		neg	neg	neg
Return on capital employed, %		neg	neg	neg

Financial position				
Equity/assets ratio, %		51.2%	71.9%	2.4%
Net indebtedness, times		-0.02	n/a	n/a
Net asset value per share, SEK		2.49	2.15	0.07
Total assets		134,426	77,133	51,958
Equity		68,843	55,434	1,247
Cash flow from investments		-2,664	-11,791	-17,974
Ratios per share				
Dividend per share, SEK		n/a	n/a	n/a
Number of basic shares outstanding, thousand	3	27,598	25,755	17,031
Number of diluted shares outstanding, thousand		27,598	25,755	17,031
Average number of shares, thousand	3	25,917	20,929	3,906
Average number of diluted shares, thousand	3	25,917	20,929	3,906
Basic earnings per share, SEK	3	-0.56	-0.46	-0.78
Diluted earnings per share, SEK	3	-0.56	-0.46	-0.78
Equity per share, SEK		2.49	2.15	0.07
Cash flow from operating activities per share, SEK		-0.59	-0.37	-0.16
Employees				
Average number of employees		3.0	2.0	0.0

Definitions of key ratios

Earnings yield

Return on equity, per cent

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, per cent

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, per cent

Equity at end of period divided by average equity for the period.

Return on capital employed, per cent

Equity at end of period divided by average total assets for the period.

Earnings per share, SEK

Earnings after tax divided by average number of shares for the period.

Employees

Average number of employees

Average number of employees during the period.

Parent Company – Condensed income statement

All amounts in SEK thousand	Note	2013-10-01	2012-10-01	2013-01-01	2012-01-01
		2013-12-31	2012-12-31	2013-12-31	2012-12-31
Other operating income		-	-	-	-
Other external costs		-1,683	-2,397	-3,933	-4,267
Employee benefit expenses		-1,319	-805	-5,258	-4,812
Depreciation/amortization and impairment of property, plant, and equipment and intangible assets		-33	-	-33	-
Other operating expenses		-2	-318	-6	-318
Operating loss		-3,037	-3,520	-9,230	-9,396
Interest income and similar items		45	-	85	1
Interest income, inter-company		1,440	3,488	5,474	4,640
Interest expenses and similar items		-3,177	-81	-8,450	-65
Loss before tax		-4,729	-113	-12,121	-4,821
Tax	9	-137	-	3,443	-
Net loss for the period		-4,866	-113	-8,678	-4,821

Parent Company – Condensed statement of comprehensive income

All amounts in SEK thousand	Note	2013-10-01	2012-10-01	2013-01-01	2012-01-01
		2013-12-31	2012-12-31	2013-12-31	2012-12-31
Net loss for the period		-4,866	-113	-8,678	-4,821
Other comprehensive income					
<i>Total items that can be reclassified to profit or loss</i>		-	-	-	-
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-4,866	-113	-8,678	-4,821

Parent Company – Condensed balance sheet

ASSETS

All amounts in SEK thousand	Note	2013-12-31	2012-12-31
ASSETS			
Non-current assets			
Shares in Group companies	11	19,704	500
Property, plant, and equipment		132	-
Receivables, Group companies		21,244	21,244
Total non-current assets		41,080	21,744
Current assets			
Receivables, Group companies		46,848	34,241
Current receivables	7	910	1,047
Cash and bank balances	5	35,957	11,563
Total current assets		83,715	46,851
TOTAL ASSETS		124,795	68,595

EQUITY OCH LIABILITIES

All amounts in SEK thousand	Note	2013-12-31	2012-12-31
EQUITY			
Equity			
Restricted equity			
Share capital, 27,597,745 shares		811	757
Non-registered share capital, 246,934 shares		8	-
Total restricted equity		819	757
Non-restricted equity			
Share premium reserve		91,446	63,662
Accumulated earnings		-2,320	2,501
Net loss for the year		-8,678	-4,821
Total non-restricted equity		80,448	61,343
Total equity		81,267	62,100
Non-current liabilities			
Convertible debt instrument	7, 8	35,412	-
Loans from related parties	1, 7	2,854	2,854
Total non-current liabilities		38,266	2,854
Current liabilities			
Other current liabilities	7	5,261	3,641
Total current liabilities		5,261	3,641
TOTAL EQUITY AND LIABILITIES		124,795	68,595
Pledged assets		50	50
Contingent liabilities		None	None

Parent Company – Condensed changes in equity

All amounts in SEK thousand	2013-12-31	2012-12-31
Opening balance	62,100	3,001
Net loss for the period	-8,678	-4,821
Other comprehensive income for the period	-	-
Comprehensive income for the period	-8,678	-4,821
Share issue	-	72,181
Issue expenses, new share issue*	-	-8,262
Convertible debt instrument, net	7,745	-
Of which:		
Option component	13,056	-
Transaction costs	-1,868	-
Deferred tax	-3,443	-
Conversions, KV1 2013/2016**	1,846	-
Non-cash issue	18,611	-
Issue expenses, non-cash issue	-356	-
Closing balance	81,268	62,100

*Deferred taxes on issue expenses were not accounted for.

**Share capital attributed to conversion but not yet registered. The shares were registered at the Swedish Companies Registration Office on 8 January 2014.

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 has focussed on Equatorial Guinea (Block P), South Africa (Block 2B), and Madagascar (3108 Manja), and decided in Q2 2013 to also acquire a licence in Iraq.

The Parent Company is a limited company registered in Sweden and domiciled in Stockholm. The Parent Company is listed on NGM Equity.

The street address of the main office is Norrlandsgatan 18, Stockholm.

Accounting policies

This interim report (year-end 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 2012 annual accounts, the consolidated accounts were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act. The financial statements of the Parent Company were prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's RFR 2 Accounting for Legal Entities.

The same accounting policies were used during the period as were used for the 2012 financial year and as described in the 2012 Annual Report. No new or revised standards, interpretations, or amendments adopted by the EU had an effect on the Group's earnings or position. Revisions to IAS 1 and IFRS 13 have had minor effects on Group disclosures and statements. A company was acquired during the period and was recognized as an asset acquisition (see Note 11, *Acquisition of Tigris Oil*).

This interim report (year-end report) does not contain all the information and disclosures contained in the Annual Report, so the interim report should be read alongside the 2012 Annual Report.

Accounting policies for convertible debt instruments

The combined financial instruments issued by the Group comprise convertible debt instruments that the holder can have converted into shares, where the number of shares to be issued does not vary with changes in their fair value.

The liability component of a combined financial instrument is recognized initially at the fair value of a similar liability that does not entail the right of conversion into shares. The equity component is recognized initially at the difference between the fair value of the entire combined financial instrument and the liability component's fair value. The liability's fair value at the issue date is calculated by discounting future cash flows at the current market rate for a similar liability without conversion rights. Any deferred tax attributable to the liability at issuance is deducted from the carrying amount of the equity instrument. Any directly attributable transaction costs are allocated to the respective liability and equity components in proportion to their initial carrying amounts. After the acquisition date, the liability component of a combined financial instrument is measured at amortized cost using the effective interest method. The equity component of a combined financial instrument is not remeasured subsequent to initial recognition except on conversion or redemption. Interest expense is recognized in net income for the period and is calculated using the effective interest method.

Note 1 Transactions with related parties

Purchases and sales within the Group

The Parent Company's revenue represents 0 (0) per cent of sales to other companies within the Group. Of the Parent Company's interest income, 97 per cent relates to other companies within the Group as at 31 December 2013.

Loans from related parties

The Parent Company holds an interest-free loan from Ulrik Jansson (via Varukungen AB) totalling SEK 2,854 thousand as at 31 December 2013. No changes have been made to the loan since year-end 2012.

Purchases of services

Three persons in management, Peter Mikkelsen, David Jones, and Surinder Rai, work in their respective management positions under consultancy agreements. Their services are purchased on normal commercial terms and they invoice regularly for work performed. In 2013, Peter Mikkelsen invoiced for about GBP 18 thousand and David Jones for about GBP 36 thousand. Surinder Rai invoiced for about GBP 107 thousand.

Crown Energy also purchases technical consulting services from Simco Petroleum Ltd. (Simco). Alan Simonian, Crown Energy's board chairman, owns 33% of Simco and also sits on Simco's board. Services from Simco are purchased on normal commercial terms. During the period, services amounting to about USD 60 thousand were purchased.

Other

As mentioned in the *Key events during the period* section, Crown Energy acquired and took over Tigris Oil on 18 November 2013. Ulrik Jansson was a Tigris Oil partner via his company USB Investment B.V., which on takeover owned 14% of Tigris Oil. Since USB is a company under Ulrik Jansson's control, he did not participate in the Board's preparation of the matters related to the acquisition of Tigris Oil. Moreover, given that Ulrik Jansson is a board member and CEO of Crown Energy and thus fits into the category of persons covered by Chapter 16 of the Swedish Companies Act, decisions on approval of the acquisition of Tigris Oil and the directed share issue had to be supported by shareholders representing at least nine-tenths of both the votes cast and the shares that are represented at the general meeting.

Note 2 Ownership structure

In the last quarter of 2013, the number of shares increased by 1,842,715 as a result of the acquisition of Tigris Oil and payment to its sellers in Crown Energy shares. In early January 2014, 246,934 additional shares were registered as a result of conversions of Crown Energy's KV1 2013/2016 convertible instrument. These shares were recognized in the financial statements as *Non-registered share capital* since they were registered after the end of the financial year. The number of shares registered in Crown Energy's share register as of publication of this report is 27,844,679 with a quotient value of SEK 0.03 per share.

Crown Energy has about 1,900 shareholders. The Company's shares are listed on NGM Equity.

The five shareholders holding the most shares as of publication of this interim report:

Shareholders	Number of shares	Proportion (%)
Ulrik Jansson, private and via company	15,529,726	55.7%
Comtrack Ventures Ltd	2,163,811	7.8%
T Intressenter AB	1,580,215	5.7%
Mocoh Resources Ltd	1,239,227	4.5%
Alan Simonian	1,175,377	4.2%
Övriga aktieägare	6,123,7173	22.1%
Total number of shares	27,844,679	100%

Note 3 Earnings per share and number of shares

Crown Energy previously issued 814,954 warrants that could be converted into an equivalent number of ordinary shares. In May 2013, 6,438,757 convertibles were issued that could also be converted into an equivalent number of ordinary shares. As the issue prices for the share options exceeded the average market price of ordinary shares during the recognized periods, there is no dilutive effect. Nor are convertibles and options considered dilutive if they cause earnings per share to improve more (larger gain or smaller loss) after dilution than before dilution. Crown Energy has made the assessment that neither warrants nor outstanding convertibles are dilutive.

Note 4 Intangible assets

Intangible assets consist of acquisition of rights, planning costs, etc. No depreciation is taken during the exploration and development phase. Capital expenditures for the period refer to costs incurred for exploration, i.e., measurements, geological and geophysical surveys, etc.

The following translation differences relate to the acquisition of Amicoh Resources Ltd in 2011 and the fact that these assets were translated at the closing rate. The translation difference that arises is recognized directly in the currency translation reserve in other comprehensive income.

Group (SEK thousand)	2013-01-01	2012-01-01
	2013-12-31	2012-12-31
Opening carrying amount	60,946	49,517
Capital expenditures for the period	3,229	11,791
Period's increase through acquisition of licence via subsidiary (see Note 11)	27,767	-
Translation differences	-63	-362
Closing accumulated cost of acquisition	91,879	60,946

Note 5 Cash and cash equivalents

As at 31 December 2013, cash and cash equivalents includes SEK 35,882 thousand for payment of shares in the company that owns 40.5% of the Block 2B licence in South Africa. The bank funds have been placed in an escrow account, which means that they are in the custody of a third party until the acquisition is completed. Completion of the acquisition requires the approval of Petroleum Agency SA, a South African authority. Crown Energy expects this approval to be given within a 12 month period from the reporting date.

Note 6 Provisions

Provisions related to the acquisition of Amicoh Resources Ltd

In connection with the acquisition of subsidiary Amicoh Resources Ltd in 2011, an additional consideration of up to USD 4,000 thousand was agreed upon in the event of a commercial reservoir discovery on Madagascar. The portion paid at discovery of a commercial reservoir is recognized as a provision at a value of SEK 2,615 thousand after present value calculations.

As part of the consideration for Amicoh Resources Limited, it was resolved at a Crown Energy general meeting to issue warrants directed to the seller of Amicoh Resources Limited. The carrying amount and fair value of the issued options as at 31 December 2013 were determined in accordance with an established option pricing model (Black & Scholes).

For more information on provisions, see the 2012 Annual Report. No changes have occurred in Crown Energy's assessments of provisions since 31 December 2012.

Provision related to the acquisition of Tigris Oil Sweden AB

The share transfer agreement that was signed with the sellers of Tigris Oil included an option to repurchase Tigris Oil shares. The buy-back option entails that the sellers of Tigris Oil can buy back 250 shares in the sold company during a certain period after the takeover. With Tigris Oil's current 1,000 shares, the sellers would have the right to buy back 25% of the company's shares. A provision of SEK 6,204 thousand was made on the assumption that the option will be exercised. The amount was calculated based on the final consideration.

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. Tigris Oil is an unlisted company so it is deemed not possible nor practical to establish a fair value measurement of its shares. In subsequent accounting, therefore, the provision will be carried at historic cost.

Following is a summary of the provisions by closing date:

Group (SEK thousand)	2013-12-31	2012-12-31
Acquisition of Amicoh Resources Ltd		
Additional consideration, commercial reservoir	2,516	2,377
Additional consideration, warrants	170	167
Acquisition of Tigris Oil		
Provision for buy-back option	6,204	-
Closing balance	8,890	2,543

Note 7 Accounting of financial instruments

Recognized and fair value

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

The present value of loans from related parties, corresponding to estimated fair value at 31 December 2012, was estimated at SEK 2,718 thousand, which is based on an interest rate of 5% if the loan had been subscribed to at market conditions. Fair value is unchanged from 31 December 2012.

The convertible debt instrument is recognized at amortized cost using the effective interest method. This means that the cash flows were discounted at a lending rate of about 20%. As at 31 December 2013 the carrying amount was estimated to be a reasonable approximation of its fair value. The convertible debt instrument was traded at 31 December 2013 on NGM Equity at 93.5% of the nominal value, corresponding to an annual rate of about 10.7%. For more information about the convertible debt instrument, see Note 8, *Convertible debt instruments*.

As mentioned in Note 6, *Provisions*, the provision for the Tigris Oil buy-back option is recognized at cost in accordance with the exemption in IAS 39.

Financial instruments measured at fair value

Crown Energy classifies fair value measurement using a fair value hierarchy (three levels) that reflects the reliability of the inputs used in making the measurements in compliance with IFRS 13 Fair Value Measurement. In accordance with IFRS 7 for financial instruments, disclosures about fair value measurement must be made by level. The following table shows the financial items recognized at fair value via the income statement, divided into these three levels.

Group (SEK thousand)		Level 1	Level 2	Level 3	Total
2013-12-31					
Total assets		-	-	-	-
Liabilities					
Financial liabilities measured at fair value via the income statement:					
- Provision for additional consideration, commercial reservoir		-	-	2,516	2,516
- Provision for additional consideration, warrants		-	170	-	170
Total liabilities		-	170	2,516	2,686

Provisions were recognized for contracted additional considerations in conjunction with the acquisition of subsidiary Amicoh Resources Ltd (see Note 6, *Provisions*). No changes have occurred in Crown Energy's assessments of fair value measurement applicable to provisions since 31 December 2012. The period's total net effect due to revaluation to fair value was SEK -143 thousand and was recognized in the income statement as a (unrealized) financial expense.

Note 8 Convertible debt instruments

Background and conditions in brief

To finance the acquisition of a licence in South Africa, the Parent Company issued 6,438,757 convertibles with a nominal value of SEK 64,388 thousand in April 2013. The term of the loan is from 2 May 2013 through its maturity date of 30 April 2016.

Twice annually (and in March 2016) during the periods 1 June through 30 June and 1 December through 31 December, and also during the period 1 March 2016 through 31 March 2016, holders of the convertibles will be entitled to request conversion of all or part of their claims into new shares in the Company at a conversion price of SEK 10.00 per convertible. The loan carries an annual interest rate of 10 per cent from 2 May 2013, payable annually in arrears on 2 May with the final payment on the maturity date of 30 April 2016. The convertible loan is in Swedish krona (SEK).

Completion of the acquisition of a stake in the Block 2B licence in South Africa requires the approval of Petroleum Agency SA, a South African authority.

For detailed information on the convertible's terms and conditions, see the prospectus issued in April 2013, which can be read on Crown Energy's website.

Other information

The convertibles are traded on NGM Equity under the designation KV 1.

Upon full conversion, the Company's share capital may increase by a maximum of SEK 189,296.47. At full conversion, the number of shares in Crown Energy will increase by 6,438,757 shares and result in a dilution of 20 per cent for existing shareholders who do not elect to exercise their right to subscribe for convertibles.

Transaction costs for the convertible issue totalled SEK 7,388 thousand.

As part of the total consideration of SEK 48,757 thousand, the sellers of the Block 2B licence will receive Crown Energy convertibles valued at SEK 12,875 thousand. Subscription of the convertibles occurred in conjunction with finalization of the acquisition agreement on 24 July 2013. However, the convertibles have been placed in an escrow account, which means that they are in the custody of a third party until the acquisition is completed. Accordingly, these convertibles were **not** recognized as a liability as at 31 December 2013, since they have not been transferred to the sellers. The nominal value of the convertible loan as of 31 December 2013 amounts to SEK 49,043 thousand (initial nominal value of SEK 64,388 thousand adjusted for the escrowed convertibles).

Conversions in 2013

Between 1 and 30 December 2013, holders of Crown Energy's KV1 2013/2016 convertible had an opportunity to convert to shares. Holders exercised 246,934 convertibles, which meant that an equal amount of new shares were subscribed for during the period. The nominal value of the convertibles exercised during the conversion period in December 2013 amounted to SEK 2,470 thousand.

The effect of these conversions on the carrying amounts related to the convertible debt instrument were adjusted for as of 31 December 2013.

Carrying amounts

Classification of the convertible debt instruments is as follows:

Long-term borrowing		
Group and Parent Company (SEK thousand)	2013-12-31	2012-12-31
Convertible debt instruments	35,412	-
	35,412	-

For a description of the calculation of fair value, see Note 7, *Accounting of financial instruments*. Fair value corresponds with carrying amounts as at 31 December 2013:

Group and Parent Company (SEK thousand)	Carrying amount	Fair value
Convertible debt instruments	35,412	35,412
	35,412	35,412

The accrued interest payable attributable to the convertible debt instruments was recognized as a current liability and at 31 December 2013 amounted to SEK 4,128 thousand. The fair value of the short-term interest payable corresponds to its carrying amount, as the impact of discounting is not significant.

Direct transaction costs attributable to the liability component are accrued over the life of the loan. Deferred tax recognized in equity is attributable to the discounting being done as a result of valuation at amortized cost.

Financial expenses in the income statement for 2013 amounted to SEK -8,450 thousand as a result of the convertible debt instrument. The equivalent expenses for Q4 totalled SEK -3,013 thousand.

Note 9 Deferred tax

A deferred tax liability was recognized and is related to the surplus value of intangible assets and to temporary differences resulting from the valuation of the debt instrument at amortized cost.

Crown Energy has an unused tax loss and, as a precaution and in view of uncertainty in the Company's ability to generate future taxable profits, historically has not capitalized a deferred tax asset relating to it. However, Crown Energy has now chosen to offset the loss against the deferred tax liability related to measurement of the convertible debt instrument. A deferred tax asset is recognized at the same amount as the deferred tax liability. The deferred tax liability and asset were offset in the balance sheet. Deferred tax revenue of SEK 3,443 thousand was recognized in the income statement during the financial year due to capitalization of the tax loss. A deferred tax expense of SEK -137 thousand was recognized in Q4 and is due to the conversions that took place in December 2013.

Note 10 Cash flow from financing activities

Cash flow from financing activities for the period 1 January-31 December 2013 consists of effects attributable to the issue of the convertible debt instrument and the year's non-cash issue. Following is a breakdown of how the issues affected cash flow.

	2013-01-01	2013-12-31
Convertible issue		
Convertible debt instruments issued		64,388
Component of consideration to be settled with convertibles		-12,875
Proceeds of issue		51,513
Directly attributable issue expenses		-7,388
Cash flow attributable to issued convertible debt instrument		44,124
Non-cash issue		
Increase in equity resulting from non-cash issue		18,611
Assets provided that were settled in kind		-18,611
Directly attributable issue expenses		-356
Cash flow attributable to non-cash issue		-356
Total cash flow from financing activities, net		43,768

Note 11 Acquisition of Tigris Oil

On 18 November 2013, Crown Energy took over Tigris Oil Sweden AB, a Swedish limited company.

The consideration consisted of 1,842,715 newly issued Crown Energy shares through a non-cash issue. The issue price was ultimately set at SEK 8 per Crown Energy share, which meant that the consideration for Tigris Oil amounted to about SEK 15 million. The sellers of Tigris Oil were T Intressenter AB (TIAB) and USB Investment B.V. (USB) and the share issue was directed only to those parties.

As part of the agreements relating to the acquisition, Crown Energy issued a call option to TIAB that gives TIAB the right to buy back 250 shares in Tigris Oil at a price per share of SEK 1 for a period of 30 months after Crown Energy takes over Tigris Oil. On the date of acquisition, this represented 25 per cent of all shares in Tigris Oil. It should be noted that when capital is injected, the exercise price per share is adjusted upward in proportion to the capital injection, whereas when new shares are issued with capital injections related to them, the share options will be diluted.

Crown Energy recognized the acquisition of Tigris Oil 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 arises.

Calculating the consideration

On payment of an acquisition of assets with issued securities, the recognized consideration constitutes the fair value of the issued securities. Following is a breakdown of how Crown Energy calculated the consideration:

Consideration, Tigris Oil, SEK thousand	
Number of shares under the agreement	1,842,715
Share price on date of takeover (18 Nov 2013), SEK	10.10
Total consideration, Tigris Oil	18,611
Component of consideration settled with Crown Energy shares	18,611

The consideration is broken down as follows:

Acquired assets (including surplus value) and assumed liabilities, SEK thousand	
Cash and cash equivalents	1,323
Intangible assets (licences), incl. surplus value	20,970
Other receivables	313
Assumed liabilities	-3,995
Total identifiable net assets, Tigris Oil	18,611

Accounting in Parent Company

Besides the consideration, directly attributable acquisition costs were also recognized as an acquisition cost in the Parent Company:

Shares in Group companies, SEK thousand	
Consideration, acquisition of subsidiary	18,611
Directly attributable acquisition costs	593
Total acquisition costs, Tigris Oil shares	19,204

Since the consideration consisted of Crown Energy shares, the acquisition costs have only affected the Parent Company's cash flow from investing activities.

Accounting in Group

Since the transaction is defined as an asset acquisition, the acquired license (including surplus value) was recognized in intangible non-current assets. Directly attributable acquisition costs were also recognized as an acquisition cost for the acquired license.

A provision of SEK 6,204 thousand was therefore made for the buy-back option under the assumption that the entire option will be exercised. The provision was calculated based on the final consideration. A corresponding amount was also recognized

as an acquisition cost in intangible non-current assets. Intangible assets increased by SEK 27,767 thousand as a result of the acquisition.

Intangible non-current assets, SEK thousand

Increase through acquisition of subsidiaries:	
Acquired assets (licences), incl. surplus value	20,970
Buy-back option	6,204
Directly attributable acquisition costs	593
Total increase in intangible non-current assets resulting from the acquisition of Tigris Oil	27,767

Provisions, SEK thousand

Buy-back option, Tigris Oil	6,204
Total provisions related to acquisition of Tigris Oil	6,204

As mentioned earlier, the share option is recognized at cost. See Note 6, *Provisions*, for a description.

Since the consideration consisted of Crown Energy shares, the acquisition costs and Tigris Oil's cash and cash equivalents at acquisition have only affected the Group's cash flow from investing activities.

Accounting of non-cash issue

Equity for both the Parent Company and the Group was recognized as follows:

Equity, SEK thousand

Share capital (quotient value*, number of shares)	54
Share premium reserve	18,557
Directly attributable issue expenses	-356
Recognized non-cash issue in equity	18,255

Equity includes directly attributable costs that Crown Energy had in conjunction with the non-cash issue. Since the consideration consisted of Crown Energy shares, issue expenses have only had an effect on cash flow from investing activities.

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, 14 FEBRUARY 2014

Ulrik Jansson
CEO
Board member

Alan Simonian
Chairman of the Board

Andrew Harriman
Board member