



CROWN
ENERGY

ANNUAL REPORT

2016

CROWN ENERGY AB (PUBL)

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This English Annual Report is a translation of the Swedish Annual Report for 2016. If any discrepancies exist in the translation, the Swedish language shall prevail. The translated English Annual Report has not been audited by the Company's auditors.

2016 IN BRIEF

Crown Energy AB (publ) with its subsidiaries (“Crown Energy”, the “Company”, or the “Group”) is an international oil and gas group. Crown Energy focuses on exploration opportunities with great potential for recoverable reserves of oil and gas in underexplored areas. The Group has operations in Equatorial Guinea, South Africa, Madagascar, and Iraq. The Parent Company’s commercial domicile is Stockholm, Sweden, and the Company’s ordinary shares are traded on NGM Equity.

Q1

- On 26 January 2016, an extraordinary general meeting approved the directed issue proposed by the Board in December 2015. The issue was directed to a small number of investors and share subscriptions were made from 30 December 2015 to 31 January 2016. The issue was completed in February 2016, raising SEK 11 million before issue expenses for Crown Energy. A total of 5,500,000 shares were subscribed.
- In March 2016, Crown Energy received final approval from the authorities in Madagascar to extend the Manja licence until 15 November 2019.

Q2

- In April, Crown Energy announced an agreement entered into with Cement Fund SCSp (“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 AGM on 4 May approved the issue of 31,500,000 units, consisting of one share and one warrant each. Cement Fund subscribed for all units and issue proceeds of SEK 63 million were received. The issue had a dilutive effect of 34 per cent. Additional dilution may occur if the warrants are exercised because each unit contains one share and one warrant. The warrants expire in May 2018.
- The directed issue enabled the repayment of the convertible loans and associated interest in June. As a result of the payment to the convertible holders being delayed since early May, they were also compensated in the form of extra interest from the due date until 30 June. No convertible loans remained after the repayment.

Q3

- On 7 July Crown Energy published its latest resource report of the Company’s assets. This report was prepared as a result of the directed issue.
- The prospectus prepared as a result of the directed issue was approved by the Swedish Financial Supervisory Authority on 15 July. As a result of this approval, 31,500,000 shares were admitted to trading on NGM Equity and a short time later delivered to Cement Fund. This made Cement Fund the largest owner of Crown Energy, with 50.8 per cent of both the shares and votes.

Q4

- The previously announced farm-out of shares in Block 2B in South Africa to Africa Energy was completed in October. The farm-out leaves Crown Energy with a 10 per cent share, and results in Africa Energy paying for all costs related to drilling activities for an initial well within the licence.
- Crown Energy entered into an agreement in the fourth quarter of 2016 to acquire all of the shares of ESI Group SA. The acquisition includes a portfolio of property assets in Angola. The seller is Yoav Ben-Eli, via his company YBE Ventures Ltd. The transaction was approved by an EGM in December 2016 and payment will be via a share issue under quota value of approximately 363 million Crown Energy C shares, the new share class. The acquisition will be completed in the first half of 2017, and the C shares can then be converted into ordinary shares.
- Crown Energy granted ESI Group SA a short-term loan of USD 1 million in connection with the transaction. The purpose of the loan is to capitalise the Angolan company to which the underlying assets will be transferred, which is required under Angolan tax legislation.
- The composition of the Board changed in connection with the extraordinary general meeting and the change in ownership impending at that time; Nick Johnson resigned and Yoav Ben-Eli joined the Board.

CEO's statement

Dear shareholders and investors,

CAPITALISATION AND DIVERSIFICATION

Crown Energy carried out fundamental transactions in 2016 to create a robust, growth-oriented, cash flow-generating company in the oil industry.

Crown Energy started out by raising a substantial amount of capital in the two single largest transactions of the past year to pay off debts, to keep the Company running as a going concern, and for investments. The other major event is of course the acquisition of ESI Group, which is basically a reverse acquisition.

These transactions create a unique company in the oil industry in which growth is stimulated by individual performance in each business area and where synergies between business areas help generate new business for Crown Energy. We have chosen to call our business areas Energy, which covers our exploration business, and Property Development and Services, which provides seamless office and housing solutions for companies and organisations mainly operating in the oil industry.

The business we are acquiring has historically been well-managed and has excellent client relationships. The entire concept and most of the revenue will come from the service provided in conjunction with property rentals. Long-term relationships and contracts ensure high project profitability. The business's solid profitability is boosted in particular by the fact that most clients are major Western companies while costs are local.

We are now looking forward to closing the deal and thus incorporating ESI Group and its business into Crown Energy, and we hope to see this business continue to expand while retaining the same high profitability. The transaction process is developing well, and I want to emphasize that Crown Energy is entitled to the full benefit of the revenues from the assets as of 1 January 2017. Our shareholders will have access to the 2016 financial information and the 2017 Q1-interim report in the upcoming prospectus being released during the second quarter.

The long-term plan is for Crown Energy to pay dividends while retaining high growth potential in terms of operations.

Incorporating ESI Group in a European listed company provides better access to the international capital market, which is important for faster growth and further expansion of the business to other markets besides Angola.

As a whole, 2016 was the most active and expansive year in the Company's history. An extraordinary general meeting was held in the first quarter which resolved to raise capital using a directed share issue to a small number of investors.

In the second quarter, an agreement was signed to conduct a directed issue of shares and warrants to Cement Fund, which helped us bring in a strong owner with contacts, knowledge and capital. This enabled us to pay off outstanding convertibles to their holders in full as well.

During the third quarter, we published a prospectus for the directed share issue, which brought Cement Fund into the Company. Then we began the work that resulted in the announcement of the acquisition agreement with ESI Group. In addition, the farm-out of Block 2B in South Africa was finalised, so we are now

formally partners with Africa Energy and look forward to this collaboration and future activities under this licence. The extraordinary general meeting held in mid-December resolved on the transaction with ESI Group.

Considering all this activity, the Company was also able to advance its positions in the Energy business area in the form of exploration licences. Africa Energy has now filed an application with the authorities so we can move on to the next phase in South Africa – the phase we have been looking forward to for a long time, which will include new drilling in the licence area. In addition, we were able to be much more active with our licence in Iraq, where after many meetings we can look forward to the next phase with activities on site, especially with the signing of the contract with technical consultants Proger.

As part of the general meeting in December, the Company brought entrepreneur Yoav Ben-Eli onto the Board, who is now also the largest Crown Energy shareholder. We thus gained a strong profile who built ESI Group into a well-run business with stable cash flows.

BUSINESS DECISIONS THAT AFFECTED THE COMPANY'S PERFORMANCE

We are acquiring a well-run business that is profitable and has great growth potential. The expected strong cash flow also increases our ability to develop existing operations in Crown Energy, as the end market in exploration operations and in the property services business consists largely of the same companies and customers, i.e. the oil and gas industry. As a larger joint company, we see new opportunities for generating future business in both business areas.

OUTLOOK

The Company now continues its progress towards a larger and more stable foundation to stand on. Through the merger with ESI Group, we can reap the benefits of prominent contacts in the oil industry, and future cash flows should guarantee faster development of the Company's existing assets. Our capital and organisation are adapted to accommodate an exciting continuation of Crown Energy's development efforts.

We can now continue to take an active approach to our assets and assume a position of strength when new transactions arise going forward. This is the foundation for a bright future for the Company.

FINANCING

The issue of shares and warrants to Cement Fund in 2016 means the Company will continue to have 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)

Chairman's statement

Dear Shareholders and Investors,

2016 has been, as we expected, challenging but also a very active year for Crown Energy. The Company has welcomed new Investors and Board members, improved its financial situation and significantly increased its size and scope of action so as to be always more competitive in the oil and gas Industry.

STRUCTURE AND BOARD COMPOSITION

Arrangements were completed in June for a new investor, Cement Fund, to invest SEK 63 million into Crown Energy in recognition of value and quality of Crown Energy's asset portfolio. The immediate result of this investment was to strengthen the company's balance sheet and to enable Crown Energy to repay all its outstanding convertible bonds in full. This was done during June, thus resolving Crown Energy's main financial liabilities in full.

The signing of the Sale and Purchase Agreement to acquire the cash generating assets of ESI Group in November was the second big step forward for the company. You have all seen the press releases in respect of this transaction which was approved by our shareholders by way of an EGM in December. This transaction will substantially increase our market capitalisation, our cash position, and have a transformative effect on our company. It is expected to complete during the second quarter of 2017.

Board composition also evolved to better fit the company's orientation and to enable the company to benefit from strong synergies between its various business units. We believe that ESI Group strong relationship with International Oil companies can benefit Crown Energy's Oil and Gas assets, while Crown Energy's positions all around the world could raise new opportunities for the ESI Group.

Mr Jean Benaim, a very experienced business man with strong knowledge of Africa, joined the Board in May 2016 together with my appointment as a Chairman. Yoav Ben Eli joined us later on to bring us his lifetime career personal relationships with International Oil and Gas companies' managers that will most certainly raise opportunities for Crown Energy. Alan Simonian joined Crown Energy's management whilst still remaining on the Board. I also want to take the occasion to thank both Andreas Forssell who stepped down from the Board so as to concentrate on this very important role as our CEO and Dr Nick Johnson who stepped down as a director.

I am very excited about the future prospects for our combined Group going forward into the future.

THE OIL & GAS INDUSTRY AND OUR ASSETS

2016 has been an interesting year for the oil industry in general. We have seen a gently upward trend in to oil price settling by year end in the low to mid \$50's. The OPEC and non-OPEC producers have joined together in agreeing to cut production, to support both the price of crude and the industry in general. Such reductions have started to take effect and the price of oil appears to have steadied as a result and to have brought more confidence to the oil and gas market.

In the course of the year we have been able to move forward on some of our projects. In South Africa, after successfully farming out to Africa Energy, a company affiliated to the Lundin Group, we were pleased to announce that all Government approvals were received in October to complete the farm out. Africa Energy has subsequently assumed the role of Operator and has continued its technical work to prepare for the application to move our joint venture into its next two year phase which will include the drilling of a well, which we will be carried for. The application was submitted at the end of January 2017.

In Iraq you will have all seen that after a concerted effort by Iraqi forces, the Salah-al-Din Governorate has been cleared of any last pockets of insurgent occupation. This is obviously a major step forward for the Governorate and for our Agreement with the Governorate, although we do recognise that security in Iraq remains a strong concern. We have now been able to make progress with representatives of the Governorate, following a number of meetings, to make further preparations to start working actively on this project and to develop the very large potential of the contract area. As planned, technical work can be reconvened on the ground after the signature of a contract with the n°1 Italian Engineering company Proger with a major focus on Oil and Gas which represent a major step forward.

In Madagascar we held a positive meeting with the authority OMNIS to discuss our Licence and the continuation of our activities in the country. In the meantime, we continue to seek a partner for this project.

In Equatorial Guinea, there has been no real activity on the Licence during the year. We understand this is due to changes at both the Ministry of Energy and at GEPetrol, the state oil company, which is our Operator. However, we remain closely liaised with our joint venture partner Vaalco on this.

In summary we have had a positive year at Crown Energy. We have been able to raise significant financing with the support of Cement Fund and sign a very important deal for the company. We have also seen good progress on our main projects. Furthermore, the second half of the year has shown that the industry appears to be picking up. The previously mentioned cut backs in industry spending are starting to take an effect, combined with the reductions in costs of operations. We remain comfortable that Crown Energy's projects work at the current oil price, and that our new ESI projects will greatly benefit the company, and we very much look forward to a bright 2017.

Pierre-Emmanuel Weil
Chairman

Description of operations

ABOUT CROWN ENERGY

Crown Energy is an international oil and gas company engaged in exploration and production in underexplored areas. As mentioned in the CEO's statement and the section entitled "Significant events during the financial year", Crown Energy is set for major changes in its operations. Crown Energy will continue operating mainly in the oil industry, but will consist of two business areas after the operational changes: Energy, encompassing oil and gas exploration operations, and Property Development & Services, offering customised solutions for housing and offices primarily to companies in the oil and gas industry.

However, Crown Energy consisted solely of exploration operations during the 2016 financial year and until the time this annual report was issued. The description of operations in this annual report therefore only includes a description of the operations conducted during the periods covered by the annual report, i.e. the Energy business area and exploration operations. For more information about the acquisition and the new Property Development & Services business area, please see Significant events during the financial year, Note 30 Events after year-end, Note 29 Acquisition of ESI Group and Crown Energy's website.

The portfolio of exploration and evaluation assets 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 evaluation well drilling.

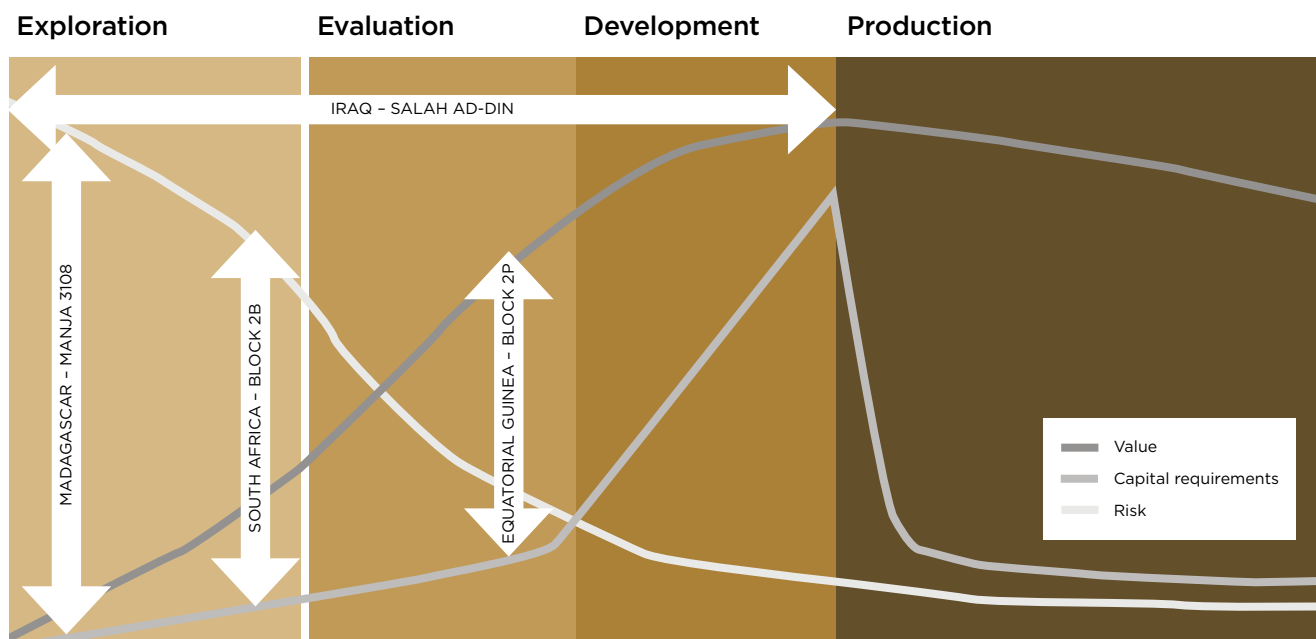
The licence is considered to have great potential as a result of additional prospects within the licence area. The Company has entered into a farm-out agreement which results in financing for the remaining licence shares for well drilling.

- *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.

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

Following is an illustration of the current phases of Crown Energy's projects in a normal exploration to production life cycle.



BUSINESS CONCEPT, GOALS, STRATEGY AND VISION

The information below refers solely to operations in 2016, i.e. the Energy business area.

Business concept

Through exploration and reprocessing, Crown Energy develops oil and gas projects in underexplored areas, initially in Africa and the Middle East. The Company creates value by finding and developing assets in early stages and then introducing larger oil and gas industry players to the projects for further development and production.

Goals

Crown Energy's 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.

PROJECT PORTFOLIO

Crown Energy's existing projects are located in Equatorial Guinea, South Africa, Madagascar and Iraq.

The project in Madagascar is in an early exploration phase, while Block 2B in South Africa has come further along in the same phase. As mentioned previously, a well will be drilled there, in a specific area, to appraise the commerciality of that particular area. Equatorial Guinea is in an evaluation phase and the partnership there is planning for preparations to develop the oil field. The licence in Salah ad Din, Iraq, extends from the exploration to the development phase and may even have areas ready for production. However, large-scale work will be required to appraise the area. Crown Energy is seeking a financial and operational partner for this. You can find a map on page 8 of the locations of Crown Energy's projects.

On 7 July 2016 Crown Energy published a Competent Persons Report (CPR) of the Company's assets. The report was prepared due to the prospectus issued in connection with an issue (see "Significant events during the financial year" in the Directors' Report) and was an update of previous reports from 2016. The report showed that, except for the exploration and production licence in Iraq, the oil assets are unchanged since the Company's most recent CPR. 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. The change did not impair the carrying amounts of the licence.

The CPR was prepared by Peter Mikkelsen, Crown Energy's chief geologist and exploration manager and was then certified by Dunmore Consulting, which is a "qualified person" registered with the Society of Petroleum Engineers. In terms of the asset in South Africa, the CPR of 7 July 2016 is based on the independent asset report prepared by ERC Equipoise in 2015 and referred to a specific part, the A-J1 licence.

| REGION | WORKING INTEREST | STAGE | CONTINGENT RESOURCES 2C, GROSS (MMBOE) | PROSPECTIVE RESOURCES, GROSS (MMBOE) | CROWN ENERGY'S STAKE IN THE LICENCE (MILLION BARRELS OF OIL EQUIVALENTS) | MOST RECENT UPDATE |
|-----------------------------------|------------------|------------------------------------|--|--------------------------------------|--|--------------------|
| Equatorial Guinea – Block P (PDA) | 5% | Exploration/development | 18 | 142 | 8 | July 2016 |
| South Africa – Block 2B | 10% | Exploration | 37 | 355 | 39 | July 2016 |
| Madagascar – Manja Block 3108 | 100% | Exploration | – | 1,071 | 1,071 | July 2016 |
| Iraq – Salah ad-Din | 60% | Exploration/Evaluation/Development | 174 | 2,683 | 1,714 | July 2016 |
| Total | | | 229 | 4,251 | 2,832 | |

IRAQ - SALAH AD-DIN

Stake: 60%
Operator: Crown Energy Iraq*
Stage: Exploration/Evaluation/
Development
Partners: Salah ad-Din Governorate

*Wholly-owned subsidiary of Crown Energy AB

**EQUATORIAL GUINEA
- BLOCK P (PDA)**

Stake: 5%
Operator: GE Petrol
Stage: Development/Exploration
Partners: GE Petrol (58.4%),
Atlas Petroleum (5.6%) and
Vaalco Energy Inc (31%)

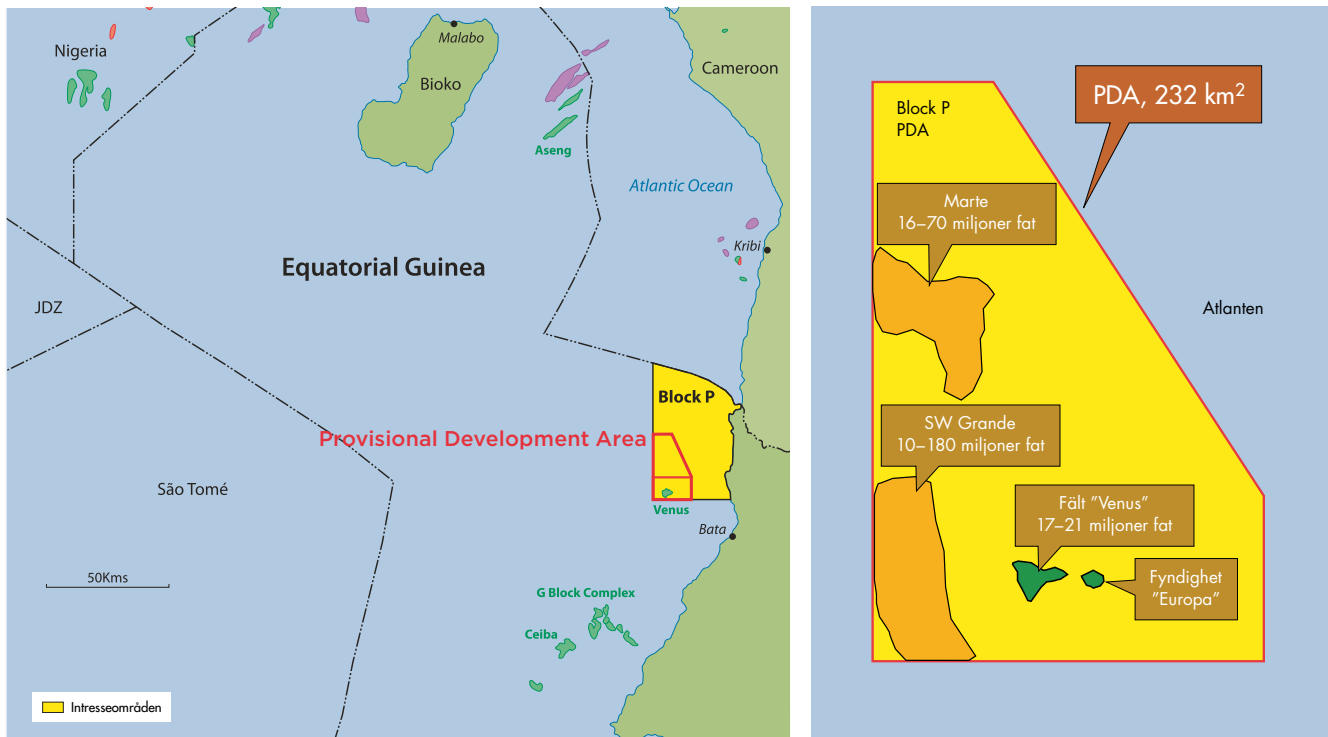
MADAGASCAR - MANJA 3108

Stake: 100%
Operator: Amicoh Resources Ltd*
Stage: Exploration

*Wholly-owned subsidiary of Crown Energy AB

SOUTH AFRICA - BLOCK 2B

Stake: 10%
Operator: Africa Energy Corp.
Stage: Exploration
Partners: Africa Energy Corp. (90%)



Equatorial Guinea

The licence area is in close proximity to the mainland in the Rio Muni Basin, which contains confirmed discoveries such as the oil-rich Ceiba Field and fields in Block G. These fields, located about 50 kilometres south, have reserves of about 500 million barrels of oil. In the Venus field in Block P, sand reservoirs similar to those in the Ceiba Field and fields in Block G have been identified and verified. Previous exploration drilling has also indicated potential for oil deposits in the area surrounding the Venus Field. Block P has proven oil discoveries and is therefore in the later phase of Crown Energy's business model.

In September 2012, the licence operator submitted a plan of development for the Venus field and its surroundings to the authorities for approval. This application led to a change, resulting in the licence area being concentrated to the area in and around the existing Venus field. This licence area is called the provisional development area (PDA). It covers about 250 square kilometres and includes the Venus field discovery. The area also includes a number of highly interesting identified structures with potential for further discoveries. The best estimate of the combined total prospective resources for these structures is around 150 million barrels of oil, all of which lie within the PDA.

Crown Energy has remained in contact with the other licence partners, oil companies Vaalco Energy Inc. from Houston and Atlas Petroleum from Lagos, to discuss and review the current

situation of the licence and obtain additional information from the licence operator about the production programme for 2017. The operator continues to conduct technical operations within the licence and we are still waiting for a formal announcement from the operator on the plans for 2017. Crown Energy is awaiting information about the operator's strategy in the meantime. Crown Energy has not incurred any costs for the licence during the periods of inactivity, aside from the costs of time spent on discussions and analyses of the current situation.

FACTS

| | |
|--------------------------|---|
| Licence: | Equatorial Guinea - Block P (PDA) |
| Operator: | GE Petrol |
| Working interest: | 5% |
| Other partners: | GE Petrol (58.4%), Atlas Petroleum (5.6%) and Vaalco Energy Inc (31%) |

| STAGE | CONTINGENT RESOURCES 2C, GROSS (MMBOE) | PROSPECTIVE RESOURCES, GROSS (MMBOE) | CROWN ENERGY'S STAKE IN THE LICENCE, PROSPECTIVE AND 2C (MMBOE) |
|-------------------------|--|--------------------------------------|---|
| Exploration/Development | 18 | 142 | 8 |

South Africa

Exploration Block 2B in South Africa is located offshore on the Atlantic coast just south of the border with Namibia. A small oil discovery was previously made in the exploration area. The exploration area was previously explored using two-dimensional seismic surveys that were analysed and processed in recent years. The survey identified six new structures within the licence area that may contain oil. In 2013, 700 square kilometres of 3D seismic data was collected and processed. Final results from the surveys were presented in 2014.

The oil-bearing reservoir in the licence area was discovered during test drilling in 1988 and it tested for about 200 barrels of oil per day. Through Crown Energy's reinterpretation of existing data, it is estimated that the licence area could potentially contain several billion barrels of oil.

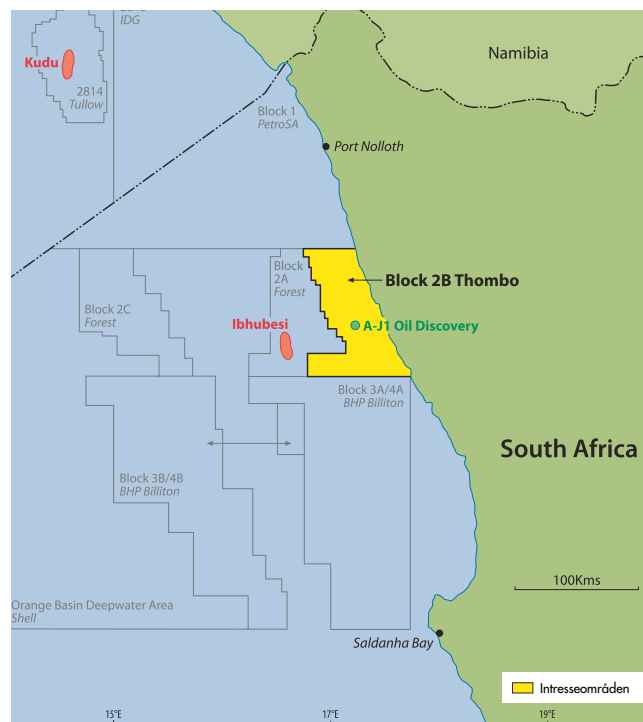
The work performed during 2014/2015 includes amplitude versus offset (AVO), which entails, briefly, additional testing of seismic results; sedimentology, i.e. analysis of the composition of soil, sand, and clay in the reputed reservoir; petrophysics, i.e. mapping of rock characteristics; and our own analyses of drill cores and fluid samples from the well/discovery. Certain related activities were also conducted, such as environmental studies for potential future wells.

The partnership has been granted an initial two-year extension phase for the Block 2B exploration licence, which started in March 2015. The production programme during the extension phase aims to clarify the volumes of hydrocarbons in the various actual and potential reservoirs that have been identified within the licence area. The programme comprises technical appraisals and resulted in a brand new Competent Persons Report (CPR), see below.

The operator and the partnership were of the opinion that it was important to conduct another appraisal before preparing the new asset reports. As a result, they decided to conduct an analysis of drilling data from the discovery well at A-J1 from 1988. It was assessed that this petrophysical study provided a clearer view of the salt content of the reservoir and the study contributed to a better basis for work on the CPR. The analysis was conducted in Spring 2015 and is based on both modern technology and new studies of drilling data produced in the past. The results of the analysis are very positive, indicating a substantial increase in the size of oil-bearing formations, given the new data on salt content supported by the analysis.

As part of efforts to obtain 3D seismic data and additional geophysical and geological studies between 2013 and 2015, the partners of the licence hired ERC Equipoise (ERCE) to certify and assess existing data and ascertain contingent reserves in the Block 2B licence in South Africa. An analysis of the A-J1 discovery was completed in June 2015, which found that the reservoir contains contingent 2C resources totalling 37 million barrels, with an average of 56 million barrels of oil and considerable potential beyond that with up to 118 million barrels of oil in the form of 3C resources. As a result, the next step in this licence will be to drill an evaluation well to ascertain the size, extent, and production volumes, and thus establish that this is a commercially strong oil project.

Crown Energy's farm-out to Africa Energy Corp. ("Africa Energy") regarding the acquisition of a 30.5 per cent participating interest in Block 2B was completed on 21 October 2016. Crown Energy retains a 10 per cent interest and the farm-out agreement stipulates that Africa Energy will pay for all costs associated with the next drilling within the licence area, including additional well testing. Africa Energy, which now owns the other 90 per cent of the licence, has taken over as operator from Thombo Petroleum. Work has continued in the licence area to find an optimum drilling site for our first well and to initiate long-term preparations for the well. Our environmental impact assessment was approved by the South African authorities and Africa Energy applied to the authorities in late January 2017, in its capacity as operator, to proceed to the next extension period of the licence in order to drill a well.



FACTS

| | |
|---------------------------|---------------------------|
| Licence: | South Africa - Block 2B |
| Operator: | Africa Energy Corp. |
| Working interest): | 10% |
| Other partners: | Africa Energy Corp. (90%) |

| STAGE | CONTINGENT RESOURCES 2C, GROSS (MMBOE) | PROSPECTIVE RESOURCES, GROSS (MMBOE) | CROWN ENERGY'S STAKE IN THE LICENCE, PROSPECTIVE AND 2C (MMBOE) |
|-------------|--|--------------------------------------|---|
| Exploration | 37 | 355 | 39 |

Madagascar

Madagascar, which is located off the east coast of Africa, has historically been underexplored when it comes to oil and gas. There are some oil finds on the island in the form of heavy oil, which proves that there is a working petroleum system in the region. In recent years, exploration activities have increased due to finds of both oil and gas elsewhere in East Africa, including Uganda, Kenya, Tanzania, and Mozambique.

The Manja block is located on the west side of Madagascar and covers an area of 7,180 square kilometres. Several structures were identified, of which the largest is located in the north-western part of the licence area. This structure may contain up to 1,250 million barrels of oil, and it is situated at a depth of 3,500 metres. Gas was found in the southern part of the licence area in the 1950s, and in recent years, major gas finds have been located in an adjoining licence area to the south.

In 2015, Crown Energy agreed with OMNIS, the oil and gas authority in Madagascar, to extend the licence for four years, to 15 November 2019. The production commitment for the first two years includes a full tensor gravity (FTG) survey of the licence area followed by additional voluntary 2D seismic data. The plan is to perform exploration drilling on the licence no later than over the second two-year period. The agreement was subject to final approval from the ministry in Madagascar, which was received in March 2016.

The next step in the development of the licence area is to drill a well in Ambatolava located in the north-west part of the licence area. As a part of this process, Crown Energy completed preparations for a project to conduct technical surveys of existing structures in the licence area in 2016. This project is based on gravimetric/magnetic surveys in accordance with the licence commitments. Quotes have been obtained from industry providers in this field. When the 2016 rainy season started, Crown Energy decided it was wise to postpone implementation of the project and instead wait for the spring/summer and the 2017 dry season. The Company met the authorities at an annual update meeting in December 2016 and agreed to work on finding a suitable partner to continue planned projects and take further joint steps in the future.



FACTS

| | |
|--------------------------|--|
| Licence: | Madagascar - Manja Block 3108 |
| Operator: | Amicoh Resources Ltd (subsidiary of Crown Energy Ventures Corporation) |
| Working interest: | 100% |
| Other partners: | - |

| STAGE | CONTINGENT RESOURCES 2C, GROSS (MMBOE) | PROSPECTIVE RESOURCES, GROSS (MMBOE) | CROWN ENERGY'S STAKE IN THE LICENCE, PROSPECTIVE AND 2C (MMBOE) |
|-------------|--|--------------------------------------|---|
| Exploration | - | 1,071 | 1,071 |

Iraq

The licence covers the entire Salah ad-Din region – about 24,000 square kilometres in northern Iraq. The licence areas includes a number of existing oil fields, such as Ajeel, Hamrin, Tikrit, and Balad, which potentially contain several billion barrels of oil. Existing discoveries and fields have historically belonged to Iraq's central government and separate negotiations are required for permission to take them over and operate them for Salah ad-Din and the licence holder, i.e. Crown Energy. Despite the large, obvious commercial discoveries, production has been limited. Activities have been hampered due to the political instability of the last 20 years. The security situation improved substantially in 2016, but some areas are still risky to operate in.

In addition to the oil fields mentioned above, there are many fields that have also been drilled and partially tested. We are interested in finding out if these fields can start producing in a simple operation by only drilling a few more times and with equipment suitable for initial production. This would make the asset a considerable success and numerous discussions are under way with potential partners for such a project. A couple of structures have been identified to determine if this would be possible. Some of them are located near the main town of Tikrit, which also facilitates the logistics. This type of structure may contain resources on the order of 50–250 million barrels of oil.

The Iraq asset has been incorporated into the Company's Competent Persons Report (CPR) since May 2015. Following a technical analysis of new and existing data, both prospective and contingent resources have been found in the Iraq asset. A technical analysis of the licence conditions was conducted in 2016. This resulted in the Company creating an extra margin of safety for a potential participating interest which the region (the Salah ad-Din Governorate) may be entitled to under certain circumstances according to the licence conditions. As a result, we have taken precautions in the CPR published on 7 July 2016 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.

Given the trend in Iraq in general and in the region in particular, it is now increasingly clear that a redistribution of power is occurring from the central government in Baghdad to the country's regions. It has been observed that the regions have acquired greater influence over their own assets from Baghdad. Given that Crown Energy's licence is contracted with the Salah ad-Din region, this development is positive for Crown Energy.

Crown Energy remains positive and hopeful about a better future in Iraq in general and in Salah ad-Din in particular. The licence is extremely rich in oil assets and features a large number of oil fields, some of which are or have been in production and many are either in need of restoration or development. Crown Energy is now working on initiating concrete operating activities

by planning for initial geological and technical operations and field project planning in the region covered by our production sharing contract (PSC). The Company is examining existing infrastructure and technical capabilities and is also reviewing present and past geological and geophysical activities. The Board of Crown Energy has therefore resolved to hire suitable contractors to devise the development plans required and has informed the local authorities of this. We look forward to initiating development efforts in the licence and PSC area considering that the Company has the financing capacity to initiate technical operations on location.



FACTS

| | |
|--------------------------|--------------------------------|
| Licence: | Iraq – Salah ad-Din |
| Operator: | Crown Energy Iraq AB |
| Working interest: | 60% |
| Other partners: | Salah ad-Din Governorate (40%) |

| STAGE | CONTINGENT RESOURCES 2C, GROSS (MMBOE) | PROSPECTIVE RESOURCES, GROSS (MMBOE) | CROWN ENERGY'S STAKE IN THE LICENCE, PROSPECTIVE AND 2C (MMBOE) |
|-------------------------|--|--------------------------------------|---|
| Exploration/Development | 174 | 2,683 | 1,714 |

Brief description of oil and gas exploration

Players in the oil and gas industry can be divided into those that prospect for, find, and produce crude oil and natural gas and those that refine and distribute the oil in the form of fuels, for example. Within Crown Energy's segment, i.e., prospecting for and producing oil, there are four phases to the process: exploration, evaluation, development, and production. As mentioned earlier, Crown Energy operates primarily in the exploration and evaluation phase (see the image in the "About Crown Energy" section).

The following section describes the exploration and evaluation phases.



Oil and gas exploration

Oil and natural gas resources are usually the property of the country in which the oil or natural gas is found. Each country's government can issue permits, or concessions or licences, to domestic and foreign oil companies. In other words, the oil companies do not own the discoveries. A licence usually consists of two parts: an exploration licence and a production licence. Acquisition of a licence means that the oil companies can explore for and produce oil and natural gas in a given area during a given licence period. To obtain a permit and retain it, the oil company commits to performing work within the licence area for a certain period of time. The work mainly comprises geological and geophysical surveys and drilling. An exploration licence is converted to a production licence when commercial finds of oil or gas are discovered.

The licences may be obtained directly from the state licencing authority or the oil company can buy issued licences from other companies. It is also common for the oil companies to share projects with others in order to share the high costs of exploration. The licence holder can invite other players to take over all or part of the work that the licence owner has undertaken, such as drilling or geological surveying. In return, the invited company receives a stake in the licence and thus part of any future revenue. These procedures are called farming in and farming out. The oil company that has operational responsibility is called the operator.

Geological and geophysical surveys

By analysing geological, geophysical, and technical conditions, the oil company learns more about the discovery. To locate geological structures favourable to the accumulation of oil and natural gas, different types of studies are conducted, such as geophysical seismic surveys in which potential structures are located using sound waves. Seismic data can be two-dimensional or three-dimensional. The difference is that 2D seismic surveys provide data in two dimensions (length and depth) while 3D seismic data provides an additional dimension (width). Three-dimensional seismic data provides a better foundation but is much more expensive and usually covers smaller areas.

Exploration drilling

Only by drilling can an oil company confirm with certainty whether or not there are commercial quantities of oil (or gas). Drilling in a structure without known reserves is called exploration drilling. Drilling operations are divided into several phases: preparation, mobilisation of equipment and materials to the drilling location, the drilling phase, and finally demobilisation.

During drilling, rock and fluid from the borehole is analysed. Log programs are run to investigate the reservoir and its properties. If the logging analyses are positive, additional extensive testing and analyses are conducted in order to obtain reliable evaluations of the well, i.e., how much oil the well may produce and at what rate.

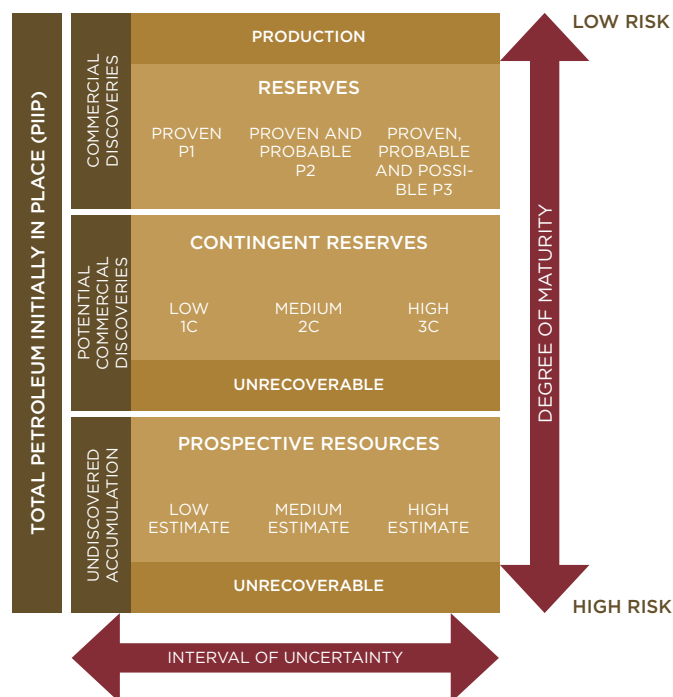
Resources and reserves

In an oil company, 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 licensing authority.

Reserves are divided into proven, probable, and possible. The difference between these reserves is great. A proven reserve (P1/P90) is deemed to have a 90% probability that the estimated recoverable volumes are accurate. These are areas where testing has been done with a positive outcome as well as adjacent areas where drilling has not yet occurred but are still considered commercially recoverable based on existing geophysical and geological data. Probable (P2/P50) and possible (P3/P10) reserves have a probability of 50% and 10%, respectively. With additional work, such as expanded drilling, the probability of the discovery can be appraised upward.

Resources are divided into contingent and prospective categories. A contingent resource is one in which discoveries have been proven by drilling, but for one reason or another they have not yet met the requirements for a reserve. A prospective resource relates to a project in which everything indicates that drilling can be done, but the oil company has not yet started exploration drilling. Contingent and prospective resources are divided into three sub-groups, each based on how far along in the project the oil company has come and the probability of discoveries.

The established practice in the oil and gas industry is for an independent expert to be hired to estimate and assess operational resources and reserves.



The figure above illustrates the classification model for reserves and resources used in the oil and gas industry. The model was developed by SPE PRMS 2007. (Source: Society of Petroleum Engineers Petroleum Resources Management System of 2007 [SPE PRMS 2007]).

Sustainability

THE IMPORTANCE OF OIL AND GAS

Oil has been the most traded and most used energy commodity in the world for more than 50 years because it contains a high amount of energy and is easy to store and transport. Modern society is dependent on cheap and efficient energy and thus highly dependent on both oil and gas. In addition to the use of oil and gas for transport and heating homes, oil is used in most materials and products we use on a daily basis, such as plastics, clothing, medicine, mobile phones and computers.

Using our operations to provide these crucial resources responsibly and sustainably is considered an important task by Crown Energy – from the early stages of planning and licence awarding to the exploration and development processes.

For Crown Energy, conducting sustainable and responsible operations necessitates that we understand how we impact society and the environment in the areas in which we operate and work to meet the requirements and expectations of our operations to ensure they are not conducted in a way that causes environmental impact.

On the basis of Crown Energy's current operations, the following aspects of sustainable growth are the most important to us:

- Transparency and ethics
- The environment
- Corporate social responsibility
- Health and safety

We report on each of these areas later in this section.

RESPONSIBILITY BETWEEN LICENCE OPERATOR AND LICENCE PARTNER

Sustainability responsibilities for an exploration and evaluation licence are divided between operators and partners. The operator is directly responsible for the licence's operations and is governed by the production sharing agreement (PSA) and/or local laws governing oil and gas extraction in the respective country. These PSAs signed with the licensing country/government agency (and/or laws) govern responsibility for the environment, working conditions, insurance and related areas. These days, most countries have strong environmental legislation and strict environmental requirements which stipulate that oil companies follow best practices.

In cases where there are multiple licence partners, the joint operation agreements (JOAs) also govern how decisions are made within the partnership and which party is responsible for what. Depending on the distribution of shares in the partnership, partners may have differing degrees of influence on decisions in areas such as strategies, procedures, suppliers and participation in local social programmes.

As a result of the above, Crown Energy is governed by the environmental and working conditions requirements of the PSA for licences where Crown Energy is the operator (Iraq and Madagascar). There may also be additional local statutory requirements. The operator has direct responsibility for licences where Crown

Energy is a partner (South Africa and Equatorial Guinea). In cases where Crown Energy has a small share, it is naturally difficult to influence the decisions of other majority partners. However, Crown Energy has a policy of submitting recommendations for improvement if considered necessary.

Crown Energy is aware that it may have a limited influence on the decisions of the partnership in cases where it is only a minority partner. This is a risk for Crown Energy – if the other partners do not follow best oil practices, regulations on working conditions and environmental legislation, it could have a negative impact on us. This places demands on Crown Energy when choosing partners in situations such as an acquisition or a farm-out. Crown Energy generally selects partners on the basis of both financial strength and core values such as ethics, morals and the environment. In cases where the partnership changes during the life cycle of the project, there may therefore be cause to assess new partners on the basis of what they can bring to the partnership, both on the positive and negative sides.

GOVERNANCE DOCUMENTS

As mentioned above, environmental and working conditions requirements are governed in PSAs for licence operators and by JOAs for partners, as well as by local legislation (if applicable) for both. In addition, Crown Energy has adopted internal Group policies in the following areas:

- Corporate social responsibility and ethics
- The environment and sustainability
- Finance
- Staff
- Information
- Corporate governance

The Group strives to follow the best available practices, even if they go above and beyond the requirements of local legislation.

TRANSPARENCY AND ETHICS

For Crown Energy, transparency and ethics means conducting its operations legally and professionally and making ethical business decisions. We want our operations to be based on respect, honesty and integrity. To us, working ethically means striving to prevent corruption and all forms of bribery and facilitation of payments. We expect our counterparties (including government agencies, suppliers and operators of licences) to follow the same standards as well.

Crown Energy is aware that we are conducting, and may expand, operations in countries characterised by political, social and economic instability, such as war and general social or political turbulence. This includes the occurrence of corruption.

Crown Energy is a small organisation and the Board constantly strives to promote Crown Energy's fundamental view in its operations. The Board has adopted policies on business ethics and anti-corruption, which both staff and consultants are required

to comply with. For guidance when needed, Crown Energy uses the OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones.

The Extractive Industries Transparency Initiative (EITI) is a voluntary global reporting standard for companies operating in the extractive industries. The EITI promotes transparency and responsible management of natural resources. Certain countries have chosen to implement the EITI Standard to ensure full disclosure of taxes and other payments to government agencies in order to prevent corruption and raise transparency. On 1 January 2016, Sweden implemented a law that originated in the EITI requiring reporting of payments to government agencies. The reports must be submitted to the Swedish Companies Registration Office and the reporting requirement applies to financial years beginning after 31 December 2015. However, Sweden is still not an EITI member. However, Madagascar is an EITI candidate country, and Crown Energy therefore annually reports payments to government agencies there as well. Iraq is also an EITI member.

THE ENVIRONMENT

Crown Energy strives to minimise harmful footprints in the implementation of our operations. Where possible, we will prevent, or otherwise substantially minimise, reduce or remediate environmental damage resulting from our operations.

All of Crown Energy's licences are in the early stages of a normal exploration and production life cycle. Given that Crown Energy does not currently engage in any oil and gas production, the environmental risks normally associated with the oil and gas industry are limited. However, the activities conducted in the exploration and evaluation stage can result in a negative environmental impact as well, such as when conducting seismic surveys and test drilling. This type of activity may impact both flora and fauna.

The environmental responsibilities of Crown Energy's operations are mainly governed by existing Production Sharing Agreements, both directly (where we are operators) and indirectly (where we are not operators). The environmental requirements of the Production Sharing Agreement for actions such as preparatory environmental impact studies, drilling and remediation of areas are often based on the environmental legislation and oil production laws of the respective country, and, as mentioned before, most countries currently have strong environmental legislation and strict environmental requirements. Environmental impact assessments (EIAs) serve as an example of actions to minimise a potential negative environmental impact. These EIAs are conducted prior to the commencement of large-scale activities in the licence area, such as prior to seismic surveys and test drilling. EIAs are often required by the Production Sharing Agreement.

CORPORATE SOCIAL RESPONSIBILITY

For Crown Energy, corporate social responsibility means contributing both socially and economically to the growth of the countries and regions where we conduct our operations. As an oil company in exploration, we can contribute to long-term social growth if commercial discoveries are made. It is also important to us that social and economic growth does not result in segregation and inequality. For Crown Energy, corporate social responsibility

also includes safeguarding human rights in all situations, both directly (people associated with our operations) and indirectly (local communities in the regions in which we operate).

The PSAs include certain requirements concerning responsibility for local communities. Crown Energy has also adopted internal policies for communities and human rights.

The annual licence commitment normally includes a portion earmarked for education and/or local social projects. These funds are commonly for education and training of employees at government agencies involved in oil and mineral operations in the respective countries.

Crown Energy plans to initiate local community involvement once we have operational activities on site in the countries and regions, both where we are the operator and where we are a licence partner.

HEALTH AND SAFETY

As an exploration company in the oil and gas industry, health and safety is very important to us, because projects can pose major safety risks from time to time. Crown Energy is responsible for preventing accidents and other incidents and giving employees and contractors a safe and healthy work environment. In addition, our health and safety responsibility also extends to local populations directly and indirectly impacted by our operations.

The risks and uncertainties usually associated with oil and gas operations include fires, oil spills and other accidents. These risks may result in personal injuries, property damage and environmental damage. In addition to operational risks specific to the industry, there are also risks related to safety in a country or area, i.e. due to war and other turbulence.

The extent of operational risks depends on what phase an exploration and evaluation project is in. Crown Energy's projects are in early phases and no activities are being conducted at this time in the licence areas which could directly cause personal injuries or fires. Depending on the progress of projects, this may change in the future. In such cases, Crown Energy will strive for the development of good procedures and their implementation in these projects.

Safety issues are largely governed in the PSAs and JOAs, which stipulate the responsibilities of each party. If health and safety issues are not governed in these agreements, Crown Energy's internal policies will apply. If Crown Energy's own policies are stricter than a country or region's own regulations, Crown Energy's adopted policies will still apply.

The licence in Salah ad-Din, Iraq, is an example of an asset where the safety conditions have changed during the exploration period. Crown Energy has begun to resume plans to commence, and have already started certain activities on site in Iraq. Crown Energy is looking for a financial and operational partner to enable to accelerate and continue activities in the region. In collaboration with this partner, Crown Energy will choose development strategies for the region's assets, which in turn will determine which safety arrangements are made.

Board of Directors, senior executives, and auditor

BOARD



| | Pierre-Emmanuel Weil | Alan Simonian | Jean Benaim | Yoav Ben-Eli |
|---|--|--|--|--|
| Function | Chairman of the Board | Board member | Board member | Board member |
| Year elected | May 2016 | 2011 | May 2016 | December 2016 |
| Birth year | 1981 | 1966 | 1947 | 1970 |
| Education | Finance degree HEC Paris, law degree Paris XI University | Law degree Southampton University | Robespierre College, and economics and statistics at Arts et Métiers, ParisTech | Science at Tel-Aviv University |
| Experience | Investment adviser, asset management | Oil sector consultant | Has worked in Africa for many years in coffee export, oil licences and port logistics within the oil industry. | Entrepreneur with experience from construction projects within the oil and gas industry |
| Other Board posts | Director in charge of Cement Fund SCSp, CEO and partner Weil Investissement, Board member and partner Racing Club de Strasbourg Alsace | Board member of Simco Petroleum Ltd, Fastnet Ltd, Simbo Petroleum No.2 Ltd and Simbo Petroleum No.3 Ltd. | Board member and chair Intercafa S.A. | Board member of ESI Group SA and YBE Ventures Ltd. |
| Shares in Crown Energy at 31 December 2015 | No personal shareholdings, but is responsible for Cement Fund SCSp, which holds 31,500,000 ordinary shares in Crown Energy AB. He is thus not independent of major shareholders. | 3,429,521 ordinary shares | None. | 363,401,823 C shares |
| Board meeting attendance | 5/13 (was not elected until the 2016 AGM and has attended all possible meetings.) | 13/13 | 5/13 (was not elected until the 2016 AGM and has attended all possible meetings.) | 1/13 (was not elected until EGM in December 2017 and has attended all possible meetings after that). |
| Annual Board fee, SEK thousand | 150 | Received a fee until the 2016 AGM. Does not receive fee any more because he is now an employee. | 75 | 75 |
| Independent of company and management¹⁾ | Yes | No | Yes | Yes |
| Independent of major shareholders¹⁾ | No | Yes | Yes | No |

¹⁾ As per the definition in the Swedish Corporate Governance Code.

MANAGEMENT

COO, Alan Simonian, who is also on the Board of Directors; see previous page.



| | Andreas Forssell | Jenny Björk | Peter Mikkelsen |
|---|---|--|--|
| Function | CEO | CFO | Chief Geologist and Exploration Manager |
| Employee since | 2011, CEO since 2015 | 2013, CFO since 2015 | Not employed, but part of management since 2011. |
| Birth year | 1971 | 1979 | 1953 |
| Education | Degree in business administration (Civilekonom) Stockholm University and MBA from Cass Business School in London. | Degree in business administration (Civilekonom) Linköping University | Bachelor's in geology Oxford University |
| Experience | Background in corporate finance and M&A consulting and senior positions in the oil sector. | Authorised Public Accountant | Senior positions and consultant in the oil sector (mainly exploration) |
| Shares in Crown Energy at 31 December 2016 | 8,404,609 ordinary shares | 44,750 ordinary shares | 100,000 ordinary shares |

Auditor

Öhrlings PricewaterhouseCoopers AB, with Bo Lagerström (born in 1966) serving as chief auditor.

Bo Lagerström from Öhrlings PricewaterhouseCoopers AB is Crown Energy's chief auditor. Mr Lagerström is an authorised public accountant. Both he and Öhrlings PricewaterhouseCoopers AB are members of FAR, Sweden's association for accountancy professionals.

ADDRESSES

**Board of Directors and senior executives
Crown Energy AB
Norlandsgatan 18
SE-111 43 Stockholm, Sweden**

**Auditor
PwC
Torsgatan 21
SE-113 97 Stockholm, Sweden**

The shares, shareholders and share capital

SHARE CAPITAL

According to Crown Energy's Articles of Association adopted on 16 December 2016, the issued share capital should be no less than SEK

4,277,264 and no more than SEK 17,109,056. The minimum number of shares is 145,487,301 and the maximum is 581,949,204. Two types of shares may be issued: ordinary shares and C shares. Each shareholder with voting rights may vote at the general meeting on the basis of the full number of shares owned and represented by him or her without any voting right restrictions. The number of shares of each type may not exceed the maximum number of shares in the Company. Ordinary shares confer ten (10) votes and C shares confer one (1) vote. C shares do not entitle the holder to dividends or to a share of the Company's assets at dissolution of the Company. The Company's shares are not subject to an offer submitted on the basis of mandatory bid rules, a right of squeeze-out, or a right of sell-out. The Company's shares have not been subject to any public takeover bids during the current or previous financial year. Crown Energy shares are denominated in SEK and are issued in accordance with Swedish law, and the owners' rights related to the shares may only be amended in accordance with the procedures specified in the Swedish Companies Act (2005:551).

Apart from the difference in votes, C shares are subject to certain terms and conditions that differ from ordinary shares. C shares can be converted into ordinary shares, on certain conditions, until 30 June 2017. For more information about C shares, see the Company's Articles of Association on its website.

At 31 December 2016, 92,497,379 ordinary shares and 363,401,823 C shares had been issued. The C shares are not listed for trading on NGM Equity.

Crown Energy's share capital totals SEK 13,404,709. The quotient value per share is SEK 0.0294. There are no shares in the Company that do not represent the capital, and the Company does not hold any treasury shares.

SHARE CAPITAL PERFORMANCE

In February 2016, 5,500,000 ordinary shares were registered as the result of a directed issue. The issue resulted in a share capital increase of SEK 161,697.62 to SEK 1,794,767.40 and an increase in the number of shares of 5,500,000 to 61,047,373.

The final conversion period for KV1 2013/2016 was in March. A total of 6 convertibles were converted into ordinary shares, which resulted in an increase in the number of shares to 61,047,379. After conversion, the share capital totalled SEK 1,794,766.51.

Shares directed to Cement Fund SCSp were issued in June/July, resulting in an increase in the number of shares of 31,500,000 to 92,547,379. The share capital increased to SEK 2,720,852.86.

In December 2016, 363,401,823 newly issued C shares (and 363,401,823 votes) were registered with the Swedish Companies Registration Office as the result of a directed issue. (However, the shares were not transferred to the company that subscribed for them until February 2017.) The total number of shares after the issue was 455,949,202 and the number of votes was 1,288,875,613. After the change, the share capital totalled SEK 13,404,709.06.

Changes in the Company's share capital are reported below in table format from registration of the Company until publication of this report:

| YEAR | TRANSACTION | INCREASE IN NUMBER OF VOTES | CHANGE IN NUMBER OF SHARES | CHANGE IN SHARE CAPITAL (SEK THOUSAND) | CAPITALISATION EXCL. ISSUE EXPENSES (SEK THOUSAND) | TOTAL NUMBER OF SHARES | TOTAL SHARE CAPITAL (SEK THOUSAND) | QUOTIENT VALUE (SEK) |
|------|--|-----------------------------|----------------------------|--|--|------------------------|------------------------------------|----------------------|
| 2010 | Incorporation | 50,000 | 50,000 | 50 | 50 | 50,000 | 50 | 1.00 |
| 2011 | Directed share issue | 450,000 | 450,000 | 450 | 450 | 500,000 | 500 | 1.00 |
| 2011 | Share split (3,406:2) | 1,702,500,000 | 1,702,500,000 | - | - | 1,703,000,000 | 500 | 0.00029 |
| 2011 | Directed share issue | 116,820 | 116,820 | 0 | 0 | 1,703,116,820 | 500 | 0.00029 |
| 2011 | Reverse share split (1:100) | -1,686,085,652 | -1,686,085,652 | - | - | 17,031,168 | 500 | 0.029 |
| 2012 | Directed share issue | 181,666 | 181,666 | 5 | 3,347 | 17,212,834 | 505 | 0.029 |
| 2012 | Non-cash issue ¹⁾ | 1,135,411 | 1,135,411 | 34 | 16,987 | 18,348,245 | 539 | 0.029 |
| 2012 | Preferential rights issue ²⁾ | 1,529,020 | 1,529,020 | 45 | 10,703 | 19,877,265 | 584 | 0.029 |
| 2012 | Directed share issue | 4,285,714 | 4,285,714 | 125 | 30,000 | 24,162,979 | 709 | 0.029 |
| 2012 | Offset issue ³⁾ | 1,592,051 | 1,592,051 | 48 | 11,144 | 25,755,030 | 757 | 0.029 |
| 2013 | Non-cash issue | 1,842,715 | 1,842,715 | 54 | 18,611 | 27,597,745 | 811 | 0.029 |
| 2014 | Redemption of convertibles | 246,934 | 246,934 | 8 | 1,845 | 27,844,679 | 819 | 0.029 |
| 2014 | Redemption of convertibles | 298,732 | 298,732 | 8 | 2,398 | 28,143,411 | 827 | 0.029 |
| 2015 | Redemption of convertibles | 100,000 | 100,000 | 3 | 837 | 28,243,411 | 830 | 0.029 |
| 2015 | Offset issue | 25,828,733 | 25,828,733 | 759 | 78,673 | 54,072,144 | 1,589 | 0.029 |
| 2015 | Preferential rights issue | 1,475,229 | 1,475,229 | 44 | 4,869 | 55,547,373 | 1,633 | 0.029 |
| 2016 | Directed share issue | 5,500,000 | 5,500,000 | 162 | 11,000 | 61,047,373 | 1,795 | 0.029 |
| 2016 | Redemption of convertibles | 6 | 6 | 0 | 1 | 61,047,379 | 1,795 | 0.0294 |
| 2016 | Directed share issue | 31,500,000 | 31,500,000 | 926 | 63,000 | 92,547,379 | 2,721 | 0.0294 |
| 2016 | Change in voting rights, ordinary shares ⁴⁾ | 925,473,790 | n/a | n/a | n/a | n/a | n/a | n/a |
| 2016 | Directed (discounted) issue ⁴⁾ | 363,401,823 | 363,401,823 | 10,684 | 1 | 455,949,202 | 13,405 | 0.0294 |

¹ Refers to payment for the acquisition of Amicoh Resources Ltd. The proceeds were offset against the purchase price liability recognised in 2011 in relation to the seller, Mocooh Resources Ltd.

² SEK 7,245,070 of the total capitalised amount refers to settlement of loan with principal owner.

³ Settlement of loan with principal owner.

⁴ Registration of the issue was made with Swedish Companies Registration office in 2016. The transfer of the shares and votes of the directed issue to the recipient was made in February 2017.

OWNERSHIP STRUCTURE

As at 31 December 2016, Crown Energy had about 2,000 shareholders. The number of outstanding shares was, on publication of this report, 455,449,202. The table to the right shows the shareholdings of the five largest owners and the combined shareholdings of other owners on publication of this report.

| SHAREHOLDERS | NUMBER OF SHARES | INTEREST (%) |
|---|--------------------|---------------|
| Yoav Ben-Eli, via company (C shares) | 363,401,823 | 79.7% |
| Cement Fund SCSp | 31,500,000 | 6.9% |
| Veronique Salik | 14,519,404 | 3.2% |
| Andreas Forssell, privately and via companies | 8,404,609 | 1.8% |
| Comtrack Ventures Ltd | 7,933,156 | 1.7% |
| Other shareholders | 30,190,210 | 6.5% |
| Total number of shares | 455,949,202 | 100.0% |

Now that the Company has introduced C shares, it has two different types of shares with different voting rights. As mentioned above, ordinary shares confer ten (10) votes and C class shares confer one (1) vote. Shares prior to the issue are ordinary shares. The total number of votes on publication of this report is 1,288,875,613. The number of outstanding shares is 455,449,202. The following table shows the share of outstanding votes of the five largest owners and the combined share of the other owners:

| SHAREHOLDERS | NUMBER OF VOTES | INTEREST (%) |
|---|----------------------|---------------|
| Yoav Ben-Eli, via company (C shares) | 363,401,823 | 28.2% |
| Cement Fund SCSp | 315,000,000 | 24.4% |
| Veronique Salik | 145,194,040 | 11.3% |
| Andreas Forssell, privately and via companies | 84,046,090 | 6.5% |
| Comtrack Ventures Ltd | 79,331,560 | 6.2% |
| Other shareholders | 301,902,100 | 23.4% |
| Total number of votes | 1,288,875,613 | 100.0% |

STOCK EXCHANGE

The Company's ordinary shares are traded on NGM Equity under the ticker symbol CRWN and ISIN code SE0004210854. The Company has 92,547,379 ordinary shares, corresponding to 20.3 per cent of the total number of issued shares, which is 455,949,202. The 363,401,823 C shares are not traded on any stock exchange at this time. The ISIN code of the C shares is SE0009496318.

AFFILIATION WITH EUROCLEAR IN SWEDEN

Crown Energy is a central securities depository (CSD) company and the Company's shares are to be registered in a CSD register under the Swedish Financial Instruments Accounts Act (1998:1479). The Company and its shares are affiliated with the securities system of Euroclear in Sweden, address PO Box 7822, 103 97 Stockholm, as the central securities depository and clearing organisation. Instead of issuing physical certificates to shareholders, transactions are done electronically by registering with the CSD system of an authorised bank or other investment manager.

DIVIDEND POLICY

Over the next few years, Crown Energy's Board does not intend to propose a dividend. For now, any profits are reinvested in order to expand the business. The timing and amount of any future dividends are proposed by the Board. In consideration of future dividends, the Board will weigh factors such as the requirements that the nature, scope, and risks of the business place on the Company's equity, its need to strengthen the balance sheet, its liquidity, and its financial position. Crown Energy does not apply any restrictions or

special procedures with respect to cash dividends to shareholders residing outside Sweden. With the exception of any limitations resulting from banking and clearing systems, pay-out will take place in the same way as for shareholders residing in Sweden. For shareholders who are not tax resident in Sweden, Swedish withholding tax is not normally charged. There are no rights, except the right to dividends, to share in the Company's profits. Crown Energy has not yet paid any dividends, nor is there any guarantee for any given year that a dividend will be proposed or resolved on by the Company.

SHARE-BASED INCENTIVE PROGRAMME AND WARRANTS ISSUED

The Company does not have any active incentive programmes. A total of 31.5 million warrants were issued in spring 2016 in connection with the issue directed to Cement Fund SCSp. Each warrant entitles Cement Fund SCSp to subscribe for one new ordinary share at SEK 2 per share during a period of 24 months after the launch of the directed share issue. In the event that Cement Fund SCSp opts to exercise its warrants and subscribe for additional shares, an additional amount of SEK 63 million may be raised for the Company and Cement Fund SCSp would then hold a total of 12.9 per cent of the shares and 48.9 per cent of the votes in Crown Energy (based on the number of shares and votes on publication of this annual report).

CONVERTIBLE LOANS

Crown Energy (Parent Company) had two outstanding convertible loan series until May 2015: KV1 2013/2016 and KV2 2014/2016. Convertibles corresponding to about 85 per cent of the previous total convertible debt were bought back in April 2015. The convertibles holders who chose not to sell their convertibles as offered remained under the original terms of the convertible and these convertibles continued 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.

Corporate Governance Report

This report was prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Code of Corporate Governance (the Code).

INTRODUCTION

Crown Energy AB (Crown Energy) is a Swedish public company with its headquarters in Stockholm. The Company's ordinary shares are traded on NGM Equity.

Crown Energy's corporate governance is allocated among shareholders, the Board, the CEO, and senior management. Governance is regulated mainly by the Articles of Association, the Swedish Companies Act, NGM's rules for companies whose shares are traded on NGM Equity, the Code, good practice on the stock market, and internal guidelines and policies.

Companies whose shares are traded on a regulated market are required to implement the Code. The Code is part of self-regulation in the Swedish business community and is based on the principle of comply or explain. This means that a company applying the Code may deviate from individual rules but must explain the reason for each deviation and provide a description of the solution that was chosen instead. The Code is available at www.corporategovernanceboard.se. In accordance with the provisions of the Annual Accounts Act and the Code, Swedish companies whose shares are traded on a Swedish regulated market must also prepare a Corporate Governance Report. Crown Energy's 2016 corporate governance report was prepared accordingly.

Rules of the Code from which Crown Energy deviated in 2016 are indicated in this report. Explanations and solutions that were used instead are described in each respective section of the Corporate Governance Report.

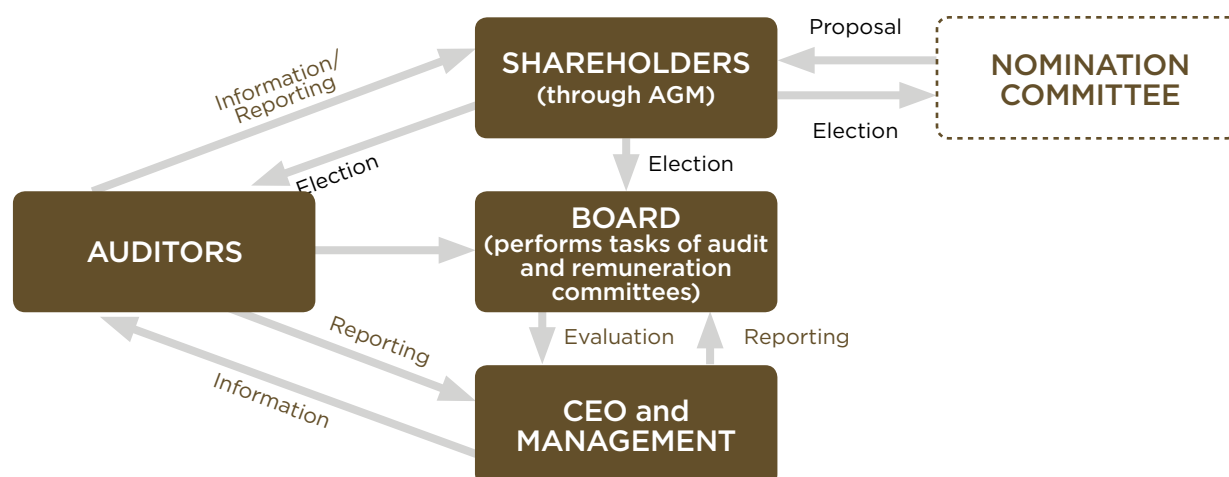
The Company did not have any breaches of NGM's rules for companies whose shares are traded on NGM Equity or breaches of good practice on the stock market to report for the year.

GOVERNANCE STRUCTURE AND ACCOUNTABILITY

The shareholders of Crown Energy exercise their influence on the annual general meeting, the Company's highest decision-making body, while the Board of Directors and the CEO are responsible for the Company's organisation and management of the Company's affairs in accordance with the Swedish Companies Act, other laws and regulations, applicable rules for listed companies, the Articles of Association and the Board's internal control instruments. Crown Energy's governance structure is described in the following organizational chart of the various governing bodies. A description of each governing body follows.

SHAREHOLDERS

As at 31 December 2016, Crown Energy had about 2,000 shareholders. As mentioned in the section on the share and shareholders on pages 19–21, a directed issue was conducted in late 2016. The issue was registered with the Swedish Companies Registration Office in 2016, but shares and votes were not formally transferred until February 2017. The description below of the percentages of shares and votes held assumes that the share issue occurred before 31 December 2016 given that the issue had already been resolved at an extraordinary general meeting in December 2016. The Company's three largest owners in terms of share capital, as per 31 December 2016, are Yoav Ben-Eli (via YBE Ventures Ltd) with approximately 79.7 per cent, Cement Fund SCSp with 6.9 per cent and USB Investment BV with 3.4 per cent. The situation for the number of votes is different because the Company's two types of shares have different voting rights. The Company's three largest owners in



terms of voting rights are Yoav Ben-Eli (via YBE Ventures Ltd) with approximately 28.2 per cent of the votes, Cement Fund SCSp with 24.4 per cent and USB Investment BV with 11.9 per cent. Note that the shareholding has changed between 31 December 2016 and the publication of this report. See current shareholding in the section The shares, shareholders and share capital.

The five largest shareholders had combined holdings corresponding to 93.5 per cent of the shares and 77.2 per cent of the votes at the end of 2016.

According to Chap. 6, Sec. 6, Subsec. 2, Par. 3 of the Annual Accounts Act, corporate governance reports must present direct or indirect shareholdings that represent at least one-tenth of the number of votes for all shares in the company. There were three shareholders with shareholdings of this type at 31 December 2016: Yoav Ben-Eli, Cement Fund SCSp and USB Investment BV. Further information about the share and shareholders can be found on pages 19–21 of this annual report.

GENERAL MEETING

The AGM is Crown Energy's highest decision-making body. By law, the AGM must be held within six months of year-end. Decisions are made at the AGM on such issues as adoption of the income statement and balance sheet, appropriation of profits, discharge of liability and election of Board members and auditors. Decisions are also made at the general meeting on the Articles of Association, dividends, and any changes to the share capital.

Notice of the AGM, as well as of EGMs where questions of amending the articles of association will be handled, shall be issued no earlier than six and no later than four weeks before the meeting through a press release, a public announcement in *Post- och Inrikes Tidningar* (Post and Domestic Times), and on the Company's website. Notice of any other general meeting shall be issued no earlier than six and no later than three weeks before the meeting. In order to attend and vote at the AGM, shareholders must be entered in the register maintained by Euroclear Sweden AB on Crown Energy's behalf no later than five working days before the meeting and must have reported their participation to the Company as described in the meeting notice. Shareholders may be represented by proxy.

AGM

Crown Energy's 2016 AGM was held on 4 May 2016 in Stockholm. At the meeting, 29.98% of the votes and share capital were represented. These items and others were resolved at the meeting:

- Adoption of the income statements and balance sheets for the Parent Company and the Group
- discharge from liability for the Board and CEO
- adoption of appropriation of profits, entailing that the Company's accumulated earnings of SEK 146,866,804 be brought forward
- adoption of the number of Board members (four) and election of Board members (two incoming members and one outgoing member)
- Adoption of Board fees of SEK 225,000, with SEK 150,000 to the chairman and SEK 75,000 to each non-employed Board member
- Adoption of audit fees as per approved invoices
- Adoption of guidelines for remuneration of Group senior executives
- Resolution to issue 31,500,000 units, with each unit consisting of one (1) share and one (1) warrant. The issue price per unit was

SEK 2. The warrants may be subscribed free of charge during the period from 24 May 2016 to 24 May 2018. The new share issue increased the Company's share capital by 31,500,000 shares.

The 2017 AGM will be held on 12 May 2017 at 10 am at the Company's lawyer's (Baker & McKenzie) head office at Vasagatan 7 in Stockholm. For information on the AGM, see the Company's website at www.crownenergy.se.

Other general meetings

Two EGMs were held in 2016:

26 January 2016

The EGM was held due to the Board's proposed directed issue:

- Adoption of the number of Board members (three) and election of Board members.
- The meeting resolved to approve the Board's resolution of 29 December 2015 to issue a maximum of 5,500,000 shares in derogation of shareholders' preferential rights. The issue price for the shares is SEK 2 per share.
- The meeting resolved to authorise the Board to resolve to issue new shares and/or convertibles and/or warrants on one or more occasions with or without derogation of shareholders' preferential rights until the next AGM. However, the total number of financial instruments that may be issued under the authorisation cannot exceed a total of 10,000,000 shares.

12 December 2016

The EGM was held due to the Board's proposed directed issue and the introduction of a new type of share:

- The EGM resolved to amend the Company's Articles of Association pertaining to (i) the object of the business to include the property sector due to the Company's acquisition of the shares of ESI Group S.A., (ii) the introduction of a new type of share, enabling the Company to issue two types of shares, ordinary shares and C shares, (iii) the introduction of a share conversion clause to enable conversion of C shares into ordinary shares, (iv) the introduction of a redemption clause permitting redemption of C shares by reducing the share capital, (v) a change in the term of office for auditors to one year, (vi) the introduction of a pre-emption clause for C shares, (vii) a change in the capital limits and limits for the number of shares that may be issued by the Company, and (viii) some minor editorial changes.
- The EGM resolved to issue a maximum of 363,401,823 C shares. The EGM resolved that the issue would be conducted at a discount. As a result, an amount of SEK 10,683,855.205284 corresponding to the difference between the issue price of SEK 1/363,401,823 per share, for a total of SEK 1.00, and the quotient value of the shares shall be covered by making a transfer from non-restricted equity per the provisions of the Swedish Companies Act.
- The EGM resolved that the Board shall consist of four members and no deputies. Jean Benaim, Alan Simonian and Pierre-Emmanuel Weil remain as members and Yoav Ben-Eli was elected as a new member of the Board. Nick Johnson declined to run for re-election and will leave the Board. Pierre-Emmanuel Weil remains Chairman of the Board. The new Board members will receive the same fee as the other members (except for the chairman).

NOMINATION COMMITTEE

A nomination committee's main tasks are to present proposals for election of the Chairman of the Board and Board members, fees to Board members, election of auditors, and auditor fees to the AGM. Principles for appointing a nomination committee are resolved at the AGM.

Historically, Crown Energy has not had a nomination committee, which is a deviation from the Code of Corporate Governance. The Board decided with the principal shareholders that a nomination committee is currently not necessary in view of the composition of shareholders. Depending on any future changes in shareholders, the issue of a nominations committee may need to be raised again and Crown Energy is planning to engage in an ongoing dialogue with the principal shareholders on this issue.

BOARD

The Board's composition, functions, and rules of procedure

The Board's work is conducted in compliance with the Companies Act, the Code, and other applicable rules and regulations prescribed by the Company. The Board's overall function is to manage the Company's affairs and organisation.

According to the Articles of Association, Crown Energy's Board is to consist of at least three and no more than ten members, with no more than five deputies. The composition of the Board changed during the year and varied from three to four members:

Board of Directors at 31 December 2016:

- Pierre-Emmanuel Weil (chairman) – took office at 2016 AGM
- Alan Simonian (member)
- Jean Benaim (member) – took office at 2016 AGM
- Yoav Ben-Eli (member) – took office at EGM in December 2016

Board members elected during the year but who resigned at their own request:

- Nick Johnson (member) – resigned at his own request at EGM in December 2016
- Andreas Forssell (member and CEO) – declined, in connection with the AGM 2016, as his own request a re-election
- Andrew Harriman (member) – resigned at his own request in January 2016

There is no specific division of duties between Board members. For additional information on the current Board, see the "Board of Directors, senior executives, and auditors" section on pages 17–18 of the Annual Report.

At the organisational Board meeting after the AGM, the Board of Directors of Crown Energy sets out rules of procedure with instructions on the rules of procedure between the Board and the CEO as well as instructions for financial reporting. The rules of procedure are reviewed and approved annually. The Board holds at least four regular meetings in addition to the statutory meeting. The meetings are scheduled as far as possible to coincide with financial reporting and the AGM. Besides regular meetings, the Board gathers for additional meetings as required.

The work is led by the Chairman of the Board, who has a particular responsibility for ensuring that it is well organised and efficient. This includes ensuring that the Board has the relevant education to

discharge its duties, ensuring that it receives sufficient information and supporting documents, and that it is evaluated annually. The Chairman also maintains frequent contact with the Company's CEO. The Chairman is appointed at the AGM. Pierre-Emmanuel Weil was elected Chairman of the Board at the 2016 AGM.

The Board may establish committees to delegate certain tasks. Normally these committees consist of audit and remuneration committees. Board committees deal with issues that fall within their respective areas and submit reports and recommendations that form the basis of decisions made by the Board. The Board decides whether or not a committee should be established. The Board may, in accordance with the Swedish Companies Act, decide to perform the duties of a committee themselves, that is, address the issues within the regular Board. In 2016, Crown Energy did not have an audit committee or remuneration committee since the Board found it to be more appropriate to handle these types of issues within the regular Board. Accordingly, the Board performs the duties of each committee.

The Code requires that a majority of Board members be independent of the company and its management. At least two of the independent Board members must be independent of the Company's major shareholders. Major shareholders are defined as owners who control ten per cent or more of the shares or votes in the Company. The Board's composition changed in 2016. Until the AGM in May 2016, the Board consisted of three members. Two of them were independent of the Company, its management, and major shareholders. The Board consisted of four members between May 2016 and December 2016. Two of them were independent of the Company, its management, and major shareholders. After the EGM in December 2016, the Board still consists of four members, but the composition has changed. One of them is independent of the Company, its management, and major shareholders. As only one person is dependent both in relation to the Company's management as well as major shareholders, this is a deviation from the Code. Crown Energy intends to address this matter in connection with the AGM 2017.

The work of the Board in 2016

Under the Board's rules of procedure, the Board is to convene at least four times per year in addition to the statutory meeting. The Board held 13 meetings in 2016, including one statutory meeting. As a result of the Company's strained financial situation in the spring of 2016, the Board worked extensively on monitoring cash flows, cutting costs, and looking into financing and refinancing options on an ongoing basis. This work resulted in the directed issue to Cement Fund SCSp. This issue gave the Company new major shareholders and raised SEK 63 million in cash. In addition, the crucial decision to acquire a cash flow generating business in Angola was made in November. The Board determined that the business and its founder will be able to provide great growth opportunities for Crown Energy as a group, a stronger financial position and key client relationships with oil and gas companies. In addition, the Board established internal frameworks and policies, such as the Board's rules of procedure, CEO instructions etc. applicable for governance of the Company. The Company's auditor participated in one of the Board's meetings, which was held in March 2016.

In 2017, a number of meetings have been held. Including one in March regarding a debriefing from the Company's auditors regarding the 2016 financial year.

A summary of Board meeting attendance can be found at the bottom of the page:

Authorisation

The EGM in January 2016 resolved to authorise the Board to resolve to issue new shares and/or convertibles and/or warrants on one or more occasions with or without derogation of shareholders' preferential rights until the 2017 AGM. The number of financial instruments was limited so that no more than a total of 10,000,000 shares may be issued.

CEO AND MANAGEMENT

The CEO ensures that operations are conducted in accordance with the Companies Act, other laws and ordinances, applicable rules for listed companies, the Articles of Association, and the Board's internal control instruments, and in accordance with the Board's established goals and strategies. In consultation with the Chairman of the Board, the CEO compiles the necessary informational and supporting documents for Board meetings, presents reports and motivates decision proposals. The CEO is Andreas Forssell.

The management group is otherwise comprised of Jenny Björk, CFO, Alan Simonian, COO, and Peter Mikkelsen, chief geologist and exploration manager. Peter Mikkelsen performs his duties as a consultant, not as an employee of Crown Energy.

See the presentation of the CEO and other senior executives on pages 17–18 of the Annual Report.

INTERNAL AUDITING

The Company currently has a simple legal and operational structure along with established management and internal control systems. As a result, the Board determined in 2016 that a separate internal audit function was not necessary. The Board regularly monitors the Company's assessment of internal control through contact with the Company's auditors and by other means.

AUDITOR

The auditor is appointed at the AGM to review, on behalf of the shareholders, Crown Energy's annual report and accounts and the Board's and CEO's administration of the Company.

The 2016 AGM re-elected audit firm Öhrlings PricewaterhouseCoopers AB as Crown Energy's auditor until the end of the 2019 AGM. As chief auditor, authorised public accountant Peter Burholm was appointed to sign the auditor's report together with authorised public accountant Michael Winkvist. Peter Burholm and Mikael Winkvist resigned in autumn 2016 as a result of rotation rules, and Bo Lagerstöm took over as chief auditor.

The audit team had regular contact with the Company in 2016 in addition to the audit procedures performed. The Company's auditors reviewed the annual accounts and the Company's internal controls for 2016. Apart from this, the auditor also performed statutory reviews in conjunction with the year's share issues. The Company's financial nine-month report was reviewed.

REMUNERATION

Remuneration guidelines

Guidelines for remuneration of senior executives at Crown Energy are approved at the AGM and currently cover the CEO and CFO, who are in senior management and who are employees of the Company. The policy is that remuneration should be commercially competitive. The remuneration level should be based on position, competence, experience, and performance.

Most recently approved remuneration guidelines – 2016 AGM

For the 2016 AGM, the Board proposed the following guidelines, which were later adopted at the AGM on 4 May 2016:

- The Board shall be entitled to deviate from the guidelines in individual cases if there are specific reasons for doing so. In the event of such a deviation, notice of the deviation and the reason for it must be reported at the next AGM.
- The remuneration of the CEO and other senior executives shall consist of a fixed, market-based salary. Any potential benefits shall constitute only a limited portion of the remuneration.
- The CEO and other senior executives shall have defined contribution pension plans, which means that vesting occurs through the Parent Company's annual payments of premiums. The pension provision for the CEO shall be 25% of the CEO's

| NAME | POSITION | INDEPENDENT OF COMPANY AND MANAGEMENT | INDEPENDENT OF COMPANY'S MAJOR SHAREHOLDERS | BOARD MEETINGS ATTENDED 2016 |
|------------------------------------|----------------------|---------------------------------------|---|------------------------------|
| Pierre-Emmanuel Weil ¹⁾ | Chairman | Yes | No | 5/13 |
| Alain Simonian ²⁾ | Board member | No | Yes | 13/13 |
| Jean Benaim ¹⁾ | Board member | Yes | Yes | 5/13 |
| Yoav Ben-Eli ³⁾ | Board member | Yes | No | 1/13 |
| Resigned from Board in 2016 | | | | |
| Andrew Harriman ⁴⁾ | Board member | Yes | Yes | 0/0 |
| Andreas Forssell ⁵⁾ | Board member and CEO | No | Yes | 8/13 |
| Nick Johnson ⁶⁾ | Board member | Yes | Yes | 12/13 |

1) Elected to the Board at AGM in May 2016. Has participated in 5/5 possible meetings.

2) Served as Chairman until the AGM in May 2016.

3) Elected to the Board at EGM on 26 December 2016. Has participated in 1/1 possible meetings.

4) Resigned in January 2016. Has not participated in any meetings as no meetings were held prior to his resignation.

5) Resigned at the AGM in May 2016. Has participated in 8/8 possible meetings.

6) Resigned at EGM in December 2016. Has participated in 12/12 possible meetings.

annual salary. Pensions for other senior executives must be in line with the ITP plan.

- Upon termination by the Company, severance pay for senior executives can be paid to a maximum of 24 monthly salaries, including fixed salary, during the notice period.
- Decisions on share and share price related incentive schemes for senior executives shall be taken at the AGM. Share and share price related incentive schemes shall be designed with the aim of achieving greater alignment of interests between the participating executives and the Company's shareholders. Schemes that involve the acquisition of shares shall be designed so that a personal shareholding in the company is promoted. The vesting period, or the period from the conclusion of the agreement until shares may be acquired shall not be less than three years. Board members who are not also employees of the Company shall not participate in schemes directed to management or other employees. Share options shall not be included in schemes directed to the Board.
- The Company's Board members shall, in specific cases, be allowed to receive fees for services rendered within their respective areas of expertise that are not associated with Board work. Fees for these services shall be market-based, approved by the Board, and disclosed at the AGM.

The Board's proposed remuneration guidelines for the 2017 AGM

The Board's proposed remuneration guidelines for the 2017 AGM are the same as the most recently adopted guidelines (see above).

Remuneration of the Board of Directors

Resolutions on the remuneration of the Board are made at the AGM. At the AGM on 4 May 2016, it was decided that the Chairman of the Board's remuneration would be SEK 150,000 and that the remuneration of other Board members not employed by the Company would be SEK 75,000 each.

Chairmen and Board members who are not also employees of the Company do not receive a salary from the Company and are not eligible to participate in any of the Company's future incentive schemes.

| BOARD FEES, AMOUNTS IN SEK THOUSAND | 2016 | 2015 |
|--|------|------|
| Chairman of the Board | 150 | 150 |
| Board member (per person) | 75 | 75 |

Remuneration of and benefits for senior executives in 2016

Decisions on the remuneration of the CEO are made by the Board.

CEO Andreas Forssell received SEK 125,000 per month until June. A monthly salary of SEK 130,000 was paid starting in July 2016. Andreas Forssell also receives pension benefits, which, as far as the Board can determine, are comparable to CEOs of companies that are similar to Crown Energy.

The other senior executives of Crown Energy are Jenny Björk, CFO, Alan Simonian, COO, and Peter Mikkelsen, Exploration Manager. Decisions regarding the remuneration of other senior executives are made by the CEO. Jenny Björk received monthly remuneration of SEK 65,000 until June 2016. A monthly salary of SEK 70,000 was paid starting in July 2016. Jenny Björk also receives pension benefits, which, as far as the Board can determine, are comparable to corresponding positions in companies that are similar to Crown Energy. Alan Simonian was hired effective June 2016 and his monthly remuneration is SEK 100,000. Alan Simonian also receives pension benefits, which, as far as the Board can determine, are comparable to corresponding positions in companies that are similar to Crown Energy.

Between the Company and the CEO, CFO and COO, there is a notice period of 24 months from the Company and 6 months from the employee.

Apart from public pension plans, Crown Energy has no contracted pension benefits other than the pension benefits of the CEO, CFO and COO. Unless otherwise stated above, the Company has not entered into any agreement with members of the Company's administrative, management, or supervisory bodies that entitle such members to any benefits after termination of their assignments.

Peter Mikkelsen performs his management obligations to the Company on a consultant basis and is hired as needed. In 2016, Peter Mikkelsen invoiced a total of GBP 6 thousand, which corresponds to SEK 76 thousand based at an average exchange rate for the year.

The remuneration of employed senior executives is summarised below:

| SENIOR EXECUTIVES, ALL AMOUNTS IN SEK THOUSAND | BASE SALARY | VARIABLE REMUNERATION | OTHER BENEFITS | PENSION EXPENSES | TOTAL 2016 | 2015 |
|--|--------------|--------------------------|-------------------|---------------------|--------------|--------------|
| Andreas Forssell, CEO as of July 2015 (previously VP/CFO) | 1,613 | - | - | 445 | 2,058 | 1,799 |
| Jenny Björk | 810 | - | - | 115 | 925 | 632 |
| Alan Simonian | 700 | - | - | 70 | 770 | - |
| Ulrik Jansson, CEO, resigned in July 2015 | - | - | - | - | - | 557 |
| Total | 3,123 | - | - | 630 | 3,753 | 2,988 |

Remuneration of auditors

The 2016 AGM elected Öhrlings Pricewaterhouse Coopers AB as the auditor. Bo Lagerström has served as chief auditor since autumn 2016. Bo Lagerström succeeded Peter Burholm due to rotation rules. Mr Lagerström is an authorised public accountant and a member of FAR SRS, Sweden's association for accountancy professionals. Remuneration to the auditor is paid on open account. Remuneration paid to the auditor by the Group for financial year 2016 totalled SEK 730 thousand (464), of which SEK 718 thousand (444) pertained to audit engagements and SEK 12 thousand (20) was for other engagements. An audit involves reviewing the Annual Report and bookkeeping along with the administration of the Board of Directors and CEO, other tasks incumbent upon the auditor to perform, and advice or other assistance prompted by observations made during the audit or the performance of other tasks. Everything else is considered other assignments.

INTERNAL CONTROL AND RISK MANAGEMENT OF FINANCIAL REPORTING FOR THE 2016 FINANCIAL YEAR

The Board is responsible for the internal control of the Company and, according to the Annual Accounts Act, the Board must annually submit a description of the key elements of the Company's internal control and risk management regarding financial reporting. Following is a brief description of how internal control and financial reporting works.

Control environment

The control environment forms the basis of internal control of the financial reporting. The Company's internal control structure is based on a clear division of responsibilities and duties between the Board and CEO as well as within operational activities. In addition to guidance documents such as instructions for the Board and CEO, the disclosure policy and the financial reporting policy, there are also guidelines and policies for operating and administrative activities. All guidance documents and process descriptions are communicated within the organization and are available and known to the personnel concerned.

Risk assessment

The Company identifies, analyses, and makes decisions on managing the risk of errors in financial reporting. Currently, the business is relatively small and involves a limited number of persons. The Company has identified the operational processes and income statement and balance sheet items for which there is a risk that errors, omissions, or irregularities could occur if the necessary control elements were not built into routines. The Company's risk assessment analysed how and where errors may occur in the procedures. Issues that are important to risk assessment are things such as whether assets and liabilities exist on a given date, accurate valuation, whether a business transaction actually occurred, and whether items are recognised in accordance with laws and ordinances. Currently, the Company's biggest risk is linked to raising capital (liquidity risk).

Control activities

A number of control measures were established based on the Company's risk assessments. These are both of a preventive nature, meaning that they are designed to avoid reporting losses or errors, and of an investigative nature. The controls are also meant to ensure that errors are corrected.

Information and communication

Internal regulations, policies, and procedural descriptions are available on the Company's internal network. Internal communication to and from the Board and management takes place through regular meetings, either physically or by telephone.

To ensure that external communication with the stock market is accurate, there is a disclosure policy that regulates how investor relations are managed.

Follow-up

In 2016, follow-up of operations was mainly done in connection with regular Board meetings. The Company's auditors regularly reviewed the internal controls during 2016.

The Company intends to update procedural descriptions, policies, and guidance documents as necessary, but at least annually. The Board shall receive quarterly financial results, including management's comments on operations. The Company's auditor participates in at least one Board meeting to present observations of the Company's internal routines and control systems.

Auditor's Report on the Corporate Governance Statement

To the general meeting of the shareholders in AB Crown Energy AB (publ), corporate identity number 556804-8598.

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2016 on pages 22-27 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 20 April 2017
PricewaterhouseCoopers AB

Bo Lagerström
Authorized Public Accountant



Directors' report

The Board of Directors and CEO of Crown Energy AB (publ), 556804-8598, hereby submit their report for the financial year 1 January–31 December 2016.

OPERATIONS

Crown Energy AB (publ) with its subsidiaries ("Crown Energy", the "Company", or the "Group") is an international group engaged in exploration and production in underexplored areas. As mentioned in the CEO's statement and the section entitled "Significant events during the financial year", Crown Energy is set for major changes in its operations. Crown Energy will continue operating mainly in the oil industry, but will consist of two business areas after the operational changes: Energy, encompassing oil and gas exploration operations, and Property Development & Services, offering customised solutions for housing and offices primarily to companies in the oil and gas industry.

However, Crown Energy consisted solely of exploration operations during the 2016 financial year and until the time this annual report was issued. The description of operations in this annual report therefore only includes a description of the operations conducted during the periods covered by the annual report, i.e. the Energy business area and exploration operations. For more information about the acquisition and the new Property Development & Services business area, please see Significant events during the financial year, Note 30 Events after year-end, Note 29 Acquisition of ESI Group and Crown Energy's website.

The exploration business focuses on exploration opportunities with great potential for recoverable reserves of oil and gas in underexplored areas. The Group's exploration operations are currently located in Equatorial Guinea, South Africa, Madagascar, and Iraq. The Parent Company, whose commercial domicile is Stockholm, Sweden, is listed on NGM Equity.

The Company has not yet commenced oil production, given that its projects have not yet reached the production phase. For a more detailed description of the Group's exploration operations and ongoing projects, see the section entitled "Description of operations" on pages 6-14.

COMPANY STRUCTURE

See an overview of the Group's legal structure at 31 December 2016 to the right.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Directed issue January 2016

On 26 January 2016, an extraordinary general meeting approved the directed issue proposed by the Board in December 2015. 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. The issue raised SEK 11 million before issue expenses for Crown Energy.

Directed issue to new international investor

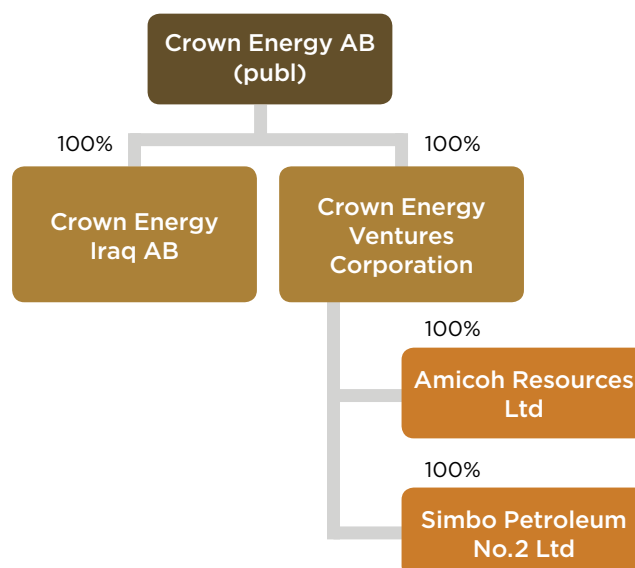
In Q2 2016, a share issue was directed to a new international investor, Cement Fund SCSp (Société en Commandite Spéciale) ("Cement Fund"). Cement Fund subscribed for 31,500,000 units, with each unit consisting of one (1) share and one (1) warrant. The issue price was SEK 2 per unit, which allowed Crown Energy to raise a total of SEK 63 million before issue expenses. The issue was approved by the AGM on 4 May 2016 and had a dilutive effect of 34 per cent for existing shareholders.

The proceeds of the subscriptions were paid in June 2016. A prospectus was prepared due to the size and extent of the issue. This prospectus was approved by the Swedish Financial Supervisory Authority on 15 July 2016. In conjunction with this approval, 31,500,000 shares were admitted to trading on NGM Equity and delivered to Cement Fund's subsidiary Cement Sweden S.a.r.l on 25 July 2016. The prospectus requirement also included a requirement for an updated resource report. Read more about this report below.

As mentioned above, warrants were issued as well. For more information about the terms and conditions of these warrants and potential dilutive effects, see Note 12 Earnings per share.

2016 AGM

The Crown Energy AGM was held on 4 May 2016. In addition to customary resolutions to adopt the income statement and balance sheet, to appropriate profits, to discharge the Board and CEO from liability as well as a resolution on remuneration guidelines,



a resolution was passed to approve the aforementioned issue to Cement Fund.

In addition, the composition of the Board changed. Nick Johnson and Alan Simonian were re-elected as Board members. Jean Benaim and Pierre-Emmanuel Weil were elected as new Board members, with Pierre-Emmanuel Weil elected as the new Chairman of the Board. CEO Andreas Forssell declined to run for re-election and left the Board.

Conversion and repayment of convertible loans

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

The Board announced in 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. The convertible loans and their interest were repaid in connection with Crown Energy receiving payment for the issue directed to Cement Fund in late June 2016. 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.

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 prior information about the issue to Cement Fund). 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. The change did not impair the carrying amounts of the licence.

Farm-out transaction with Africa Energy completed

The previously announced transaction with Africa Energy Corp. ("Africa Energy") regarding its acquisition of a 30.5 per cent participating interest in Block 2B in South Africa was completed on 21 October 2016. Africa Energy reimburses Crown Energy for some of the costs previously incurred and will be responsible for and pay for all activities in connection with drilling the next well in the licence area. Africa Energy also acquired the shares of the other partners, giving Africa Energy 90 per cent of Block 2B and making it the operator.

Given that the asset being farmed out is classified as an exploration asset, the only impact of the farm-out on the 2016 financial statements is the cash payment received as reimbursement both for previously incurred expenses and for expenses paid by Crown Energy from the time the agreement was signed in Q4 2015 until takeover. The reimbursement has been recognised directly against the asset and Crown Energy retains the recognised share of the asset less the reimbursement received. No revenue was recognised in connection with the farm-out. The reimbursement totalled USD 308 thousand, equivalent to SEK 2.8 million.

Acquisition of property development and management business in Angola

Crown Energy announced that the Company entered into an agreement with YBE Ventures Ltd on 10 November 2016 to acquire all of the shares in the Luxembourg-registered company ESI Group SA ("ESI Group"). The transaction is a reverse acquisition since Crown Energy is using newly issued shares to pay for the ESI Group shares, thus resulting in a new majority owner in Crown Energy.

The acquisition includes a portfolio of property assets in Angola, and after the deal is completed Crown Energy will consist of two business areas: Energy and Property Development & Services. The motive for the acquisition is that Crown Energy will become a larger and more significant player in the oil and gas industry with a market value of approximately SEK 1,150 million (based on the acquisition price of SEK 2.50 per share). The transaction will result in increased opportunities to capitalise on existing assets through a stronger financial position and stronger customer relationships with several of the world's leading oil and gas companies. As part of a public group, the property and service business will gain access to the international capital market and thus have great potential for expansion and growth.

The transaction is described in detail in a separate note: Note 29 Acquisition of ESI Group.

Observation listing

Crown Energy's shares were placed on the observation list in connection with the announcement of the acquisition of the business operations in Angola. The reason NGM Equity's management chooses to place shares on this list is to signal that there are special circumstances associated with the company or its shares of which investors should take note. In Crown Energy's case, the reason is the Company's impending large-scale organisational change. As mentioned in Note 29 Acquisition of ESI Group, the plan is for the outstanding C shares to be converted into ordinary shares at closing. A prospectus approved by the Swedish Financial Supervisory Authority is required before these new ordinary shares can be admitted for trading on NGM Equity. Crown Energy's observation listing lasts until a prospectus has been approved by the Swedish Financial Supervisory Authority, which cannot occur until the new business, ESI Group, has been incorporated into the Company's financial reporting. The preliminary timetable is to get a prospectus approved and registered after the Company has released the first interim report for 2017, i.e. after 12 May 2017.

Extraordinary general meeting 12 December

An extraordinary general meeting was held on 12 December in order to resolve on a number of changes within Crown Energy as a result of the aforementioned acquisition of the ESI Group shares.

The EGM resolved to amend the Company's Articles of Association pertaining to the object of the Company (to include the property sector), introduction of a new type of share (C shares), introduction of a share conversion clause to enable conversion of C shares into ordinary shares, and the introduction of a redemption clause permitting redemption of C shares through a reduction of share capital.

Once the above resolution was passed, the EGM also resolved to issue 363 million C shares to YBE Ventures. It was resolved that the issue would be under quota value, so the amount of SEK 10,684 thousand, corresponding to the difference between the is-

| FIVE-YEAR SUMMARY | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 | 2014-01-01 2014-12-31 | 2013-01-01 2013-12-31 | 2012-01-01 2012-12-31 | 2011-01-01 2011-12-31 |
|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Group, SEK thousand | | | | | | |
| Other operating income | - | - | - | - | - | 342 |
| Operating expenses | -11,125 | -8,717 | -9,448 | -9,271 | -9,300 | -3,501 |
| Operating profit/loss | -11,125 | -8,644 | -9,448 | -9,271 | -9,300 | -3,158 |
| Net financial items | 8,042 | -6,933 | -12,411 | -8,571 | -410 | 116 |
| Total assets | 227,480 | 177,458 | 149,083 | 134,211 | 77,133 | 51,958 |
| Earnings per share, SEK | -0.35 | -0.35 | -0.75 | -0.56 | -0.46 | -0.76 |
| Equity per share, SEK | 2.34 | 2.34 | 2.03 | 2.49 | 2.15 | 0.07 |
| Equity/assets ratio | 73.5% | 73.5% | 38.3% | 51.3% | 71.9% | 2.4% |
| Number of employees | 2.6 | 2.5 | 3 | 3 | 2 | 0 |
| Parent Company, SEK thousand | | | | | | |
| Other operating income | 395 | 943 | - | - | - | - |
| Operating expenses | -8,835 | -7,553 | -9,205 | -9,230 | -9,396 | -1,496 |
| Operating profit/loss | -8,440 | -6,610 | -9,205 | -9,230 | -9,396 | -1,496 |
| Net financial items | 10,899 | 2,163 | -8,504 | -2,891 | 4,575 | -2 |
| Total assets | 224,461 | 169,492 | 136,363 | 124,795 | 68,595 | 39,091 |
| Number of employees | 2.6 | 2.5 | 3 | 3 | 2 | 0 |

sale price [total of SEK one (1)] and the quotient value of the shares, shall be covered by transferring funds from non-restricted equity.

In addition, the meeting resolved to elect Yoav Ben-Eli, the new owner via YBE Ventures, to the Board. Nick Johnson announced his resignation from the Board in conjunction with the meeting. See the press release from the EGM on Crown Energy's website for details of the resolutions. For more information on the acquisition on which the discounted issue was based, see Note 29 Acquisition of ESI Group.

FINANCIAL SUMMARY

Five-year summary

See Note 29, Key ratios, for definitions of key ratios.

Balance sheet

Exploration and evaluation assets

At 31 December 2016, exploration and evaluation assets totalled SEK 187,370 thousand. The net change in exploration and evaluation assets since year-end 2015 (2014) was SEK 10,925 thousand (68,879). The change partially consists of new capital expenditures in the interim period in the amount of SEK 4,470 thousand (8,532) and translation and revaluation effects in the amount of SEK 9,263 thousand (5,099). In addition, the value of the Block 2B asset in South Africa decreased by SEK 2,808 thousand in 2016 due to the farm-out to Africa Energy. See the more detailed explanation of the way in which a farm-out such as this one is accounted for in Note 14 Exploration and evaluation assets. These assets increased in 2015 by SEK 55,355 thousand as a result of the acquisition of Simbo Petroleum No.2 Ltd, see Note 25 Acquisition of Simbo Petroleum No.2 Ltd for more information about this acquisition.

The aforementioned translation and revaluation effects are due to the fact that some of the assets were acquired in USD and were

translated to the closing rate (see Note 14, 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.

Property, plant and equipment – equipment, tools, fixtures and fittings

Property, plant, and equipment, in the form of office equipment, totalled SEK 33 thousand (66) after depreciation of SEK -33 thousand (-33) was taken for the period since year-end 2015 (2014).

Current assets

Other receivables increased substantially between 2015 and 2016, from SEK 499 thousand to SEK 13,017 thousand. This considerable change is mainly related to the loan of SEK 9,097 thousand (nominal amount: USD 1 million) granted to ESI Group SA in Q4. Interest for the period came in at SEK 64 thousand. The loan was a part of the acquisition agreement for ESI Group and its purpose is for ESI Group to capitalise its subsidiary YBE Imobiliária Lda. This capitalisation is required by Angolan tax legislation for international investors. For more information and details about the acquisition, see Note 29 Acquisition of ESI Group. Other receivables also includes the agreed upon, but not yet paid, compensation of USD 208 million, corresponding to SEK 2,808 thousand for the farm-out of Block 2B, which is expected from Africa Energy shortly. See Note 14 Other receivables for a specification of the item.

Prepaid expenses totalled SEK 520 thousand (292) and mainly comprise prepaid rent and prepaid costs attributable to the acqui-

sition of ESI Group. See Note 15 Prepaid expenses and accrued income for a specification of the item.

Cash and cash equivalents at the end of the period totalled SEK 26,541 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 the Consolidated statement of cash flows and the section entitled "Significant events during the financial year".

Equity

Equity totalled SEK 195,683 thousand. The increase since year-end 2015 is attributable to the three directed share issues conducted in 2016. The first two issues increased equity by a total of SEK 74,000 thousand before issue expenses. The issue under quota value issue directed to Yoav Ben-Eli in December 2016 raised only SEK 1 in issue proceeds. A transfer was made from the share premium reserve to share capital corresponding to the quotient value of the shares issued since it was a discounted issue. This amount was SEK 10,684 thousand. Issue expenses totalled SEK 8,782 thousand for all three issues, thus reducing equity. See the consolidated statement of changes in equity for more information.

Non-current liabilities

Deferred tax liabilities totalled SEK 15,791 thousand and are attributable to surplus values in exploration and evaluation assets. The increase since year-end 2015 is attributable to currency translation effects because some of the underlying assets were acquired in USD and translated using the closing rate.

Other provisions at 31 December 2016 totalled SEK 3,517 thousand compared with SEK 9,250 thousand at year-end 2015. The change since year-end mainly concerns the reversal of SEK 6,204 thousand for the previous provision attributable to an issued buy-back option in Crown Energy Iraq AB. The provision was derecognised from the balance sheet because the period for exercising the option expired in spring 2016 without any shares being subscribed. This reversal was recognised as financial income in the income statement. Other changes in provisions refers to translations to fair value attributable to other remaining provisions. For more information on provisions and reversals for the period, see Note 21, Provisions.

Current liabilities

Loans from related parties amounted to SEK 5,054 thousand, a net decrease of SEK 1,650 thousand since 31 December 2015 due to repayments. The loan was previously classified as non-current, but has been classified as current as of Q4 2016 because the lender has requested repayment. For more information about the loan, see Note 26 Transactions with related parties.

The convertible loans and associated interest were fully repaid in late June 2016. See Note 19 Interest-bearing loans and liabilities for more information. Crown Energy does not have any other outstanding convertible loans.

Accounts payable came in at SEK 4,887 thousand (2,878). The considerable increase between the years is mainly due to the acquisition of ESI Group in late 2016, which led to an increase in accounts payable.

Other liabilities consist of employee-related liabilities and a liability for transaction tax in South Africa. The latter liability also existed last year, but has not been paid yet due to some uncertainties surrounding the transaction tax.

Accrued expenses amounted to SEK 1,328 thousand (1,862) and, in addition to employee-related items, also includes various fees for auditors, legal counsel etc. Accrued auditor's fees reached SEK 447 thousand (185) and are mainly attributable to the initial audit of the 2015 accounts for Simbo Petroleum No. 2 Ltd in the UK and audit procedures related to the acquisition of ESI Group. As opposed to the previous year, there are no longer any accrued interest expenses attributable to convertible loans.

Earnings

Operating income

The Group did not engage in any oil and gas production. As a result, no revenue was recognised. The Group did not have any other operating income in full year 2016 (2015).

Operating expenses

Other external costs in 2016 (2015) totalled SEK -6,090 thousand (-4,607). Crown Energy has, in general, cut its recurring external costs year-on-year. However, the acquisition of the Angolan business (see Note 29 Acquisition of ESI Group) led to higher direct and indirect expenses. Directly attributable acquisition expenses incurred in 2016 came in at approximately SEK 1.9 million and mainly consist of such expenses as legal, asset valuation and accounting. These expenses are recognised via the income statement because the acquisition will be classified as a business combination. The acquisition also led to higher expenses for investor relations etc.

Employee benefit expenses came in at SEK -4,863 thousand (-4,077). The increase is due to the organisational changes that occurred in 2015 and 2016. Namely the fact that the Company has had one more employee since June 2016 and that some parental leave was taken during periods in 2015.

Depreciation of equipment in the 2016 totalled SEK -33 thousand and is at the same level as compared year-on-year.

Other operating expenses of SEK -139 thousand (0) mainly relate to exchange rate effects on operating items. Exchange rate effects had a positive effect in 2015 and were therefore recognised as revenue of SEK 73 thousand.

Earnings from financial items

Net financial items for 2016 (2015) amounted to SEK 8,042 thousand (-6,933).

The financial income of SEK 10,305 thousand in 2016 mainly comprises an accounting effect of SEK 6,204 thousand, due to the fact that the buy-back option for Crown Energy Iraq AB expired in May 2016. As mentioned previously, 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. This income does not impact cash flow. Other financial income mainly comprises exchange differences of SEK 4,037 thousand.

The financial expenses of SEK -2,263 thousand (-9,380) mainly consist of interest expenses of SEK -1,693 thousand attributable to the convertible loans.

See Note 9, Financial income and expenses, for a specification of the above items.

Tax

No tax was recognised in the income statement in 2015 or 2016. See Note 10 Tax and Note 29 Deferred tax for more information.

Earnings after tax

Loss (after tax) for full year 2016 (2015) totalled SEK -3,083 thousand (-15,577), corresponding to SEK -0.04 per share (-0.35).

Cash flow

Cash flow from operating activities totalled SEK -11,202 thousand (-8,533). Cash flow from operating activities can vary significantly between quarters and years, which makes it difficult to compare periods. As mentioned above, a large part of the variation can be explained by the ongoing acquisition of ESI Group, which led to higher expenses in 2016.

Cash flow from investing activities in full year 2016 (2015) totalled SEK -12,203 thousand (-28,695). As mentioned previously, a loan was granted to ESI Group SA, the amount of SEK 9,097 thousand in Q4 2016. There was an outflow of SEK -24,947 thousand in the comparative period of 2015 as a result of the acquisition of Simbo Petroleum No.2 Ltd. See Note 25 Acquisition of Simbo Petroleum No.2 Ltd for more information about 2015. Cash flow otherwise consists of investments totalling SEK 3,106 thousand (28,702) in exploration assets.

Net cash flow from financing activities for full year 2016 (2015) totalled SEK 49,790 thousand (2,685). The positive cash flow from financing activities can be explained by three directed issues totalling SEK 74,000 thousand, issue expenses of SEK -8,743 thousand, repayment of convertible loans (including interest) totalling SEK -13,817 thousand and repayments of SEK -1,650 thousand for loans to related parties.

Disputes

There were no disputes between Crown Energy and other parties at the time of publication of the annual report.

EVENTS AFTER YEAR-END

Events after year-end are now presented solely in the notes; see Note 30.

OUTLOOK

Operations

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

As mentioned in Significant events during the financial year and in Note 29 Acquisition of ESI Group, the Company signed an agreement on 10 November 2016 for the acquisition of ESI Group S.A. with a portfolio of cash flow generating property assets in Angola. As mentioned previously in the annual report, once the transaction is completed, which is expected to occur during the first six months of 2017, a new business area will be added to the existing oil and gas exploration area. This will expand operations and Crown Energy will have two business areas with very interesting prospects for both business areas. Crown Energy will become a larger and more significant player in the oil and gas industry with positive cash flow and a diversified business, which means reduced risk. We see increased opportunities to capitalise on existing assets through a stronger financial position and stronger customer relationships with several of the world's leading oil and gas companies. The acquired business will

also provide increased opportunities for expansion through access to the international capital market as a public company.

There are still challenges at the current oil price levels, but given that both property projects and oil development projects span 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 for its oil assets. 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.

Crown Energy will continue to focus on activities that create value. This has been demonstrated by acquisition agreements as well as various types of partnerships and new shareholders of the Company.

Financing and going concern

Since the Group has not generated any revenue or profits, financing has historically been done through new share issues.

The Company raised cash through two directed issues in 2016. A directed issue resolved on by an EGM in December 2015 was completed in January 2016, raising SEK 11 million for the Company before issue expenses. Then, shares and warrants directed to Cement Fund SCSp were issued in Q2 2016. See the section entitled "Significant events during the financial year". The investor initially subscribed for SEK 63 million and the issue proceeds were received in late June 2016. The warrants issued give Cement Fund SCSp the option to subscribe for an additional 31,500,000 shares, which would generate additional proceeds of SEK 63 million. The warrants expire in May 2018. This investment has enabled Crown Energy to continue to take steps forward with the Company's growth and has secured financing for both the short and long term. The investment has and will continue to create opportunities for greater investments of capital and resources in existing projects. The investment enabled Crown Energy to repay the outstanding convertible loan, including interest.

Our Plan A is to extinguish all outstanding obligations within the next 12 months, i.e. investments, recurring administration and repayment of loans, using 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. In addition, financing conditions may change significantly when the ESI Group S.A. transaction is completed per the description in the section entitled "Significant events during the financial year" and in Note 29 Acquisition of ESI Group.

The annual 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.

SIGNIFICANT RISKS AND RISK MANAGEMENT

See Note 3 Operational risks and Note 4 Financial risk management for a summary of the Group's significant risks and risk management.

THE SHARE AND OWNERSHIP STRUCTURE

Share capital

According to Crown Energy's Articles of Association adopted on 16 December 2016, the issued share capital should be no less than SEK 4,277,264 and no more than SEK 17,109,056. The minimum number of shares is 145,487,301 and the maximum is 581,949,204. Two types of shares may be issued: ordinary shares and C shares. Each shareholder with voting rights may vote at the general meeting on the basis of the full number of shares owned and represented by him or her without any voting right restrictions. The number of shares of each type may not exceed the maximum number of shares in the Company. Ordinary shares confer ten (10) votes and C shares confer one (1) vote. C shares do not entitle the holder to dividends or to a share of the Company's assets at dissolution of the Company. The Company's shares are not subject to an offer submitted on the basis of mandatory bid rules, a right of squeeze-out, or a right of sell-out. The Company's shares have not been subject to any public takeover bids during the current or previous financial year. Crown Energy shares are denominated in SEK and are issued in accordance with Swedish law, and the owners' rights related to the shares may only be amended in accordance with the procedures specified in the Swedish Companies Act (2005:551).

Apart from the difference in votes, C shares are subject to certain terms and conditions that differ from ordinary shares. C shares can be converted into ordinary shares, on certain conditions, until 30 June 2017. For more information about C shares, see the Company's Articles of Association on its website.

At 31 December 2016, 92,497,379 ordinary shares and 363,401,823 C shares had been issued. The C shares are not admitted for trading on NGM Equity. Crown Energy's share capital totalled SEK 13,404,709 at 31 December 2016. The quotient value per share is SEK 0.0294. There are no shares in the Company that do not represent the capital, and the Company does not hold any treasury shares.

For more detailed information on the share, see "The share, shareholders, and share capital" section on pages 19-20.

Ownership structure

For information on the ownership structure, see "The share, shareholders, and share capital" section on pages 19-20.

AGM

The 2017 AGM will be held on 12 May 2017 at 10 am at the Company's lawyer's (Baker & McKenzie) head office at Vasagatan 7 in Stockholm.

PARENT COMPANY

Balance sheet

Participations in Group companies increased by SEK 500 thousand, which is due to a shareholder's contribution in the same amount provided by the Parent Company to subsidiary Crown Energy Iraq AB in December 2016.

Current receivables totalled SEK 12,499 thousand (563). This considerable change is mainly related to the loan of SEK 9,097 thousand (nominal amount: USD 1 million) granted to ESI Group SA in Q4. Interest for the period came in at SEK 64 thousand. The loan was a part of the acquisition agreement for ESI Group and its purpose is for ESI Group to capitalise its subsidiary YBE Imobiliária Lda. This capitalisation is required by Angolan tax legislation for international investors. For more information and

details about the acquisition, see Note 29 Acquisition of ESI Group. Prepaid expenses of SEK 1,933 thousand related to the acquisition of ESI Group were incurred in 2016 in addition to the loan amount. These expenses will be recognised on takeover as part of acquisition expenses for shares in subsidiaries.

Cash and cash equivalents at 31 December 2016 totalled SEK 25,237 thousand compared with SEK 72 thousand at 31 December 2015. The increase is attributable to the two directed issues in January and June, which raised a total of SEK 74,000 thousand for the Company before issue expenses.

Equity totalled SEK 195,683 thousand. The increase since year-end 2015 is attributable to the three directed share issues conducted in 2016. The first two issues increased equity by a total of SEK 74,000 thousand before issue expenses. The discounted issue directed to Yoav Ben-Eli in December 2016 raised only SEK 1 in issue proceeds. A transfer was made from the share premium reserve to share capital corresponding to the quotient value of the shares issued since it was a discounted issue. This amount was SEK 10,684 thousand. Issue expenses totalled SEK 8,782 thousand for all three issues, thus reducing equity. See the Parent Company's statement of changes in equity for more information.

The convertible loans and associated interest were fully repaid in late June 2016. See Note 19 Interest-bearing loans and liabilities for more information. Crown Energy does not have any other outstanding convertible loans.

Loans from related parties amounted to SEK 5,054 thousand, a net decrease of SEK 1,650 thousand since 31 December 2015 due to repayments. The loan was previously classified as non-current, but has been classified as current as of Q4 2016 because the lender has requested repayment. For more information about the loan, see Note 26 Transactions with related parties.

Earnings

The Parent Company's revenue for full year 2016 (2015) totalled SEK 395 thousand (806). The revenue in both 2016 and 2015 was related to re-invoicing of expenses to subsidiaries. Q4 revenue came in at SEK 395 thousand (0).

The Parent Company's earnings before tax for full year 2016 (2015) totalled SEK 2,459 thousand (-4,447). Q4 earnings before tax totalled SEK 637 thousand (1).

Other

There were 3 persons (2) employed by the Parent Company at the end of the period. Alan Simonian was hired by the Company in August 2016 with a retroactive salary from June. Alan is a member of the Board, but will no longer receive any Board fees due to his employment with the Company.

PROPOSED APPROPRIATION OF PROFITS

The following profit is at the disposal of the AGM:

| SEK | |
|-----------------------|--------------------|
| Accumulated earnings | -32,409,259 |
| Share premium reserve | 232,722,012 |
| Net loss for the year | -2,459,759 |
| Total | 197,852,995 |

The Board proposes that SEK 197,852,995 be carried forward.

Consolidated statement of earnings

| ALL AMOUNTS IN SEK THOUSAND | NOTE | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 |
|--|--------|--------------------------|--------------------------|
| Revenue | 26 | - | - |
| Other operating income | | - | 73 |
| Total operating income | | - | 73 |
| Operating expenses | | | |
| Other external costs | 7 | -6,090 | -4,607 |
| Employee benefit expenses | 8 | -4,863 | -4,077 |
| Depreciation/amortisation and impairment of property, plant, and equipment and intangible assets | 13 | -33 | -33 |
| Other operating expenses | | -139 | - |
| Total operating expenses | | -11,125 | -8,717 |
| Operating profit/loss | 10 | -11,125 | -8,644 |
| Financial income | 9, 10 | 10,305 | 2,447 |
| Financial expenses | 9, 10 | -2,263 | -9,380 |
| Earnings from financial items | | 8,042 | -6,933 |
| Earnings before tax | | -3,083 | -15,577 |
| Deferred tax income | 11, 20 | - | - |
| Net loss for the year | | -3,083 | -15,577 |
| Net loss for the year attributable to: | | | |
| Parent Company shareholders | | -3,083 | -15,577 |
| Proposed dividend per share, SEK | | None | None |
| Average number of shares | 12 | 86,276 | 45,001,106 |
| Basic earnings per share, SEK | 12 | -0.04 | -0.35 |
| Diluted earnings per share, SEK | 12 | -0.04 | -0.35 |

Consolidated statement of comprehensive income

| ALL AMOUNTS IN SEK THOUSAND | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 |
|---|--------------------------|--------------------------|
| Net loss for the year | -3,083 | -15,577 |
| Other comprehensive income for the year: | | |
| Items that can be reclassified to profit or loss: | | |
| Exchange differences | 3,371 | 2,699 |
| Total items that can be reclassified to profit or loss | 3,371 | 2,699 |
| Other comprehensive income for the year, net of tax | 3,371 | 2,699 |
| Total comprehensive income for the year | 288 | -12,878 |
| Comprehensive income attributable to: | | |
| Parent Company shareholders | 288 | -12,878 |
| Total comprehensive income for the year | 288 | -12,878 |

Consolidated balance sheet

| ALL AMOUNTS IN SEK THOUSAND | NOTE | 2016-12-31 | 2015-12-31 |
|---|--------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Equipment, tools, fixtures and fittings | 13 | 33 | 66 |
| Exploration and evaluation assets | 14 | 187,370 | 176,445 |
| Total non-current assets | | 187,403 | 176,511 |
| Current assets | | | |
| Other receivables | 15, 27 | 13,017 | 499 |
| Prepaid expenses and accrued income | 16 | 520 | 292 |
| Cash and cash equivalents | 17, 27 | 26,540 | 156 |
| Total current assets | | 40,077 | 947 |
| TOTAL ASSETS | | 277,480 | 177,458 |
| EQUITY | | | |
| Equity attributable to Parent Company shareholders | | | |
| Share capital | 18 | 13,405 | 1,633 |
| Other contributed capital | 18 | 236,722 | 183,276 |
| Reserves | | 12,484 | 9,112 |
| Accumulated earnings including profit/loss for the year | | -66,928 | -63,844 |
| Total equity | | 195,683 | 130,177 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Loans from related parties | 26, 27 | - | 6,704 |
| Deferred tax liabilities | 20 | 15,791 | 14,498 |
| Other provisions | 21, 27 | 3,517 | 9,250 |
| Total non-current liabilities | | 19,308 | 30,452 |
| Current liabilities | | | |
| Loans from related parties | 26, 27 | 5,054 | - |
| Convertible loans | 19 | - | 11,209 |
| Accounts payable | 27 | 4,887 | 2,878 |
| Other liabilities | 22, 27 | 1,220 | 880 |
| Accrued expenses and deferred income | 23 | 1,328 | 1,862 |
| Total current liabilities | | 12,489 | 16,829 |
| TOTAL EQUITY AND LIABILITIES | | 277,480 | 177,458 |

Consolidated statement of changes in equity

| ALL AMOUNTS IN SEK THOUSAND | NOTE | ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS | | | | TOTAL EQUITY |
|---|------|---|---------------------------|---------------|---|----------------|
| | | SHARE CAPITAL | OTHER CONTRIBUTED CAPITAL | RESERVES | ACCUMULATED EARNINGS INCLUDING PROFIT/LOSS FOR THE YEAR | |
| Opening balance at 1 Jan 2015 | | 830 | 98,114 | 6,413 | -48,267 | 57,090 |
| Comprehensive income | | | | | | |
| Net loss for the year | | - | - | - | -15,577 | -15,577 |
| Other comprehensive income | | | | | | |
| Exchange differences | | - | - | 2,699 | - | 2,699 |
| Total comprehensive income | | - | - | 2,699 | -15,577 | -12,878 |
| Transactions with shareholders | | | | | | |
| Option component, KV1 2013/2016 | 19 | - | 3,219 | - | - | 3,219 |
| Preferential rights issue | | 44 | 4,869 | - | - | 4,913 |
| Offset issues | | 759 | 78,673 | - | - | 79,432 |
| Issue expenses | | - | -1,599 | - | - | -1,599 |
| Total transactions with shareholders | | 803 | 85,162 | - | - | 85,965 |
| Closing balance at 31 Dec 2015 | | 1,633 | 183,276 | 9,112 | -63,844 | 130,177 |
| Opening balance at 1 Jan 2016 | | 1,633 | 183,276 | 9,112 | -63,844 | 130,177 |
| Comprehensive income | | | | | | |
| Net loss for the year | | - | - | - | -3,083 | -3,083 |
| Exchange differences | | - | - | 3,371 | - | 3,371 |
| Total comprehensive income | | - | - | 3,371 | -3,083 | 288 |
| Transactions with shareholders | | | | | | |
| Conversions KV12013/2016 | 19 | 0 | 0 | - | - | - |
| Directed issue, January 2016 | | 162 | 10,838 | - | - | 11,000 |
| Directed issue, June 2016 | | 926 | 62,074 | - | - | 63,000 |
| <i>Shares</i> | | 926 | 43,174 | - | - | 44,100 |
| <i>Warrants</i> | | - | 18,900 | - | - | 18,900 |
| Directed issue (discount), December 2016 | | 10,684 | -10,684 | - | - | - |
| Issue expenses | | - | -8,782 | - | - | -8,782 |
| Total transactions with shareholders | | 11,772 | 53,446 | - | - | 65,218 |
| Closing balance at 31 Dec 2016 | | 13,405 | 236,722 | 12,484 | -66,928 | 195,683 |

Consolidated statement of cash flows

| ALL AMOUNTS IN SEK THOUSAND | NOTE | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 |
|--|------|--------------------------|--------------------------|
| Cash flow from operating activities | | | |
| Operating profit/loss | | -11,125 | -8,644 |
| Adjustments for items not included in cash flow: | | | |
| - Other non-cash items | | 172 | -39 |
| Interest received | | 0 | 0 |
| Interest paid | | 0 | -100 |
| Cash flow from operating activities before changes in working capital | | -10,953 | -8,783 |
| Changes in working capital: | | | |
| - Increase/decrease in other current receivables | | -775 | 88 |
| - Increase/decrease in other current liabilities | | 526 | 162 |
| Total changes in working capital | | -249 | 250 |
| Cash flow from operating activities | | -11,202 | -8,533 |
| Cash flow from investing activities | | | |
| Acquisition of subsidiaries, less acquired cash and cash equivalents | 25 | - | 7 |
| Expenditures on exploration and evaluation assets | 14 | -3,106 | -28,702 |
| Short-term loan to ESI Group | 29 | -9,097 | - |
| Cash flow from investing activities | | -12,203 | -28,695 |
| Cash flow from financing activities | | | |
| Directed issues | | 74,000 | - |
| Convertible issue | 19 | - | - |
| Preferential rights issue | | - | 4,912 |
| Issue expenses for the period | | -8,743 | -1,599 |
| Interest paid on convertible loans | 19 | -1,606 | -1,228 |
| Repayment convertible loans | 19 | -12,211 | - |
| Loans raised | 26 | - | 800 |
| Repayment of loans | 26 | -1,650 | -200 |
| Cash flow from financing activities | | 49,790 | 2,685 |
| Cash flow for the period | | 26,385 | -34,543 |
| Cash and cash equivalents at start of period | | 156 | 34,626 |
| Exchange gains/losses on cash and cash equivalents | | 0 | 73 |
| Cash and cash equivalents at end of period | 17 | 26,541 | 156 |

Consolidated statement of cash flows, cont.

| ALL AMOUNTS IN SEK THOUSAND | NOTE | 2016-01-01 2016-12-31 | 2014-01-01 2014-12-31 |
|---|------|--------------------------|--------------------------|
| Supplementary disclosures related to cash flow | | | |
| Other non-cash items: | | | |
| Revaluation of warrants | | 0 | 0 |
| Unrealised exchange rate effects | | 139 | -72 |
| Depreciation/amortisation | | 33 | 33 |
| Total other non-cash items | | 172 | -39 |

Income statement – Parent Company

| ALL AMOUNTS IN SEK THOUSAND | NOTE | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 |
|---|--------|--------------------------|--------------------------|
| Revenue | | 395 | 806 |
| Other operating income | | - | 137 |
| Total operating income | | 395 | 943 |
| Other external costs | 7 | -3,812 | -3,443 |
| Employee benefit expenses | 8 | -4,863 | -4,077 |
| Depreciation of property, plant, and equipment | 13, 14 | -33 | -33 |
| Other operating expenses | 10 | -127 | - |
| Total operating expenses | | -8,835 | -7,553 |
| Operating profit/loss | | -8,440 | -6,610 |
| Other interest income and similar profit/loss items | 9, 10 | 12,592 | 11,094 |
| Interest expenses and similar profit/loss items | 9, 10 | -1,693 | -8,931 |
| Earnings from financial items | | 10,899 | 2,163 |
| Earnings before tax | | 2,459 | -4,447 |
| Tax on profit for the year | 11, 19 | - | - |
| Net profit/loss for the year | | 2,459 | -4,447 |

Comprehensive income – Parent Company

| ALL AMOUNTS IN SEK THOUSAND | NOTE | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 |
|---|------|--------------------------|--------------------------|
| Net profit/loss for the year | | 2,459 | -4,447 |
| Other comprehensive income: | | | |
| <i>Total items that can be reclassified as profit or loss</i> | | - | - |
| Other comprehensive income | | - | - |
| Total comprehensive income | | 2,459 | -4,447 |
| Comprehensive income attributable to: | | | |
| Parent Company shareholders | | 2,459 | -4,447 |

Balance sheet – Parent Company

| ALL AMOUNTS IN SEK THOUSAND | NOTE | 2016-12-31 | 2015-12-31 |
|---|------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant, and equipment | | | |
| Equipment, tools, fixtures and fittings | 13 | 33 | 66 |
| Total property, plant, and equipment | | 33 | 66 |
| Financial assets | | | |
| Participations in Group companies | 24 | 20,704 | 20,204 |
| Receivables from Group companies | | 165,988 | 21,244 |
| Total financial assets | | 186,692 | 41,448 |
| Total non-current assets | | 186,725 | 41,514 |
| Current assets | | | |
| Current receivables | | | |
| Receivables from Group companies | | - | 127,342 |
| Other current receivables | 15 | 10,050 | 272 |
| Prepaid expenses and accrued income | 16 | 2,449 | 292 |
| Total current receivables | | 12,499 | 127,906 |
| Cash and bank balances | 17 | 25,237 | 72 |
| Total current assets | | 37,736 | 127,978 |
| TOTAL ASSETS | | 224,461 | 169,492 |

Balance sheet – Parent Company, cont.

| ALL AMOUNTS IN SEK THOUSAND | NOTE | 2016-12-31 | 2015-12-31 |
|--------------------------------------|------|----------------|----------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Restricted equity | | | |
| Share capital | 18 | 13,405 | 1,633 |
| Total restricted equity | | 13,405 | 1,633 |
| Non-restricted equity | | | |
| Share premium reserve | 18 | 232,722 | 179,276 |
| Accumulated earnings | | -32,409 | -27,962 |
| Net profit/loss for the year | | 2,459 | -4,447 |
| Total non-restricted equity | | 202,772 | 146,867 |
| Total equity | | 216,177 | 148,500 |
| Non-current liabilities | | | |
| Loans from related parties | 26 | - | 6,704 |
| Total non-current liabilities | | - | 6,704 |
| Current liabilities | | | |
| Loans from related parties | 26 | 5,054 | - |
| Convertible loans | 19 | - | 11,209 |
| Accounts payable | | 2,040 | 1,144 |
| Other liabilities | 22 | 150 | 98 |
| Accrued expenses and deferred income | 23 | 1,040 | 1,837 |
| Total current liabilities | | 8,284 | 14,288 |
| TOTAL EQUITY AND LIABILITIES | | 224,461 | 169,492 |

Statement of changes in equity – Parent Company

| ALL AMOUNTS IN SEK THOUSAND | NOTE | SHARE CAPITAL | SHARE PREMIUM RESERVE | ACCUMULATED EARNINGS | NET PROFIT/LOSS FOR THE YEAR | TOTAL EQUITY |
|---|------|---------------|-----------------------|----------------------|------------------------------|----------------|
| Equity at 1 Jan 2015 | | 830 | 94,114 | -10,997 | -16,965 | 66,982 |
| Unappropriated net income as per AGM resolution | | - | - | -16,965 | 16,965 | - |
| Comprehensive income | | | | | | |
| Net loss for the year | | - | - | - | -4,447 | -4,447 |
| Other comprehensive income | | - | - | - | - | - |
| Total comprehensive income | | - | - | - | -4,447 | -4,447 |
| Transactions with shareholders | | | | | | |
| Option component, KV1 2013/2016 | 19 | - | 3,219 | - | - | 3,219 |
| Preferential rights issue | | 44 | 4,869 | - | - | 4,913 |
| Offset issues | | 759 | 78,673 | - | - | 79,432 |
| Issue expenses | | - | -1,599 | - | - | -1,599 |
| Total transactions with shareholders | | 803 | 85,162 | - | - | 85,965 |
| Equity at 31 Dec 2015 | | 1,633 | 179,276 | -27,962 | -4,447 | 148,500 |
| Equity at 1 Jan 2016 | | 1,633 | 179,276 | -27,962 | -4,447 | 148,500 |
| Unappropriated net income as per AGM resolution | | - | - | -4,447 | 4,447 | - |
| Comprehensive income | | | | | | |
| Net profit for the year | | - | - | - | 2,459 | 2,459 |
| Other comprehensive income | | - | - | - | - | - |
| Total comprehensive income | | - | - | - | 2,459 | 2,459 |
| Transactions with shareholders | | | | | | |
| Conversions, KV1 2013/2016 | 19 | 0 | 0 | - | - | - |
| Directed issue, January 2016 | | 162 | 10,838 | - | - | 11,000 |
| Directed issue, June 2016 | | 926 | 62,074 | - | - | 63,000 |
| <i>Shares</i> | | 926 | 43,174 | - | - | 44,100 |
| <i>Warrants</i> | | - | 18,900 | - | - | 18,900 |
| Directed issue (discount), December 2016 | | 10,684 | -10,684 | - | - | - |
| Issue expenses | | - | -8,782 | - | - | -8,782 |
| Total transactions with shareholders | | 11,772 | 53,446 | - | - | 65,218 |
| Equity at 31 Dec 2016 | | 13,405 | 232,722 | -32,409 | 2,459 | 216,177 |

Statement of cash flows – Parent Company

| ALL AMOUNTS IN SEK THOUSAND | NOTE | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 |
|--|------|--------------------------|--------------------------|
| Cash flow from operating activities | | | |
| Operating profit/loss | | -8,440 | -6,610 |
| Adjustments for items not included in cash flow: | | | |
| - Other non-cash items | | 356 | 359 |
| Interest received | | 0 | 0 |
| Interest paid | | 0 | -9 |
| Cash flow from operating activities before changes in working capital | | -8,084 | -6,260 |
| Changes in working capital: | | | |
| - Increase/decrease in other current receivables | | -5,806 | -56,307 |
| - Increase/decrease in other current liabilities | | 1,027 | 25,968 |
| Total changes in working capital | | -4,779 | -30,339 |
| Cash flow from operating activities | | -12,863 | -36,599 |
| Cash flow from investing activities | | | |
| Shareholder's contributions to subsidiaries | 24 | -500 | -500 |
| Short-term loan ESI Group | 29 | -9,097 | - |
| Prepaid transaction expenses ESI Group | | -2,165 | - |
| Cash flow from investing activities | | -11,762 | -500 |
| Cash flow from financing activities | | | |
| New share issue | | 74,000 | 3,314 |
| Issue expenses for the period | | -8,743 | - |
| Interest paid on convertible loans | 19 | -1,606 | -1,228 |
| Repayment convertible loans | 19 | -12,211 | - |
| Loans raised | 26 | - | 800 |
| Repayment of loans | 26 | -1,650 | -200 |
| Cash flow from financing activities | | 49,790 | 2,686 |
| Cash flow for the period | | 25,165 | -34,413 |
| Cash and cash equivalents at start of period | | 72 | 34,485 |
| Cash and cash equivalents at end of period | 17 | 25,237 | 72 |

Statement of cash flows – Parent Company, cont.

| ALL AMOUNTS IN SEK THOUSAND | NOTE | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 |
|---|------|--------------------------|--------------------------|
| Supplementary disclosures related to cash flow | | | |
| Other non-cash items: | | | |
| <i>Unrealised exchange rate effects</i> | | 323 | 326 |
| <i>Depreciation/amortisation</i> | | 33 | 33 |
| Total other non-cash items | | 356 | 47 |
| Components included in cash and cash equivalents: | | | |
| Cash and bank balances | | 25,237 | -69,112 |
| Total cash and cash equivalents | | 25,237 | -69,112 |

Notes

NOTE 1 GENERAL INFORMATION

Crown Energy AB (publ) (the Parent Company), corporate identity number 556804-8598, with its subsidiaries (Crown Energy, the Company, or the Group), is an international oil and gas group focused on exploration opportunities with high potential for recoverable oil and gas reserves in underexplored areas. The Group currently focuses on Equatorial Guinea (Block P), South Africa (Block 2B), Madagascar (3108 Manja), and Iraq (Salah ad-Din).

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.

On 8 April 2016, the Board of Directors approved these consolidated accounts for publication.

All amounts are recognised in SEK thousands unless otherwise stated. Figures in parentheses refer to the previous year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of the reports

Crown Energy's consolidated accounts were prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Consolidated Accounting Standards, International Financial Reporting Standards (IFRS), and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. The consolidated accounts were prepared according to the cost method except for financial instruments measured at fair value via the income statement.

The financial statements of the Parent Company were prepared in accordance with RFR 2, Accounting for Legal Entities, and the Swedish Annual Accounts Act. Cases for which the Parent Company applies different accounting policies than the Group are listed separately at the end of this note.

Preparing reports that conform with IFRS requires the use of certain critical accounting estimates. It also requires management to make certain judgements in applying Group accounting policies. Note 5. Critical estimates and assessments for accounting purposes, discloses the areas that require a more thorough assessment, are complex, or for which assumptions and estimates are very significant to the consolidated accounts.

The principal accounting policies applied to these consolidated accounts are set out below. These policies were consistently applied to all years presented, unless otherwise stated.

2.2 Changes in accounting policies and disclosures

Annual Accounts Act – Changes applied by the Parent Company and the Group

The Annual Accounts Act has been amended now that the EU has adopted a new directive for annual and consolidated accounts. The amendments took effect on 1 January 2016 and have been applied by Crown Energy since then. The changes have not had any impact on Crown Energy's financial statements, but the changes have impacted the presentation of the annual report and certain disclosures.

- Appropriation of profits is now recognised both in the Directors' Report and in the notes

- Disclosures on significant events after the end of the reporting period shall be made in the notes and not in the Directors' Report.
- Pledged assets and contingent liabilities in the Parent Company are now recognised in the notes instead of in a line item on the balance sheet. This means that the way in which these items are recognised is now identical for the Group and the Parent Company.

IFRS – New and amended standards adopted by the Group

There were very few new standards and amended standards and interpretations that have been published and will be effective for the first time for financial years beginning on or after 1 January 2016 and they did not have an impact on Crown Energy's financial reporting.

Standards, amendments, and interpretations of existing standards that have not yet taken effect and that have not been adopted early by the Group

A number of new standards and amendments to interpretations and existing standards took effect for financial years beginning after 1 January 2016 and were not applied when preparing the consolidated financial statements. None of these are expected to have a material impact on the consolidated financial statements except for the following:

- *IFRS 9 – Financial Instruments* handles measurement and classification of financial assets and liabilities, and the complete version of the recommendation was issued in July 2014. IFRS 9 replaces those parts of IAS 39 that address classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into three categories: amortised cost, measurement at fair value via other comprehensive income, or fair value via the income statement. An instrument's classification depends on the company's business model and the instrument's characteristics. Investments in equity instruments are to be recognised at fair value via the income statement, but it is also possible to recognise the instrument at fair value via other comprehensive income upon initial recognition. No reclassification to the income statement takes place at disposal of the instrument. IFRS 9 also introduces a new model for measuring the loan loss reserve, and hedging documentation has also been slightly changed as compared with IAS 39. The standard is effective for financial years beginning 1 January 2018. Early adoption is permitted. The Group has not yet appraised the impact of introducing the standard.
- *Amendments to IAS 7 – Disclosure Initiative*. An entity must now explain changes in liabilities arising from financing activities. This includes changes arising from cash flows (such as taking out and repaying loans) and non-cash items such as acquisitions, disposals, accrued interest and unrealised exchange differences. Changes in financial assets must be included in this disclosure if cash flows were included (or will be included) in cash flows arising from financing activities. For example, this may occur for assets that hedge liabilities arising from financing activities. Entities may include changes in other items as a part of this disclosure, for example, by including a net debt reconciliation. Items not arising from financing activities must be reported separately in such cases. Information may be disclosed in table form as an analysis of changes between opening and closing balances, but the format is not regulated in the standard. The standard is effective for financial years beginning on 1 January 2017. These changes will increase the Group's disclosures on changes in cash flows from financing activities. The information will be disclosed in table format.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, cont.

Other changes in standards and interpretations that are not yet in effect are not expected to have any significant impact on the Group's accounting policies or financial position.

2.3 Consolidated accounts

Subsidiaries

Subsidiaries are all entities (including structured companies) over which the Group has control. The Group controls an entity when it is exposed to or is entitled to variable returns from its holdings in the entity and has the ability to affect returns through its influence on the entity. Subsidiaries are included in the consolidated accounts as of the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated accounts as of the date on which the controlling influence ceases.

In the event of the acquisition of a subsidiary, the Group determines whether the acquisition is a business combination, i.e. whether the acquired assets and assumed liabilities are an operation/business. If the acquired subsidiary cannot be defined as an operation/business, the transaction is recognised as an acquisition of assets.

Acquisition of operations

The acquisition method is used to recognise consolidated business combinations. The purchase price for acquisition of a subsidiary is defined as the fair value of transferred assets, liabilities that the Group incurs from previous owners of the acquired company, and the shares issued by the Group. The purchase price includes the fair value of all assets or liabilities that are the result of a contingent consideration agreement. Identifiable acquired assets and liabilities assumed in a business combination are measured initially at their fair values on the acquisition date. For each new acquisition, the Group determines whether non-controlling interests in the acquired company should be recognised at fair value or at their proportionate share in the carrying amount of the acquired company's identifiable net assets.

Expenditures that are directly attributable to the acquisition are written off as they are incurred.

If the business combination is implemented in stages, the previously held equity interests in the acquired company are remeasured at their fair value on the date of acquisition. Any gain or loss arising from remeasurement is recognised in profit/loss.

Each contingent consideration to be transferred by the Group is recognised at fair value on the date of acquisition. Subsequent changes to the fair value of a contingent consideration that is classified as an asset or liability is recognised in accordance with IAS 39 either in the income statement or in other comprehensive income. A contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Identifiable acquired assets, liabilities assumed, and contingent liabilities in a business combination are measured initially at their fair values on the acquisition date regardless of the scope of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of identifiable acquired assets, liabilities, and contingent liabilities is recognised as goodwill. If the cost of acquisition is less than the fair value of the acquired subsidiary's assets, liabilities, and contingent liabilities, the difference is recognised directly in the income statement.

Acquisition of subsidiaries that are not operations/businesses

In cases where the acquired subsidiary is not deemed to meet the criteria for an operation/business, the transaction is accounted for as an acquisition of assets and will then follow the accounting for each asset's accounting standard. The cost of acquisition is divided among the individual identifiable assets and liabilities on the basis of their relative fair values at the time of acquisition. Such an acquisition does not give rise to goodwill. Expenses directly attributable to the acquisition are capitalised as part of the cost of acquisition.

Other

Intra-Group transactions, balance sheet items, and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated, but any losses are viewed as an indication that assets may be impaired. Accounting policies for subsidiaries were modified as applicable to ensure the consistent application of Group policies.

Joint arrangements

A holding in a joint arrangement is classified as either a joint operation or a joint venture depending on the contractual rights and obligations of each investor. A joint operation arises when the parties that have joint control over the arrangement have direct rights to the assets and responsibility for the liabilities in an arrangement. In such an arrangement, assets, liabilities, income, and expenses are recognised based on the holders' share of these, that is, as per proportionate consolidation. A joint venture arises when the parties that have joint control have rights to the net assets in an arrangement. In such an arrangement, the holder recognises its share as per the equity method.

Crown Energy has assessed its joint operation agreements and found that it currently has two joint arrangements, which relate to the interest in the Block P (PDA) licence in Equatorial Guinea and Block 2B in South Africa.

– Block P (PDA): Based on the joint operating agreement's terms and Crown Energy's interest, Crown Energy does not have joint control over the arrangement and is thus not a party to a joint operation. Crown Energy is party to a joint arrangement.

– Block 2B: Crown Energy's interest decreased substantially as a result of the farm-out of parts of the licence. As a result, Crown Energy no longer has joint control over the arrangement and is thus not a party to a joint operation. As in the case above, Crown Energy is party to a joint arrangement.

In both cases, Crown Energy has rights to the assets and obligations with respect to the liabilities originating from the joint operation. As a result, Crown Energy recognises its interest in these licences in accordance with IFRS 6 Exploration for and Evaluation of Mineral Resources.

See section 2.7, Exploration and evaluation assets, for more information about how these joint arrangements are managed in the accounts.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the function responsible for allocating resources and assessing performance of the operating segments. In the Group, this function is identified as the steering committee that makes strategic decisions, i.e., the Board in consultation with the CEO. At present, the Group is deemed to have only one segment, which means that the disclosures are limited. Since the Group does not have any income either, the Group only provides information on non-current assets distributed across geographic areas.

2.5 Translation of foreign currencies

Functional and presentation currencies

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Company's subsidiaries Amicoh Resources Ltd and Simbo Petroleum No.2 Ltd use the USD as their functional currency. The consolidated accounts are presented in SEK, which is the Parent Company's functional and presentation currency.

The balance sheets and income statements of foreign Group companies are translated using the current rate method. All assets and liabilities of subsidiaries are translated at the closing rate, while the income statements are translated at average rates for the year, except where it is considered more appropriate to use the transaction date rate. Goodwill and fair value adjustments arising on the

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, cont.

acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are also translated at the closing rate. Translation differences arising from the translation of foreign operations are recognised directly in the currency translation reserve in other comprehensive income.

Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction date. Exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rate are recognised in the income statement. Exchange differences on lending and borrowing are recognised in net financial items, while other exchange differences are included in operating profit/loss.

Exchange rates

The following exchange rates were used to prepare the financial statements (consolidation, annual accounts, etc.) in this report:

| CURRENCY | CLOSING DAY RATE, 2016 | AVERAGE RATE, 2016 | CLOSING DAY RATE, 2015 | AVERAGE RATE, 2015 |
|-----------------|------------------------|--------------------|------------------------|--------------------|
| USD 1 in SEK is | 9.0971 | 8.7248 | 8.3524 | 8.0821 |
| GBP 1 in SEK is | 11.1787 | 11.7786 | 12.3785 | 12.2587 |

2.6 Property, plant, and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. The cost includes expenditures that are directly attributable to acquisition of the asset. Subsequent expenditures are added to the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably.

The residual values and useful lives of the assets are reviewed at the end of each reporting period and adjusted if necessary.

At 31 December 2016, property, plant, and equipment consisted solely of office equipment. This equipment is deemed to have a useful life of five years. The equipment is depreciated on a straight-line basis over its useful life.

In the income statement, operating profit/loss is encumbered by depreciation according to plan. Depreciation according to plan was taken at 20% of the cost of equipment.

2.7 Exploration and evaluation assets (intangible assets)**Accounting for exploration, evaluation, and development costs**

The Group complies with IFRS 6, Exploration for and Evaluation of Mineral Resources, in accounting for any exploration and evaluation expenditures that arise. Exploration and evaluation assets are initially recognised at cost, provided that it is probable that they will generate future economic benefits. All costs for acquiring concessions, licences, or interests in production sharing contracts and for technical surveys, drilling, and development of such interests are capitalised. This includes capitalisation of future decommissioning and restoration costs.

Exploration and evaluation assets can be classified as both property, plant, and equipment and intangible assets. Classification is done consistently over time. The Group currently only has intangible assets.

Amortisation

Exploration and evaluation assets classified as intangible assets are not amortised. Instead, the assets are regularly evaluated to determine whether any impairment exists. As the Group only holds intangible assets, no amortisation occurred during the reported periods.

Impairment

Exploration and evaluation assets are tested for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Examples of circumstances that may indicate an impairment exists are when the deadline for the exploration period has expired or will expire in the near future, there are no plans for further exploration, exploration and evaluation have not led to any discoveries of commercial size, or when conditions have deteriorated in terms of recovery of value from a sale. Impairment is tested for each cash generating unit, which in the Group's case consists of each individually acquired licence and concession right along with stakes in any oil discoveries in the country in which they operate. An impairment loss is recognised in accordance with IAS 36 when an asset or cash-generating unit's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the income statement.

If impairment losses were previously taken, then an assessment is made at least once a year to determine whether there are any indications that the impairment loss should be reversed.

Reclassification to oil and gas assets

When the technical feasibility and commercial viability of extracting oil and gas can be proven, assets are no longer classified as exploration and evaluation assets. Instead, they are classified as an oil or gas asset. They are then reclassified, after which they are recognised according to IAS 16 and IAS 38.

Oil and gas assets comprise reclassified exploration and evaluation assets and capitalised development costs. Depreciation/amortisation of the relevant asset begins in conjunction with the start of production. The assets are tested for impairment regularly and if it is established that they are impaired, the asset is expensed in the form of an impairment loss via the income statement.

Oil and gas assets are categorised as either producing or non-producing. The Company applies the successful efforts method, which means that when the exploration of a project is completed, the project is tested to determine whether it should be transferred to producing assets or be abandoned. If the project is abandoned, all costs incurred are written off at that time.

The Group does not hold any assets classified as oil and gas assets at this time.

Jointly owned assets in the form of licences

The Group's interests in jointly controlled assets in the form of licences are based on the proportion of the licence. Licences that the Group holds are deemed wholly or jointly owned assets. The consolidated accounts reflect the Group's share of investments in the licences.

At 31 December 2016, the Group had two jointly owned assets, namely Block P in Equatorial Guinea and Block 2B in South Africa. Crown Energy's working interests in these licences are 5% and 10% respectively and Crown Energy is not the operator. Exploration and evaluation is mostly managed by the operator. A budget for the licence is set annually, which all partners must approve. Based on these projected expenditures, the operator then performs the agreed-upon work. The expenditures for this work are charged to the other partners based on each partner's working interest. Crown Energy capitalises these expenditures as exploration and evaluation assets.

Farm-outs

Farm-outs are subject to the policies of IFRS 6 in the event they involve exploration and evaluation assets. Crown Energy recognises cash payments directly against the asset and retains the recognised share of the asset less cash payments received. As a result, no revenue is recognised in conjunction with farm-outs unless the cash payment exceeds the carrying amount of the farmed out asset. Future payments are not recognised at the transaction date.

If a farm-out involves oil and gas assets, recognition is subject to the policies of IAS 16. Crown Energy then derecognises the carrying

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, cont.

amount of the asset in proportion to the share of ownership farmed out and recognises any future payments in the balance sheet. Once a payment received, which is part of a transaction, has been recognised, a capital gain or loss is recognised in the income statement. After completion of the transaction, Crown Energy assesses whether the cash-generating units are impaired. Impairment losses impact the income statement.

2.8 Financial instruments

General policies

Purchases and sales of financial assets and liabilities are recognised on the transaction date - the date on which the Group commits itself to buy or sell the asset. Financial assets and liabilities are initially recognised at fair value plus transaction costs for all financial assets and liabilities not carried at fair value through the income statement. Financial assets and liabilities measured at fair value via the income statement are initially recognised at fair value, while classifiable transaction costs are recognised in the income statement. Financial assets are removed from the balance sheet when the rights to receive cash flows from the instrument have expired or been transferred, and the Group has transferred essentially all risks and rewards associated with ownership. Financial liabilities are removed from the balance sheet when contractual obligations have been fulfilled or are otherwise extinguished.

Loans and accounts receivable and other financial liabilities are subsequently recognised at amortised cost using the effective interest method. At present, the Group holds financial instruments in the loans receivable and other financial liabilities categories.

Financial assets and liabilities are offset and recognised at a net amount in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and an intention to settle them on a net basis or to capitalise the asset and settle the liability.

Loans receivable

Classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition and re-evaluates this designation at every reporting date. Loans and accounts receivable are financial assets that do not constitute derivatives, that have fixed or fixable payments, and that are not listed in an active market. They are included in current assets, except for items with maturities longer than 12 months after the reporting period, which are classified as non-current assets. The Group's loans receivable are recognised as other receivables in the balance sheet. Cash and cash equivalents are also included in this category.

At the end of each reporting period, the Group assesses whether there is objective evidence for the impairment of a financial asset or group of financial assets. The Group's loans receivable are impaired if it is unlikely that the debtor can meet its obligations.

Other financial liabilities

This category includes loans and other financial liabilities, such as accounts payable. The Group's borrowings include loans from related parties and convertible loans.

Non-current other provisions, accounts payable, and other current liabilities are classified as other financial liabilities.

These financial liabilities are recognised initially at fair value and subsequently at amortised cost using the effective interest method. Debts of less than three months are recognised at cost.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, and other short-term investments with maturities of three months or less.

2.10 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are recognised in equity as a deduction from the proceeds.

2.11 Accounts payable

Accounts payable are recognised initially at fair value and subsequently at amortised cost using the effective interest method. The carrying amount of accounts payable is assumed to approximate their fair value, as this item is short-term in nature. This means that accounts payable are measured at nominal cost.

2.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs. Borrowings are subsequently recognised at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Currently, the Group's borrowings consist of an interest-free loan from related parties and convertible loans.

Borrowings are generally classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Loans from related parties are now classified as short-term debt, and these loans are carried at cost. The reclassification from non-current to current liabilities is because repayment was requested in 2016. Any borrowing costs are recognised in the income statement in the period to which they relate.

2.13 Combined financial instruments

The combined financial instruments issued by the Group comprise convertible loans 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 recognised initially at the fair value of a similar liability that does not entail the right of conversion into shares. The equity component is recognised 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 a conversion option. 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 amortised cost using the effective interest method. The equity component of a combined financial instrument is not remeasured subsequent to initial recognition. Interest expense is recognised in net income for the period and is calculated using the effective interest method.

The convertible loans are classified as current and non-current liabilities, depending on the time remaining to the due date of the loan.

2.14 Current and deferred tax

Current tax expense is calculated using the tax rules that at the end of the reporting period were enacted or for all practical purposes enacted in the countries in which the Parent Company's subsidiaries are active and generate taxable income.

Deferred tax is recognised in full using the balance sheet method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. Deferred tax is not recognised if it arises from a transaction that constitutes the initial recognition of an asset or liability that is not a business combination and that at the time of the transaction affects neither accounting nor taxable earnings. Deferred income tax is determined using tax rates (and tax laws) that were enacted or substantively enacted by the end of the reporting period and that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be deducted.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, cont.

Deferred tax is calculated on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

2.15 Employee benefits

Personnel are employed by the Swedish Parent Company.

Retirement benefits

The Group only has defined contribution pension plans. In defined contribution plans, the Parent Company pays fixed contributions into a separate legal entity and has no obligation to pay any additional contributions. Expenses are charged to consolidated earnings as the benefits accrue.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date or whenever an employee accepts voluntary termination in exchange for such benefits. A provision is recognised in connection with termination of employment only if the Group is demonstrably committed to terminate employment before the normal retirement date, or when benefits are offered to encourage voluntary termination. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.16 Provisions, guarantees, and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be estimated reliably. No provisions are made for future operating losses. Provisions are measured at the present value of the amount expected to be required to settle the obligation. A discount rate before tax is used for this which reflects a current market assessment of the time-based value of money and the risks associated with the provision. The increase in the provision due to the passage of time is recognised as an interest expense.

Presently, there are no provisions relating to obligations for future restoration costs.

A contingent liability is a possible obligation that arises from past events whose existence is confirmed only by one or more uncertain future events. A contingent liability can also be a present obligation that is not recognised as a liability or provision because it is not probable that an outflow of resources will be required or the amount of the obligation cannot be calculated with sufficient reliability. Guarantees are measured at their discounted value when applicable.

2.17 Revenue recognition

Revenue comprises the fair value of the consideration that is received or is receivable for goods and services sold in the ordinary course of business. Revenue is recognised net of VAT, returns, and discounts, and after eliminating sales within the Group. The Group recognises revenue when the amount can be measured reliably and it is probable that future economic benefits will flow to the Company.

To date, no production of oil and gas has occurred, so no revenue attributable to production has been recognised. Any technical services performed by outside consultants on Crown Energy's behalf, but which will be shared with third parties, are recognised as other income in the accounting period in which the services were rendered.

Interest income is recognised as revenue on a time proportion basis using the effective interest method.

2.18 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made during the lease period (net of any incentives received from the lessor) are written off in the income statement lineally over the lease period.

Leases of non-current assets for which Crown Energy essentially retains the economic risks and rewards of ownership are classified as finance leases. Currently, the Group does not have any assets through leases.

2.19 Dividends

Dividends paid to Parent Company shareholders are recognised as liabilities in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders. No dividends have been paid to shareholders as yet.

2.20 Earnings per share

The calculation of earnings per share is based on the consolidated earnings (in total, from continuing and discontinued operations) for the period attributable to the Parent Company's shareholders and on the weighted average number of shares outstanding during the period. When calculating diluted earnings per share, earnings and the average number of shares are adjusted to reflect the effects of diluted potential ordinary shares.

Dilution from options arises only when the exercise price is lower than the market price. Convertibles and options are not considered dilutive if they cause earnings per share from continuing operations to be better (larger gain or smaller loss) after dilution than before dilution.

2.21 Parent Company accounting policies

The Parent Company applies RFRS 2 Accounting for Legal Entities.

The Parent Company applies different accounting policies than the Group in the following cases.

Presentation of income statement and balance sheet

The Parent Company uses the formats listed in the Annual Accounts Act, which among other things means that a different presentation of equity is applied and that provisions are recognised under a separate heading in the balance sheet.

Shares in subsidiaries

Shares in subsidiaries are recognised at cost less any impairment losses. Dividends received are recognised as income when the right to receive payment is established. Thereafter, the shares to which the dividend relates are tested for impairment. When there is an indication that shares and participations in subsidiaries have decreased in value, an estimate of the recoverable amount is made. If it is lower than the carrying amount, it is taken as an impairment loss. Impairment losses are recognised under profit/loss from participations in Group companies. The cost of acquisition also refers to transaction-related expenditures, unlike in the Group where transaction expenditures are normally written off in the period in which they occur.

Shareholder contributions

Shareholder contributions are recognised as an increase in the value of shares and participations. An assessment is then made of whether the value of the shares and participations in question is impaired.

NOTE 3 OPERATIONAL RISKS

Crown Energy's operations are subject to all of the risks and uncertainties with which businesses focused on exploration and the acquisition, development, production, and sale of oil and gas are associated. Even with a combination of experience, knowledge, and careful evaluation, these risks cannot be completely avoided.

3.1 Operational and industry related risks

| DESCRIPTION OF RISKS | RISK MANAGEMENT | 2016 OUTCOME/SENSITIVITY ANALYSIS | FINANCIAL IMPACT IF RISK OCCURS |
|---|---|---|---------------------------------|
| >>> <i>Revoked or suspended licences</i> | | | |
| <p>The Company's exploration activities depend on concessions and/or permits granted by governments and authorities. Applications for future concessions/permits may be rejected and the current concessions/permits may be subject to restrictions or be revoked by the official body. Although concessions and permits can normally be renewed after they expire, no assurance can be given that this will happen, and if so, on what terms. If the Company fails to meet the obligations and conditions related to operations and costs that are necessary for obtaining concessions and permits, then it may result in a smaller stake in, or loss of, such permits and claims for damages, which may have a negative effect on the Company's business, earnings, and financial position.</p> | <p>Crown Energy has a good dialogue with all of the relevant authorities. Clear communication occurs regularly through meetings with the authorities and any other licence partners.</p> | <p>No licences were revoked in 2016 and Crown Energy is not in default on any licence.</p> <p>In March 2016, Crown Energy received final approval from OMNIS, the competent department for oil and gas in Madagascar, to extend the Manja licence until 15 November 2019.</p> <p>It is impossible to quantify the risk and thus also impossible to conduct a sensitivity test.</p> | High |
| >>> <i>Contractual risks/shared ownership and partnerships</i> | | | |
| <p>The Company's operations are largely based on concession agreements, licences, and other agreements. Crown Energy is a partner in several licences with other companies. In these cases, it is difficult to influence how the licence is operated, especially in cases where Crown Energy only holds a small share and thus is unable to influence important decisions.</p> <p>The rights and obligations under these concessions, licences, and agreements may be subject to interpretation and disputes under Swedish or foreign law and can also be affected by circumstances beyond the Company's control. In the event of a dispute about the interpretation of such terms, it is not certain that the Company would be able to assert its rights, which in turn could have a materially adverse effect on the Company. If the Company or any of its partners should be deemed to have not fulfilled their obligations under a concession, licence, or other agreement, it could also cause the Company's rights under them to be fully or partially eliminated, or cause Crown Energy to incur costs or obligations to meet the other party's obligations.</p> | <p>Crown Energy complies with the laws and regulations of the countries in which it operates and with the licence agreements into which it has entered.</p> <p>For licences where other partners besides Crown Energy are the operators, there are joint operation agreements containing standards and requirements for how the operator is to conduct operations and how decisions are made within the partnership (e.g. a certain percentage of votes required for a certain type of decision).</p> <p>In cases where Crown Energy farms out assets, the general rule is to only farm out assets to companies that are deemed to have strong business, financial, and technical capacity.</p> | <p>There are not any known uncertainties or disputes regarding licences Crown Energy is involved in at this time.</p> <p>The farm-out of Block 2B to Africa Energy Corp. was completed in autumn 2016. Africa Energy is now the operator and holds 90 per cent of the licence because it also signed agreements with the other licence partners. Crown Energy is left with a 10 per cent interest, which means that Crown Energy's ability to affect decisions made by the operator via votes has diminished. However, Crown Energy considers Africa Energy a reputable company that will strive for the best possible development of the licence.</p> <p>It is impossible to quantify the risk and thus also impossible to conduct a sensitivity test.</p> | Medium |

NOTE 3 OPERATIONAL RISKS, cont.**3.1 Operational and industry related risks**

| DESCRIPTION OF RISKS | RISK MANAGEMENT | 2016 OUTCOME/SENSITIVITY ANALYSIS | FINANCIAL IMPACT IF RISK OCCURS |
|--|--|--|---------------------------------|
| >>> Geological risks | | | |
| <p>Any valuation of oil and gas reserves and resources contains a degree of uncertainty. In many cases, exploration activities never lead to development and production. Although oil companies try to minimise risks through seismic surveys, they can be very costly and require significant effort without leading to drilling. There is always a risk that the estimated volumes do not correspond to reality. The probability of discovering oil or gas at exploration wells varies. Costly investigations that do not lead to drilling could negatively affect the Company's business and financial position.</p> | <p>Crown Energy has engaged employees that are highly competent in geology to reduce the risk of possible miscalculations. Crown Energy's valuations of reserves and resources are always prepared in accordance with established rules and standards. The probability of the actual existence of the volumes is assessed and the fact that a certain percentage of wells drilled are statistically always dry is taken into account. Reserves and resources are classified differently depending on this probability, which provides a measure of the geological risk. See the Description of operations section for a more detailed description of this. Internally prepared competent persons reports (CPR) are always certified by an independent appraiser to minimise the risk of incorrect assessments.</p> | <p>Exposure to this type of risk is considered comparable to other companies in the same industry.</p> <p>Crown Energy had an internal CPR prepared in the summer of 2016. This CPR encompassed all assets and was based on previous reports, both internal and external. The report was certified by an independent appraiser.</p> <p>It is impossible to quantify the risk and thus also impossible to conduct a sensitivity test.</p> | Medium-High |
| >>> Oil price risk | | | |
| <p>Oil and gas prices are set on the world market and depend on several different factors outside of the control of the Group; the global economic trend, actions by governments and central banks, geopolitical turbulence, the supply of oil, investment expenses, access to alternative energy sources etc.</p> <p>Crown Energy does not have any production at this time, and this limits its oil price risk. However, a significant and prolonged decline in prices relative to average historical oil price levels may lead to difficulties in arranging financing for Crown Energy, and reduced interest in farm-out projects and similar arrangements.</p> <p>A prolonged price decline may also lead to impairment of exploration and evaluation assets. In other words, the oil price could indirectly impact Crown Energy's financing and refinancing capabilities. See description of financial risks in Note 4.</p> | <p>As the Company is not currently involved in production, no oil price hedges are taken out. However, investment calculations are reviewed on an ongoing basis in light of the current market situation to ensure that the decline in oil prices does not cause the Group's exploration and evaluation assets to be impaired.</p> <p>It is common for investments to be postponed during periods of lower oil prices.</p> | <p>It is difficult to analyse what impact the low oil price has had on Crown Energy in recent years. However, the oil price fluctuations have not caused impairment of any of the Company's exploration and evaluation assets; see the Company's estimates in Note 5, Critical estimates and assessments for accounting purposes.</p> <p>It is impossible to quantify the risk and thus also impossible to conduct a sensitivity test.</p> | High |

NOTE 3 OPERATIONAL RISKS, cont.**3.2 Political and societal risks**

| DESCRIPTION OF RISKS | RISK MANAGEMENT | 2016 OUTCOME/SENSITIVITY ANALYSIS | FINANCIAL IMPACT IF RISK OCCURS | | | | | | | | | | | | | | | |
|--|---|---|---------------------------------|----------------|---------------|------|------|---------|-------------------|------|--------|------------|--------|--------|--------------|--------|--------|------|
| >>> Political, social, and economic instability | | | | | | | | | | | | | | | | | | |
| <p>Given that Crown Energy is engaged in and may expand its activities in developing countries, the Company may be affected by political, social, and economic instability, such as terrorism, military coercion, war, and general social or political unrest. This includes the occurrence of corruption. Political, social, and economic instability may thus have a very negative impact on the Company's operations, particularly with regard to permits and partnerships.</p> | <p>In terms of new licences/new countries, Crown Energy attempts to avoid getting involved in countries whose political and security risks are too high. For existing licences, the risks are assessed as they arise.</p> <p>Crown Energy uses the OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones to seek guidance where needed.</p> | <p>It is impossible to quantify the risk and thus also impossible to conduct a sensitivity test. However, below is an overview of political and security risks prepared by Control Risk (www.controlrisk.com).</p> <table border="1" data-bbox="948 808 1302 1043"> <thead> <tr> <th></th> <th>POLITICAL RISK</th> <th>SECURITY RISK</th> </tr> </thead> <tbody> <tr> <td>Iraq</td> <td>High</td> <td>Extreme</td> </tr> <tr> <td>Equatorial Guinea</td> <td>High</td> <td>Medium</td> </tr> <tr> <td>Madagascar</td> <td>Medium</td> <td>Medium</td> </tr> <tr> <td>South Africa</td> <td>Medium</td> <td>Medium</td> </tr> </tbody> </table> | | POLITICAL RISK | SECURITY RISK | Iraq | High | Extreme | Equatorial Guinea | High | Medium | Madagascar | Medium | Medium | South Africa | Medium | Medium | High |
| | POLITICAL RISK | SECURITY RISK | | | | | | | | | | | | | | | | |
| Iraq | High | Extreme | | | | | | | | | | | | | | | | |
| Equatorial Guinea | High | Medium | | | | | | | | | | | | | | | | |
| Madagascar | Medium | Medium | | | | | | | | | | | | | | | | |
| South Africa | Medium | Medium | | | | | | | | | | | | | | | | |
| <p>In terms of the Company's activities in Iraq in particular, Crown Energy is in ongoing discussions with the regional government in Salah ad-Din. Although the security situation has improved in recent years, Crown Energy has waited to initiate activities in the licensed area for security reasons.</p> | | | | | | | | | | | | | | | | | | |

NOTE 4 FINANCIAL RISK MANAGEMENT

Crown Energy is exposed to various financial risks in its operations. The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on performance and liquidity due to financial risks.

4.1 Description of financial risks

| DESCRIPTION OF RISKS | RISK MANAGEMENT | 2016 OUTCOME/SENSITIVITY ANALYSIS | FINANCIAL IMPACT IF RISK OCCURS |
|--|---|---|---------------------------------|
| >>> Financing and refinancing risk | | | |
| <p>Financing risk is defined as the risk of the financing of Crown Energy's capital needs and refinancing of outstanding loans becoming more difficult or more expensive.</p> <p>Oil and gas exploration is a capital-intensive business. Depending on operational developments in general, Crown Energy may need additional capital to acquire assets, to further develop the assets under conditions favourable for Crown Energy, or to continue its operating activities. If the Group 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. In addition, new shares may be issued under less favourable market conditions where interest is low and/or the cost of implementing the share issue is too high.</p> | <p>Crown Energy monitors and assesses financing and refinancing options on an ongoing basis to manage this risk.</p> | <p>Crown Energy raised funds via two directed issues in 2016. The issues raised a total of SEK 74 million before issue expenses for the Company. The largest issue, which amounted to SEK 63 million, resulted in a change in the Company's principal owner, and this investment gives the Company great opportunities to continue developing its assets. The investor involved in this issue also has the option to convert warrants into shares, which would raise a maximum of SEK 63 million in additional funds for the Company.</p> <p>The farm-out transaction with Africa Energy Corp was completed in 2016 as well. As a result of the transaction, Crown Energy's remaining 10 per cent interest in Block 2B in South Africa is financed for upcoming test drilling.</p> <p>It is impossible to quantify the risk and thus also impossible to conduct a sensitivity test.</p> | High |
| >>> Liquidity risk | | | |
| <p>The liquidity risk is defined as the risk of not being able to fulfil commitments and pay debts on time or at a reasonable cost. This risk is related to the financing and refinancing risk.</p> | <p>Management carefully monitors rolling forecasts of the Group's cash and cash equivalents. As mentioned above, Crown Energy reviews financing options on an ongoing basis to be able to meet its obligations.</p> | <p>Cash and cash equivalents at the balance sheet date totalled SEK 26,540 thousand 156. The company's maturing current liabilities amounted to SEK 11,161 thousand. See the maturity analysis in 4.4.</p> <p>See the section entitled Outlook in the Directors' Report for more information about the Company's estimates of future liquidity needs.</p> | High |
| >>> Market risk - interest rate risk | | | |
| <p>Net interest expenses are affected by the proportion of financing that has variable and fixed interest rates in relation to changes in market interest rates. The effect of a change in interest rates on earnings depends on the contractual periods of the loans and investments. Future increases in interest rates may therefore have an adverse effect on the Group's earnings and future business opportunities.</p> | <p>Crown Energy has no interest-bearing liabilities with variable interest rates, so there is no interest rate risk related to cash flows. Borrowings with fixed interest rates only expose the Group to interest rate risk in respect of fair value.</p> | <p>As the Group has no borrowings at variable interest rates, interest rate risk is not expected to be significant. Because of this, a sensitivity analysis was not prepared either.</p> | Low |

NOTE 4 FINANCIAL RISK MANAGEMENT, cont.**4.1 Description of financial risks, cont.**

| DESCRIPTION OF RISKS | RISK MANAGEMENT | 2016 OUTCOME/SENSITIVITY ANALYSIS | FINANCIAL IMPACT IF RISK OCCURS |
|---|--|--|---------------------------------|
| >>> Market risk – currency risk | | | |
| Currency risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations. | There is currently no significant exposure in foreign currencies, which is why the Company has not found it necessary to hedge its currency transactions, assets, liabilities, and net investments. However, the Company reviews any future transactions that could pose substantial currency risks on an ongoing basis. | At present, there is no external borrowing in foreign currency. The Group's main transaction currency apart from SEK is USD. On the basis of outstanding liabilities reported in USD, a change in the USD/SEK exchange rate of +/-10% would impact earnings by +/- SEK 283 thousand. See the sensitivity analysis of currency exposure for details in section 4.2 below. | Low |
| >>> Translation risk | | | |
| Currency exposure arising from holdings in a foreign subsidiary that has a functional currency different from the Group's reporting currency is a translation risk. Translation impacts both earnings and equity (currency translation reserve). Exploration and evaluation assets acquired via a foreign operation are treated as assets of this operation and are therefore translated to the closing day rate. The acquisition of the subsidiary in Madagascar was executed in USD. As a result, the acquired exploration and evaluation assets are translated at each reporting period. The translation difference impacts the currency translation reserve in equity. | All translation risks refer to the USD/SEK exchange rate. Crown Energy does not hedge the translation risk at this time. As a result, there may be major fluctuations in the Group's earnings, values of exploration and evaluation assets and in the currency translation reserve in equity between different reporting periods. The great majority refers to the translation that occurs as a result of the Madagascar asset (see explanation to the left). | In section 4.3, a sensitivity analysis has been prepared for the translation exposure. A 10% change in the USD/SEK exchange rate would impact the following items: <ul style="list-style-type: none"> • exploration and evaluation assets by +/- SEK 6,866 thousand • deferred tax by +/- SEK 1,579 thousand • equity by +/- SEK 4,681 thousand • net profit/loss for the year by +/- SEK 161 thousand | Low-Medium |

4.2 Sensitivity analysis currency exposure

Crown Energy mainly executes transactions in SEK, USD, and GBP. Small transactions are also made on an ongoing basis in Madagascan currency (MGA) and South African currency (ZAR).

Transactions in foreign currencies mainly involve expenses attributable to the Company's exploration and evaluation assets.

There are intra-group receivables and liabilities in foreign currencies, but given that settlement is not planned or probably will not occur within the foreseeable future, they are considered to constitute a net investment in a foreign operation. As a result, they are not included in the sensitivity analysis for currency exposure.

Crown Energy may from time to time be dependent on available external financing for further development of its business. External capital can be raised in various currencies but will be continuously recalculated and recognised in SEK, resulting in the possibility of an exchange rate risk. There were no liabilities of this type at year-end 2016.

The Group's risk exposure in foreign currencies at the end of the reporting period expressed in thousands of SEK was as follows:

| 31 DECEMBER 2016 | USD | GBP | ZAR | NOK | MGA |
|-------------------------------|--------------|----------|--------------|--------------|----------|
| Accounts payable | 2,829 | 1 | - | 1,097 | - |
| Other current liabilities | - | - | 1,074 | - | - |
| Total foreign currency | 2,829 | 1 | 1,074 | 1,097 | - |

As can be seen in the exposure table above, the Group is mainly exposed to changes in the USD/SEK exchange rate. The others are not considered material. However, currency exposure to USD is considered limited on the basis of the analysis below. The impact on earnings after tax in the event of a USD increase in comparison to SEK by 10% is only SEK -161 thousand.

| | | |
|--|------|------|
| Impact on earnings after tax, SEK thousand | +10% | -10% |
| USD/SEK exchange rates | -161 | 161 |

NOTE 4 FINANCIAL RISK MANAGEMENT, cont.**4.3 Sensitivity analysis translation exposure**

Exchange rate changes impact the Group in conjunction with the translation of foreign subsidiary income statements to SEK when the Group's earnings are impacted and when net assets in foreign subsidiaries are translated to SEK, which impacts equity. The Group does not hedge this risk and it can't be ruled out that fluctuating exchange rates could impact the Group's earnings and financial position negatively. As mentioned above, the Group also has translation exposure as a result of a previous business combination, which resulted in an intangible asset in USD. This intangible asset is translated at each reporting period and impacts the Group's exploration and evaluation assets, deferred tax and equity. Below is a summary of the Group's translation exposure for 2016:

| | | |
|--|--------------|---------------|
| Exploration and evaluation assets in the financial statements (SEK thousand) | 187,370 | 187,370 |
| Change in SEK/USD | +10% | -10% |
| Total impact on exploration and evaluation assets (SEK thousand) | 6,866 | -6,866 |
| Deferred taxes in the financial statements (SEK thousand) | 15,791 | 15,791 |
| Change in SEK/USD | +10% | -10% |
| Total impact on deferred tax (SEK thousand) | 1,579 | -1,579 |

| | | |
|---|--------------|---------------|
| Equity in the financial statements (SEK thousand) | 195,683 | 195,683 |
| Change in SEK/USD | +10% | -10% |
| Total impact on equity (SEK thousand) | 4,681 | -4,681 |

| | | |
|--|-------------|-------------|
| Loss in the financial statements (SEK thousand) | -3,083 | -3,083 |
| Change in SEK/USD | +10% | -10% |
| Total impact on net profit/loss for the year (SEK thousand) | -161 | -161 |

4.4 Liability maturities

The following table presents the non-discounted cash flows of consolidated liabilities in the form of financial instruments based on the remaining contractual periods at the end of the reporting period. As a result, the amounts do not always match the amounts reported in the balance sheet. Amounts falling due within 12 months correspond to their carrying amounts, as the impact of discounting is immaterial. Amounts in foreign currency were estimated using the exchange rates and interest rates applicable at the end of the reporting period.

| GROUP ALL AMOUNTS IN SEK THOUSAND | LESS THAN 1 YEAR | BETWEEN 1 AND 2 YEARS | BETWEEN 2 AND 5 YEARS | MORE THAN 5 YEARS |
|--------------------------------------|------------------|--------------------------|--------------------------|-------------------|
| At 31 December 2016 | | | | |
| Borrowings | 5,054 | - | - | - |
| Other provisions | - | - | 2,609 | - |
| Accounts payable | 4,887 | - | - | - |
| Other liabilities | 1,220 | - | - | - |
| Total | 11,161 | - | 2,609 | - |
| At 31 December 2015 | | | | |
| Borrowings | 13,432 | 6,704 | - | - |
| Other provisions | - | - | 8,813 | - |
| Accounts payable | 2,878 | - | - | - |
| Other liabilities | 880 | - | - | - |
| Total | 17,190 | 6,704 | 8,813 | - |

NOTE 4 FINANCIAL RISK MANAGEMENT, cont.

| PARENT COMPANY ALL AMOUNTS IN SEK THOUSAND | LESS THAN 1 YEAR | BETWEEN 1 AND 2 YEARS | BETWEEN 2 AND 5 YEARS | MORE THAN 5 YEARS |
|---|------------------|--------------------------|--------------------------|-------------------|
| At 31 December 2016 | | | | |
| Borrowings | 5,054 | - | - | - |
| Accounts payable | 2,040 | - | - | - |
| Other liabilities | 1,040 | - | - | - |
| Total | 8,134 | - | - | - |
| At 31 December 2015 | | | | |
| Borrowings | 13,432 | 6,707 | - | - |
| Accounts payable | 1,144 | - | - | - |
| Other liabilities | 98 | - | - | - |
| Total | 14,674 | 6,707 | - | - |

4.5 Net debt/equity ratio

The debt/equity ratio is defined as the Group's net debt (interest-bearing liabilities less cash and cash equivalents) relative to adjusted equity. The Group no longer has any interest-bearing loans. The net debt/equity ratio is as follows:

| GROUP, ALL AMOUNTS IN SEK THOUSAND | 2016-12-31 | 2015-12-31 |
|------------------------------------|----------------|---------------|
| NET DEBT/EQUITY RATIO | | |
| Interest-bearing receivables | -9,097 | - |
| Interest-bearing liabilities | - | 11,209 |
| Less: Cash and cash equivalents | -26,540 | -156 |
| Net indebtedness | -26,540 | 11,053 |
| Total equity | 195,683 | 130,177 |
| Net debt/equity ratio | -14% | 8% |

4.6 Calculation of fair value

Crown Energy classifies fair value measurement using a fair value hierarchy that reflects the reliability of the inputs used in making the measurements. In accordance with IFRS 13, financial instruments require disclosures about fair value measurement by level. The fair value hierarchy consists of these levels:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly as prices or indirectly as derived prices, for example.
- Level 3 – Inputs for the asset or liability that are not based on observable information. The appropriate level is determined on the basis of the lowest level of input that is significant to measuring the fair value.

NOTE 4 FINANCIAL RISK MANAGEMENT, cont.

In conjunction with the acquisition of Amicoh Resources Ltd, the Group made a provision for an additional consideration that will fall due if any commercial discoveries are found in Madagascar. The provision at 31 December 2016 (2015) which is attributable to a

potential commercial discovery is calculated at present value and totals SEK 3,516 thousand (3,046). For a more detailed description of the assessments and assumptions regarding the additional consideration, see Note 5 Critical estimates and assessments for accounting purposes, and Note 20 Provisions.

| ALL AMOUNTS IN SEK THOUSAND CLOSING BALANCE AT 31 DEC 2016 | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|---------|---------|--------------|--------------|
| Total assets | - | - | - | - |
| Liabilities | | | | |
| Financial liabilities measured at fair value via income statement: | | | | |
| - Provision for additional consideration | - | - | 3,517 | 3,517 |
| Total liabilities | - | - | 3,517 | 3,517 |

| ALL AMOUNTS IN SEK THOUSAND CLOSING BALANCE AT 31 DEC 2015 | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|---------|---------|--------------|--------------|
| Total assets | - | - | - | - |
| Liabilities | | | | |
| Financial liabilities measured at fair value via income statement: | | | | |
| - Provision for additional consideration | - | - | 3,046 | 3,046 |
| Total liabilities | - | - | 3,046 | 3,046 |

NOTE 5 CRITICAL ESTIMATES AND ASSESSMENTS FOR ACCOUNTING PURPOSES

The Group makes estimates and assumptions concerning the future. The accounting estimates that result from them, by definition, seldom correspond with the actual results.

Fair value

The fair value of the convertible loans at 31 December 2015 corresponded to the rate at which the convertible loan was traded on NGM Equity at 31 December, including the conversion option. There were no longer any convertible loans issued at 31 December 2016. See Note 20 Interest-bearing loans and liabilities for more information.

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

The carrying amount less any impairment for accounts receivable and accounts payable is assumed to approximate their fair values due to their short-term nature.

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 assessed fair value at 31 December 2016, is thus estimated at SEK 4,814 thousand, which is based on an interest rate of 5 per cent if the loan had been taken out at market conditions. The carrying amount of the related-party loan was SEK 5,054 thousand.

Deferred tax

The Group recognises a deferred tax liability on acquired intangible assets since they are considered to be an asset to local know-how, which in synergy with the knowledge found within Crown Energy can facilitate exploitation of exploration rights.

The Parent Company recognised a tax loss of SEK 41,702 thousand (33,383). An exact figure for the Group's total tax loss is not possible to calculate since the recognised tax loss that can be utilised in the future from existing licences depends on exploration investment costs being approved by the tax authorities in each country. The investment costs are examined by the tax authorities in each country no earlier than at production start-up. That is, no assessment is made until production starts and production revenues are secured. If the tax losses are approved, they will be deducted from these production revenues.

Due to the current uncertainty in the ability to utilise tax losses in the near future, deferred tax assets have historically not been recognised in the Parent Company or the Group. In both 2015 and 2016 however, Crown Energy chose to offset some of the loss against the deferred tax liability attributable to the 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. No deferred tax revenue was recognised in the income statement in this financial year or the prior year due to revaluation and capitalisation of tax losses. See Note 21 Deferred tax for detailed information on amounts.

Classification on acquisition of subsidiaries

When acquiring a company, an analysis must be made to determine whether the acquisition is to be regarded as a business combination or an asset acquisition. It is common for companies to acquire exploration licences. In such acquisitions, an analysis is done to determine whether or not the acquisition meets the criteria for a business combination.

Crown Energy investigates the intention of acquisitions, that is, whether it is a business being acquired or merely an asset. Companies with only one or more exploration licences and no related management/administration are normally classified as asset acquisitions.

Following is a breakdown of Crown Energy's subsidiary acquisitions since 2011:

| DATE OF ACQUISITION | TYPE OF ASSET | CLASSIFICATION |
|---------------------|---|----------------------|
| 2011 | 100% of shares in Crown Energy Ventures Corporation BVI | Asset acquisition |
| 2011 | 100% of shares in Amicoh Resources Ltd | Business combination |
| 2013 | 100% of shares in Crown Energy Iraq AB | Asset acquisition |
| 2015 | 100% of shares in Simbo Petroleum No.2 Ltd | Asset acquisition |

Provisions related to the acquisition of licences and subsidiaries

In the exploration industry, it is common for the parties negotiating acquisition of a licence to agree on future additional considerations that are dependent on future events. Typically, additional considerations involve payments to the seller in the event of a commercial discovery. A probability assessment must be done every year-end for each potential future additional consideration. Following is a description of the potential future additional considerations that existed at 31 December 2016.

Manja Block 3108 (Madagascar)

Besides the settled consideration for the acquisition of the licence (via Amicoh Resources Ltd) in 2011 and 2012, an additional consideration was agreed upon in the event of a commercial discovery in Madagascar. Under the acquisition agreement, the seller will receive USD 4,000 thousand in the event of a commercial discovery. When calculating the cost of acquisition of the licence, this additional consideration was taken into account by making a provision. Based on the geological reports that Crown Energy received, the average probability of a commercial discovery in the licence area is 10%. Based on this report, it was assessed that the probability that an additional consideration will be paid to the seller corresponds to the geological probability of a commercial discovery, i.e., 10%.

In calculating the present value of the provision for the additional consideration, a discount factor before tax of 6.0% (6.0) was used. At 31 December 2016 (2015), the estimated amount totalled USD 400 thousand (400) corresponding to SEK 3,639 thousand (3,341) at the closing day rate. The portion paid in the event of a commercial discovery is recognised at a value of SEK 3,517 thousand (3,406) after present value calculation. The discounting effect on the provision for the year totals SEK 471 thousand (358).

As part of the consideration for Amicoh Resources Limited, it was resolved at the EGM in November 2011 to also issue 364,954 warrants directed to the seller of Amicoh Resources Limited. These warrants expired in November 2015 without any share subscriptions, which is why there is no longer a provision.

Block P (Equatorial Guinea)

In connection with the asset acquisition of the 5% working interest in Block P in Equatorial Guinea, a purchase agreement was signed that included a number of potential future additional considerations. The additional considerations are dependent on several factors. The maximum additional consideration totals USD 9.6 million. Crown Energy

NOTE 5 CRITICAL ESTIMATES AND ASSESSMENTS, cont.

estimates that at present it is unlikely that any of these additional considerations will be paid in the future and has therefore not recognised them in the financial statements as a provision or outside of the financial statements as a contingent liability. It should be noted that the assessment of the probability of settlement of the additional consideration has no connection with Crown Energy's commercial assessments of the licence (chance of success, economic models etc.)

Salah ad-Din (Iraq)

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.

The option was recognised at historical cost in 2015.

Block 2B (South Africa)

A separate agreement was signed in addition to the purchase agreement in connection with the acquisition of Simbo Petroleum No. 2 Ltd ("Simbo No.2"), which owns the interest in Block 2B. This agreement stipulates that additional consideration be paid in the event that the licence results in production. The additional consideration will be paid to the sellers of Simbo No.2. The first payment is due upon the start of production. The amount of the payment depends on the price of oil at the time of initial production. If oil prices are below USD 50 (minimum) at the start of production, the total payment will be SEK 66,828 thousand. The maximum additional consideration is SEK 102,813 thousand, on the condition that oil prices are and remain over USD 65. The payments will be made in instalments based on a share of Crown Energy's net revenue from production.

There is great uncertainty at this time about whether the aforementioned additional consideration will be settled. There are several factors impacting the probability of settlement of the additional consideration which are outside the control of Crown Energy: the probability of successful drilling (and advancing to production), the fact that the operatorship has changed and that Africa Energy Plc will in essence have control over the asset. At present, Crown Energy assesses the probability of settlement to be low, and the additional consideration does not meet the requirements for recognition as a provision. Instead, it is recognised as a contingent liability, outside of the statement of financial position. Recognition of the additional consideration will be assessed on an ongoing basis and may change as the conditions of the licence change, e.g. in the event of successful test drilling etc. It should be noted that the assessment of the probability of settlement of the additional consideration has no connection with Crown Energy's commercial assessments of the licence (chance of success, economic models etc.)

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

Impairment losses on exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Impairment testing is done by cash-generating unit, which in Crown Energy's case consists of

each individually acquired licence. Crown Energy has evaluated each individual licence and assessed that the recoverable amounts exceed the carrying amounts. Facts and circumstances taken into account in this assessment include current oil prices and the instability in Iraq. Following is a summary of Crown Energy's assessments of these circumstances.

Oil prices

The downturns and fluctuations in oil prices in recent years is a factor that could indicate that an exploration and evaluation asset needs to be impaired. Since Crown Energy is not currently in production, oil prices have not had a direct impact on asset values, as the carrying amounts are based on costs incurred, not on oil prices. The decline in oil prices can however influence the industry because the uncertainty of future investments increases. An important effect of the oil price decline is the fact that the overall level of costs declined for exploration work and development of discoveries for production. Provided that supplier agreements are negotiated based on current depressed costs and that long-term oil prices remain at a higher level, development cost estimates could be even more profitable than before. Based on the nature of Crown Energy's assets, their geographic location, etc. in combination with the types of investments being made in the industry at this time and the general decline in exploration costs, it has been determined that the decline in oil prices does not indicate that the fair value of the Company's assets is lower than their carrying amount. See also the comments on the oil price in Note 3 Operational risks.

Iraq

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

Crown Energy remains positive and hopeful about a better future in Iraq in general and in Salah ad-Din in particular. However, Crown Energy continues to take a cautious approach to activities on the licensed area and in the Salah ad-Din province due to the remaining security risks. As soon as the turbulence has subsided further, Crown Energy hopes and thinks that work can commence to assess the most suitable path forward for developing these enormous assets.

Since there are still several parties interested in the Iraqi asset, Crown Energy determines that developments do not suggest that the value of the assets has decreased.

Going concern

Oil and gas exploration is a capital-intensive business, which means that the Group may need regular capital injections to continue its operating activities or to acquire new licences. The Board believes that financing should primarily be done through the sale of assets, agreements with farm-in partners, or new share issues. Since the Group has not generated any revenue or profits, financing has historically been done through new share issues.

The Board regularly assesses the Group's capital needs based on current operations and planned activities. For the going concern assessments of the Board and the Company, see the Financing and going concern section of the Directors' report.

NOTE 6 INFORMATION ON SEGMENTS

As mentioned in Note 2.4, Accounting policies, the Group is currently deemed to have only one segment, which means that disclosures are limited. 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.

| GEOGRAPHIC AREAS GROUP, ALL AMOUNTS IN SEK THOUSAND | SWEDEN | EQUATORIAL GUINEA | MADAGASCAR | IRAQ | SOUTH AFRICA | TOTAL |
|--|-----------|----------------------|---------------|---------------|---------------|----------------|
| Total non-current assets include at 31 December 2016: | | | | | | |
| Exploration and evaluation assets | - | 4,933 | 88,848 | 32,148 | 61,441 | 187,370 |
| Equipment, tools, fixtures and fittings | 33 | - | - | - | - | 33 |
| Total non-current assets at 31 December 2016 | 33 | 4,933 | 88,848 | 32,148 | 61,441 | 187,403 |
| Total non-current assets include at 31 December 2015: | | | | | | |
| Exploration and evaluation assets | - | 4,839 | 79,119 | 31,252 | 61,235 | 176,445 |
| Equipment, tools, fixtures and fittings | 66 | - | - | - | - | 66 |
| Total non-current assets at 31 December 2015 | 66 | 4,839 | 79,119 | 31,252 | 61,235 | 176,511 |

NOTE 7 REMUNERATION OF AUDITORS

| GROUP, ALL AMOUNTS IN SEK THOUSAND | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 |
|---------------------------------------|--------------------------|--------------------------|
| PwC | | |
| Audit engagements | 718 | 444 |
| Auditing aside from audit engagements | 12 | 20 |
| Tax consulting | - | - |
| Other services | - | - |
| Group total | 730 | 464 |

| PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 |
|---|--------------------------|--------------------------|
| PwC | | |
| Audit engagements | 350 | 444 |
| Auditing aside from audit engagements | 12 | 20 |
| Tax consulting | - | - |
| Other services | - | - |
| Group total | 362 | 464 |

An audit involves reviewing the Annual Report and bookkeeping along with the administration of the Board of Directors and CEO, other tasks incumbent upon the Company's auditor to perform, and advice or other assistance prompted by observations made during the audit or the performance of other tasks. Everything else is tax advice or other services. Apart from the audit engagement above, auditing relates primarily to reviews in connection with the year's convertible and non-cash issues.

NOTE 8 SALARIES, FEES, OTHER REMUNERATION, AND SOCIAL CHARGES**Remuneration of and terms for senior executives and the Board****Remuneration in 2016**

| ALL AMOUNTS IN SEK THOUSAND | BASE SALARY/ BOARD FEE | VARIABLE REMUNERATION | OTHER BENEFITS | PENSION EXPENSES | TOTAL |
|--|---------------------------|--------------------------|-------------------|---------------------|--------------|
| Board | | | | | |
| Pierre-Emmanuel Weil, C hairman as of 2016 AGM 1) | 100 | - | - | - | 100 |
| Jean Benaim, member as of 2016 AGM ¹⁾ | 50 | - | - | - | 50 |
| Alan Simonian, Chairman until 2016 AGM 2) | 50 | - | - | - | 50 |
| Yoav Ben-Eli, member as of EGM in December 2016 ³⁾ | - | - | - | - | - |
| Nick Johnson, member from 2015 AGM to December 2016 ⁴⁾ | 75 | - | - | - | 75 |
| Andrew Harriman (resigned in January 2016) | - | - | - | - | - |
| Senior executives | | | | | |
| Andreas Forssell, CEO | 1,613 | - | - | 445 | 2,058 |
| Other senior executives, 2 | 1,510 | - | - | 185 | 1,695 |
| Total Board and senior management | 3,398 | - | - | 630 | 3,878 |

Board fees are from AGM to AGM and are paid the following year.

1) Took office at 2016 AGM. The fee was paid for eight months.

2) The fee is for four months until the 2016 AGM. Alan Simonian was subsequently employed by the Parent Company, resulting in no fee being paid after that. Alan Simonian's salary after that time is included in Other senior executives.

3) Did not take office until late December 2016. Therefore, no fee will be paid for 2016.

4) The fee for 2016 refers to four months until the 2016 AGM and eight months until resignation in December.

Remuneration in 2015

| ALL AMOUNTS IN SEK THOUSAND | BASE SALARY/ BOARD FEE | VARIABLE REMUNERATION | OTHER BENEFITS | PENSION EXPENSES | TOTAL |
|--|---------------------------|--------------------------|-------------------|---------------------|--------------|
| Alan Simonian, Chairman of the Board | 150 | - | - | - | 150 |
| Andrew Harriman | 75 | - | - | - | 75 |
| Nick Johnson ¹⁾ | 56 | - | - | - | 56 |
| Ulrik Jansson, CEO | 391 | - | - | 166 | 557 |
| Andreas Forssell, CEO | 1,454 | - | - | 345 | 1,799 |
| Other senior executives, 1 person | 547 | - | - | 85 | 632 |
| Total Board and senior management | 2,673 | - | - | 596 | 3,269 |

1) Board fees are from AGM to AGM and are paid the following year. A provision was made for Nick Johnson in 2015 from the time he took office as a Board member, i.e. he will receive SEK 75 thousand at the 2016 AGM, but the amount expensed for 2015 is SEK 56 thousand.

Terms and guidelines relating to remuneration of and benefits for senior executives

See the Corporate Governance Report.

NOTE 8 SALARIES, FEES, OTHER REMUNERATION AND SOCIAL CHARGES, cont.**Gender breakdown of Board members and other senior executives**

| GENDER BREAKDOWN OF BOARD MEMBERS AND OTHER SENIOR EXECUTIVES | 2016 | | 2015 | |
|---|-----------------------------------|-------------|-----------------------------------|-------------|
| | NUMBER AT END OF REPORTING PERIOD | OF WHOM MEN | NUMBER AT END OF REPORTING PERIOD | OF WHOM MEN |
| Group | | | | |
| Board members | 4 | 4 | 3 | 3 |
| CEO and other senior executives ¹⁾ | 3 | 2 | 2 | 1 |
| Group total | 7 | 6 | 5 | 4 |
| Parent Company | | | | |
| Board members | 4 | 4 | 3 | 3 |
| CEO and other senior executives ¹⁾ | 3 | 2 | 2 | 1 |
| Parent Company total | 7 | 6 | 5 | 4 |

¹⁾ This number refers solely to employed individuals. The Company has another senior executive engaged under a consultancy agreement; see Note 27 Transactions with related parties.

Please note that one of the other senior executives is also included in the four Board members in 2016. Please note that the CEO was also a Board member in 2015, in addition to the two other Board members.

Salaries, remuneration and social charges

| SALARIES, REMUNERATION, AND SOCIAL CHARGES, ALL AMOUNTS IN SEK THOUSAND | GROUP | | PARENT COMPANY | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 | 2016-01-01 2016-12-31 | 2014-01-01 2014-12-31 |
| Salaries, fees, and benefits¹⁾ | | | | |
| Board members | | | | |
| Fee | 275 | 281 | 275 | 281 |
| CEO ²⁾ | 1,613 | 1,845 | 1,613 | 1,845 |
| Other senior executives ³⁾ | 1,510 | 547 | 1,510 | 547 |
| Other employees | - | - | - | - |
| Total salaries, fees, and benefits | 3,398 | 2,673 | 3,398 | 2,673 |
| Contractual pension expenses | | | | |
| CEO | 445 | 511 | 445 | 511 |
| Other senior executives | 185 | 85 | 185 | 85 |
| Other employees | - | - | 0 | 0 |
| Total pension expenses | 630 | 596 | 630 | 596 |
| Social charges incl. special employer's contribution | | | | |
| Board members | - | 91 | - | 91 |
| CEO | 631 | 722 | 631 | 722 |
| Other senior executives | 381 | 198 | 381 | 198 |
| Other employees | 0 | - | - | - |
| Total social charges incl. special employer's contribution | 1,012 | 1,011 | 1,012 | 1,011 |

¹⁾ Remuneration of the Board is included in the other external expenses item in the income statement.

²⁾ Former CEO Ulrik Jansson resigned from his post at his own request in July 2015. Ulrik Jansson opted to waive his right to severance pay. As a result, no other remuneration besides salary and pension have been paid to him.

³⁾ Remuneration refers solely to employed individuals. The Company has another senior executive engaged under a consultancy agreement; see Note 27 Transactions with related parties.

NOTE 8 SALARIES, FEES, OTHER REMUNERATION AND SOCIAL CHARGES, cont.

Average number of employees

| AVERAGE NUMBER OF EMPLOYEES | 2016 | | 2015 | |
|-----------------------------|-----------------------------|-------------|-----------------------------|-------------|
| | AVERAGE NUMBER OF EMPLOYEES | OF WHOM MEN | AVERAGE NUMBER OF EMPLOYEES | OF WHOM MEN |
| Group | | | | |
| Sweden | 2.6 | 1.6 | 2.6 | 1.6 |
| Group total | 2.6 | 1.6 | 2.6 | 1.6 |
| Parent Company | | | | |
| Sweden | 2.6 | 1.6 | 2.6 | 1.6 |
| Parent Company total | 2.6 | 1.6 | 2.6 | 1.6 |

NOTE 9 FINANCIAL INCOME AND EXPENSES

| GROUP, ALL AMOUNTS IN SEK THOUSAND | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 |
|--|--------------------------|--------------------------|
| Financial income | | |
| Exchange gains | 4,037 | 2,447 |
| Reversal buy-back option Crown Energy Iraq | 6,204 | - |
| Interest income | 64 | 0 |
| Total financial income | 10,305 | 2,447 |
| Financial expenses | | |
| Interest expenses: | | |
| - <i>effective interest on convertible loan</i> | -1,693 | -8,922 |
| - <i>Other interest expenses</i> | -99 | -100 |
| - <i>Provisions, reversal of discount effect</i> | -471 | -358 |
| Total financial expense | -2,263 | -9,380 |
| Net earnings from financial items | 8,042 | -6,933 |

| PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 |
|--|--------------------------|--------------------------|
| Interest income and similar profit/loss items | | |
| Exchange differences | 323 | 326 |
| Interest income, Group companies | 12,205 | 10,768 |
| Interest income | 64 | 0 |
| Total interest income and similar profit/loss items | 12,592 | 11,094 |
| Interest expenses and similar profit/loss items | | |
| Interest expenses | | |
| - <i>effective interest on convertible loan</i> | -1,693 | -8,922 |
| - <i>Other interest expenses</i> | - | -9 |
| Total interest expenses and similar profit/loss items | -1,693 | -8,931 |
| Net earnings from financial items | 10,899 | 2,163 |

NOTE 10 NET EXCHANGE DIFFERENCES

Exchange differences are recognised in the income statement as follows:

| GROUP, ALL AMOUNTS IN SEK THOUSAND | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 |
|--|--------------------------|--------------------------|
| Exchange losses on operational receivables and liabilities | -138 | 73 |
| Net financial items | 4,037 | 2,446 |
| Total exchange differences | 3,899 | 2,519 |

| PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 |
|--|--------------------------|--------------------------|
| Exchange losses on operational receivables and liabilities | -127 | 137 |
| Net financial items | 323 | 326 |
| Total exchange differences | 196 | 463 |

NOTE 11 TAX

| GROUP, ALL AMOUNTS IN SEK THOUSAND | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 |
|---------------------------------------|--------------------------|--------------------------|
| Current tax | - | - |
| Deferred tax | - | - |
| Total tax | - | - |

| PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 |
|--|--------------------------|--------------------------|
| Current tax | - | - |
| Deferred tax | - | - |
| Total tax | - | - |

Differences between recognised tax expense and estimated tax expense based on current tax rates are as follows:

| GROUP, ALL AMOUNTS IN SEK THOUSAND | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 |
|--|--------------------------|--------------------------|
| Earnings before tax | -3,083 | -15,577 |
| Income tax calculated as per the Group's current tax rate | 678 | 3,427 |
| <u>Tax effects of:</u> | | |
| Non-taxable income | 1,365 | 0 |
| Non-deductible expenses | -120 | -6 |
| Costs to be deducted but not included in recognised earnings | 1,932 | 352 |
| Tax losses for which no deferred tax asset was recognised | -3,855 | -3,773 |
| Recognised tax | - | - |

| PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 |
|--|--------------------------|--------------------------|
| Earnings before tax | 2,459 | -4,447 |
| Income tax calculated as per the Group's current tax rate | -541 | 978 |
| <u>Tax effects of:</u> | | |
| Non-taxable income | 0 | 0 |
| Non-deductible expenses | -16 | -4 |
| Costs to be deducted but not included in recognised earnings | 1,932 | 352 |
| Tax losses for which no deferred tax asset was recognised | -1,375 | -1,326 |
| Recognised tax | - | - |

NOTE 12 EARNINGS PER SHARE

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 issued 31,500,000 warrants to Cement Fund SCSp, its largest owner, at 31 December 2016. The warrants can be converted into an equivalent number of ordinary shares upon conversion. [In the event that Cement Fund SCSp opts to exercise its warrants and subscribe for additional shares, Cement Fund SCSp would then have a total of 12.9 per cent of ownership and 48.9 per cent of the votes in Crown Energy (based on the number of shares and votes at the time this annual report was issued). 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. Warrants only have a dilutive effect when the average share price exceeds the issue price of the warrants. This was not the case during the relevant period.

Earnings per share and number of shares

The number of outstanding shares at 31 December 2016 totalled 455,949,202. The average number of shares in 2016 was 86,276,194. As mentioned above, there is no dilutive effect.

Earnings before tax for full year 2016 amounted to SEK -3,083 thousand, which puts earnings per share at 31 December 2016 at SEK -0.04 (both before and after dilution).

NOTE 13 EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

Presently, property, plant, and equipment relates only to office equipment. In conjunction with the Company's change of offices on 1 October 2013, equipment worth SEK 165 thousand was acquired. Depreciation of these assets began in Q3 and will continue for five years.

Equipment, tools, fixtures, and fittings

| GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND | 2016-12-31 | 2015-12-31 |
|--|------------|------------|
| Opening carrying amount | 66 | 99 |
| Purchases for the year | - | - |
| Depreciation for the year | -33 | -33 |
| Closing carrying amount | 33 | 66 |

| AT 31 DECEMBER | 2016 | 2015 |
|---|-----------|-----------|
| Cost | 165 | 165 |
| Accumulated depreciation and impairment | -132 | -99 |
| Carrying amount | 33 | 66 |

NOTE 14 EXPLORATION ASSETS

Capitalised expenditures for exploration and evaluation assets relate to costs of acquiring licences, technical investigations and other development of these interests. In cases where an acquisition is an asset acquisition, any acquisition expenses and surplus values are included in the assets. Exploration and evaluation assets acquired via a foreign operation are treated as assets of this operation and are translated at the closing rate. This is the case for the licence in Madagascar. The translation difference that arises is recognised directly in the currency translation reserve in other comprehensive income.

The only impact of the farm-out of Block 2B to Africa Energy on the 2016 accounts is the cash payment received as reimbursement both for previously incurred expenses and for expenses paid by Crown Energy from Q4 2015 until takeover. The reimbursement has been recognised directly against the asset and Crown Energy retains the recognised share of the asset less the reimbursement received. No revenue was recognised in connection with the farm-out. The reimbursement totalled USD 308 thousand (equivalent to SEK 2,808 thousand).

All of the Group's exploration and evaluation assets are classified as intangible assets.

For assessment of the assets' value, see Note 5, Critical estimates and assessments.

| GROUP, ALL AMOUNTS IN SEK THOUSAND | 2016-12-31 | 2015-12-31 |
|--|----------------|----------------|
| Opening carrying amount | 176,445 | 107,459 |
| Capital expenditures for the year | 4,470 | 8,532 |
| Reimbursement, farm-out | -2,808 | 0 |
| Increase through acquisition of assets (Note 26) | 0 | 55,355 |
| Translation differences | 9,263 | 5,099 |
| Closing carrying amount | 187,370 | 176,445 |

| AT 31 DECEMBER | | |
|---|----------------|----------------|
| Cost | 187,370 | 176,445 |
| Accumulated amortisation and impairment | - | - |
| Carrying amount | 187,370 | 176,445 |

NOTE 15 OTHER RECEIVABLES

| GROUP, ALL AMOUNTS IN SEK THOUSAND | 2016-12-31 | 2015-12-31 |
|---|---------------|------------|
| Preliminary tax paid | 229 | 229 |
| Loan ESI Group, incl. interest | 9,161 | - |
| Compensation farm-out, Block 2B in South Africa | 2,808 | - |
| VAT receivable | 819 | 270 |
| Total other receivables | 13,017 | 499 |

| PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND | 2016-12-31 | 2015-12-31 |
|--|---------------|------------|
| Preliminary tax paid | 229 | 229 |
| Loan ESI Group, incl. interest | 9,161 | - |
| VAT receivable | 660 | 43 |
| Total other receivables | 10,050 | 272 |

The outlays to sellers of Block 2B in South Africa item comprises outlays for cash calls to the operator in favour of the sellers of Block 2B in South Africa. This amount was deducted from the acquisition proceeds at takeover.

Other current receivables are measured at cost. When the duration is short, fair value is considered to correspond to the carrying amount.

NOTE 16 PREPAID EXPENSES

| GROUP, ALL AMOUNTS IN SEK THOUSAND | 2016-12-31 | 2015-12-31 |
|--|------------|------------|
| Prepaid expenses | | |
| Administrative expenses | 12 | 56 |
| Rent | 150 | 148 |
| Insurance expenses | 90 | 42 |
| Trading fees | 36 | 46 |
| Prepaid transaction expenses, acquisition of ESI Group | 232 | - |
| Total prepaid expenses and accrued income | 520 | 292 |

| PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND | 2016-12-31 | 2015-12-31 |
|--|--------------|------------|
| Prepaid expenses | | |
| Prepaid transaction expenses, acquisition of ESI Group | 2,165 | - |
| Administrative expenses | 8 | 56 |
| Rent | 150 | 148 |
| Insurance expenses | 90 | 42 |
| Trading fees | 36 | 46 |
| Total prepaid expenses and accrued income | 2,449 | 292 |

Neither the Group nor the Parent Company recognise any accrued income.

NOTE 17 CASH AND CASH EQUIVALENTS

| GROUP, ALL AMOUNTS IN SEK THOUSAND | 2016-12-31 | 2015-12-31 | PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND | 2016-12-31 | 2015-12-31 |
|---|---------------|------------|---|---------------|------------|
| Balance sheet and cash flow statement | | | Balance sheet and cash flow statement | | |
| Cash and bank balances | 26,540 | 156 | Cash and bank balances | 25,237 | 72 |
| Total cash and cash equivalents in balance sheet and cash flow statement | 26,540 | 156 | Total cash and cash equivalents in balance sheet and cash flow statement | 25,237 | 72 |

NOTE 18 SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

| | NUMBER OF SHARES | SHARE CAPITAL, ALL AMOUNTS IN SEK THOUSAND | OTHER CONTRIB- UTED CAPITAL, ALL AMOUNTS IN SEK THOUSAND | TOTAL, ALL AMOUNTS IN SEK THOUSAND |
|--|---------------------|--|---|--|
| Opening balance at 1 January 2015 | 28,243,411 | 830 | 98,114 | 98,944 |
| <u>Changes, 2015</u> | | | | |
| Option component, KV1 2013/2016 | | - | 3,219 | 3,219 |
| Preferential rights issue | 1,475,229 | 44 | 4,869 | 4,913 |
| Offset issues | 25,828,733 | 759 | 78,673 | 79,432 |
| Issue expenses | | - | -1,599 | -1,599 |
| Closing balance at 31 December 2015 | 55,547,373 | 1,633 | 183,276 | 184,909 |
| <u>Changes, 2016</u> | | | | |
| Conversions, KV1 2013/2016 | 6 | 0 | 0 | - |
| Directed issue, January 2016 | 5,500,000 | 162 | 10,838 | 11,000 |
| Directed issue, June 2016 | 31,500,000 | 926 | 62,074 | 62,074 |
| Directed issue (discount), December 2016 | 363,401,823 | 10,684 | -10,684 | - |
| Issue expenses | - | - | -8,782 | -8,782 |
| Closing balance at 31 December 2016 | 455,949,202 | 13,405 | 236,722 | 249,201 |

The share capital consists of 455,949,202 shares with a quotient value of SEK 0.029.

Parent Company

The above illustrates the recognised share capital and other contributed capital of the Group, i.e. as per IFRS. It should be noted that Other contributed capital is equivalent to the share premium reserve in the Parent Company, except for the shareholders' contribution received in 2011 in the amount of SEK 4 million, which is classified as accumulated earnings in the Parent Company.

NOTE 19 INTEREST-BEARING LOANS

Crown Energy (Parent Company) had two outstanding convertible loan series until May 2015: KV1 2013/2016 and KV2 2014/2016. On 13 April 2015, the Board proposed, as part of a major refinancing package, that Crown Energy offer to buy back outstanding convertibles for SEK 10 per convertible (corresponding to the convertible's nominal amount). Convertibles valued at SEK 66,432 thousand were bought back between 13 and 23 April 2015, which corresponded to about 85 per cent of the previous total convertible debt. Following approval of the issue at the AGM on 13 May 2015, 2,924,830 new shares were issued as a result of the buy-back. The new share issue increased the Company's share capital by about SEK 645 thousand.

The convertibles holders who chose not to sell their convertibles as offered remained under the original terms of the convertible and these convertibles continued to be traded on NGM Equity as before. Interest amounting to SEK 1,228 thousand was paid out as planned on 4 May 2015 to those who opted to retain their convertibles.

The KV2 2014/2016 convertible series was bought back in its entirety.

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.

Nominal value of the convertible loans

| GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND | 2016-12-31 | 2015-12-31 |
|--|------------|---------------|
| Opening nominal value of convertible loans | 12,211 | 65,768 |
| Increase due to takeover of licence, February 2015 | - | 12,875 |
| Buy-back of convertibles (nominal value), May 2015 | - | -66,432 |
| Final conversion and repayment of liability, 2016 | -12,211 | - |
| Nominal value at 31 December | - | 12,211 |

| GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND | 2016-12-31 | 2015-12-31 |
|--|------------|---------------|
| KV1 2013/2016 | - | 12,211 |
| KV2 2014/2016 | - | - |
| Nominal value at 31 December | - | 12,211 |
| Nominal value at 31 December <i>including</i> convertibles in the custody of a third party | | 12,211 |

Carrying amounts

The convertible loan was defined as a compound financial instrument, which is a split classification between non-current interest-bearing liabilities (the liability component) and equity (the option component). Direct transaction costs attributable to the liability component were accrued over the life of the loan. Direct transaction costs attributable to the option component were recognised in equity at issuance.

Financial expenses in the income statement totalled SEK -1,692 thousand (-8,922) and relate to the effective rate resulting from the convertible loan.

The convertible loan is recognised in the balance sheet as follows:

| GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND | |
|--|---------------|
| At 1 January 2015 | 61,207 |
| Increase due to takeover of licence, February 2015 | 12,875 |
| Equity component of above increase | -3,219 |
| Buy-back of convertibles (nominal value), May 2015 | -66,432 |
| Interest expenses | 8,922 |
| Interest paid | -1,228 |
| Liability component at 31 December 2015 | 12,125 |
| At 1 January 2016 | 12,125 |
| Conversion 31 March 2016 | 0 |
| Interest expenses | 1,692 |
| Repayment liability incl. interest | -13,817 |
| Liability component at 31 December 2016 | - |

| GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND | 2016-12-31 | 2015-12-31 |
|--|------------|---------------|
| Short-term component of convertible loan | | |
| 6 months or less | - | 12,125 |
| Long-term component of convertible loan | | |
| 1-5 years | - | - |
| Total | - | 12,125 |

The convertible loan was recognised at amortised cost using the effective interest method. This means that the cash flows were discounted at a lending rate of about 20%. The carrying amount is deemed a reasonable estimate of fair value.

The fair value of the short-term interest payable corresponded to its carrying amount in previous years, as the impact of discounting is not significant.

The fair value of the convertible loans corresponded to the rate at which the convertible loan traded on NGM Equity at 31 December, including the conversion option. Measurement of fair value thus belonged on Level 1 in accordance with IFRS 13. Note that the recognised liability in the balance sheet did not include the conversion option.

| GROUP AND PARENT COMPANY, (SEK THOUSAND) | 2016-12-31 | | 2015-12-31 | |
|---|------------------------------|--------------------------|------------------------------|--------------------------|
| | CARRYING AMOUNT ¹ | FAIR VAL-UE ² | CARRYING AMOUNT ¹ | FAIR VAL-UE ² |
| Convertible loans, excl. accrued interest | - | - | 11,209 | 10,379 |
| Accrued interest | - | - | 916 | 916 |
| Total | - | - | 12,125 | 11,295 |

¹ Excluding conversion option

² Including conversion option

NOTE 20 DEFERRED TAX

The recognised deferred tax liability is expected to be settled after twelve months. Deferred tax assets and liabilities are allocated in the balance sheet as follows:

| GROUP, ALL AMOUNTS IN SEK THOUSAND | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 |
|--|--------------------------|--------------------------|
| Deferred tax liabilities | | |
| Deferred tax on surplus value in intangible assets | 15,791 | 14,498 |
| Convertible loans | - | 86 |
| Total deferred tax liabilities | 15,791 | 14,584 |
| Deferred tax assets | | |
| Tax losses | - | 86 |
| Total deferred tax assets | - | 86 |
| Net deferred tax liabilities | 15,791 | 14,498 |

| PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 |
|--|--------------------------|--------------------------|
| Deferred tax liabilities | | |
| Convertible loans | - | 86 |
| Total deferred tax liabilities | - | 86 |
| Deferred tax assets | | |
| Tax losses | - | 86 |
| Total deferred tax assets | - | 86 |
| Net deferred tax liabilities | - | - |

Changes in deferred tax assets and liabilities for the year:

| DEFERRED TAXES, GROUP, ALL AMOUNTS IN SEK THOUSAND | DEFERRED TAX LIABILITIES | | | DEFERRED TAX ASSETS | | NET DEFERRED TAX ASSETS AND LIABILITIES |
|--|--|----------------------|--------------------------------------|---------------------|-----------------------------------|---|
| | SURPLUS VALUES OF INTANGIBLE ASSETS ¹⁾ | CONVERTIBLE LOANS | TOTAL DEFERRED TAX LIABILITIES | TAX LOSSES | TOTAL DE- FERRED TAX ASSETS | |
| At 1 January 2015 | 13,560 | 2,205 | 15,765 | -2,205 | -2,205 | 13,560 |
| Recognised in income statement | - | -2,119 | -2,119 | 2,119 | 2,119 | - |
| Recognised in other comprehensive income | 938 | - | 938 | - | - | 938 |
| Recognised in equity | - | - | - | - | - | - |
| At 31 December 2015 | 14,498 | 86 | 14,584 | -86 | -86 | 14,498 |
| Recognised in income statement | - | -86 | -86 | 86 | 86 | - |
| Recognised in other comprehensive income | 1,293 | - | 1,293 | - | - | 1,293 |
| Recognised in equity | - | - | - | - | - | - |
| At 31 December 2016 | 15,791 | - | 15,791 | - | - | 15,791 |

¹⁾ As stated in Note 14, Exploration and evaluation assets, assets arising from the acquisition of a foreign operation are treated as assets of the operation and are therefore translated at the closing rate. This is also done with the deferred tax liability related to these intangible assets. The translation difference for the intangible assets as well as the tax liability is recognised directly in the currency translation reserve in other comprehensive income.

NOTE 20 DEFERRED TAX, cont.

| DEFERRED TAXES, PARENT COMPANY ALL AMOUNTS IN SEK THOUSAND | DEFERRED TAX ASSETS | | | | NET DEFERRED TAX ASSETS AND LIABILITIES |
|--|----------------------|--------------------------------------|------------|---------------------------------|---|
| | CONVERTIBLE LOANS | TOTAL DEFERRED TAX LIABILITIES | TAX LOSSES | TOTAL DEFERRED TAX ASSETS | |
| At 1 January 2015 | 2,205 | 2,205 | -2,205 | -2,205 | - |
| Recognised in income statement | -2,119 | -2,119 | 2,119 | 2,119 | - |
| Recognised in other comprehensive income | | - | - | - | - |
| Recognised in equity | | - | - | - | - |
| At 31 December 2015 | 86 | 86 | -86 | -86 | - |
| Recognised in income statement | -86 | -86 | 86 | 86 | - |
| Recognised in other comprehensive income | | - | - | - | - |
| Recognised in equity | | - | - | - | - |
| At 31 December 2016 | - | - | - | - | - |

The Parent Company recognised a tax loss of SEK 41,702 thousand (33,383). An exact figure for the Group's total tax loss is not possible to calculate since the recognised tax loss that can be utilised in the future from existing licences depends on exploration investment costs being approved by the tax authorities in each country. The investment costs are examined by the tax authorities in each country no earlier than at production start-up. That is, no assessment is made until production starts and production revenues are secured. If the tax losses are approved, they will be deducted from these production revenues.

Due to the current uncertainty in the ability to utilise tax losses in the near future, deferred tax assets have historically not been recognised in the Parent Company or the Group. In both 2015 and 2016 however, Crown Energy chose to offset some of the loss against the deferred tax liability attributable to the 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.

NOTE 21 PROVISIONS

| GROUP, ALL AMOUNTS IN SEK THOUSAND | ACQUISITION OF AMICOH RESOURCES LTD ADDITIONAL CONSIDERATIONS | | ACQUISITION OF CROWN ENERGY IRAQ | TOTAL PROVISIONS |
|---------------------------------------|---|----------|--|---------------------|
| | COMMERCIAL DISCOVERY | WARRANTS | BUY-BACK OPTION | |
| At 1 January 2015 | 2,688 | 1 | 6,204 | 8,893 |
| Recognised in income statement: | | | | |
| <i>Discount effect</i> | 358 | - | - | 358 |
| <i>Revaluation effect</i> | - | -1 | - | -1 |
| <i>Exchange differences</i> | - | - | - | - |
| At 31 December 2015 | 3,046 | - | 6,204 | 9,250 |
| At 1 January 2016 | 3,046 | - | 6,204 | 9,250 |
| Recognised in income statement: | | | | |
| <i>Discount effect</i> | 471 | - | - | 471 |
| <i>Revaluation effect</i> | - | - | - | - |
| <i>Exchange differences</i> | 0 | - | - | - |
| <i>Reversal of buy-back option</i> | - | - | -6,204 | -6,204 |
| At 31 December 2016 | 3,517 | - | - | 3,517 |

NOTE 21 PROVISIONS, cont.

For more information and a detailed description of the Company's assessments and assumptions regarding these provisions, see Note 5, Critical estimates and assessments for accounting purposes.

| GROUP, ALL AMOUNTS IN SEK THOUSAND | 2016-12-31 | 2015-12-31 |
|---------------------------------------|--------------|--------------|
| Long-term component | 3,517 | 9,250 |
| Total provisions | 3,517 | 9,250 |

NOTE 22 OTHER LIABILITIES

| GROUP, ALL AMOUNTS IN SEK THOUSAND | 2016-12-31 | 2015-12-31 |
|---------------------------------------|--------------|------------|
| Employee-related liabilities | 150 | 98 |
| Transaction tax, South Africa | 1,070 | 782 |
| Total other liabilities | 1,220 | 98 |

| PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND | 2016-12-31 | 2015-12-31 |
|--|------------|------------|
| Employee-related liabilities | 150 | 98 |
| Total other liabilities | 150 | 98 |

Other current liabilities are measured at cost. When the duration is short, fair value is considered to correspond to the carrying amount. All liabilities are listed in SEK.

NOTE 23 ACCRUED EXPENSES AND DEFERRED INCOME

| GROUP, ALL AMOUNTS IN SEK THOUSAND | 2016-12-31 | 2015-12-31 |
|---|--------------|--------------|
| Accrued expenses | | |
| Social charges | 207 | 46 |
| Other employee-related items | 397 | 291 |
| Consulting fees | 64 | 55 |
| Audit fees | 447 | 185 |
| Board fees | 200 | 369 |
| Interest expenses, convertible loans | - | 916 |
| Other accrued expenses | 13 | - |
| Total accrued expenses and deferred income | 1,328 | 1,862 |

| PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND | 2016-12-31 | 2015-12-31 |
|---|--------------|--------------|
| Accrued expenses | | |
| Social charges | 207 | 46 |
| Other employee-related items | 397 | 291 |
| Consulting fees | 49 | 30 |
| Audit fees | 175 | 185 |
| Board fees | 200 | 369 |
| Interest expenses, convertible loans | - | 916 |
| Other accrued expenses | 12 | - |
| Total accrued expenses and de- ferred income | 1,040 | 1,837 |

Neither the Group nor the Parent Company recognise any deferred income.

NOTE 24 PARTICIPATIONS IN GROUP COMPANIES

| PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND | 2016-12-31 | 2015-12-31 |
|--|---------------|---------------|
| Opening cost | 20,204 | 19,704 |
| Shareholder's contribution Crown Energy Iraq AB | 500 | 500 |
| Closing carrying amount | 20,704 | 20,204 |

Following is a breakdown of the Parent Company's subsidiaries:

| | CORPORATE IDENTITY NUMBER | PRINCIPLE PLACE OF BUSINESS | SHARE OF EQUITY | NO. OF SHARES | CARRYING AMOUNT, ALL AMOUNTS IN SEK THOUSAND | |
|-----------------------------------|------------------------------|--------------------------------|--------------------|------------------|---|---------------|
| | | | | | 2016-12-31 | 2015-12-31 |
| Crown Energy Ventures Corporation | 79456 | British Virgin Islands | 100% | 100 | 500 | 500 |
| Crown Energy Iraq AB | 556673-5329 | Sweden | 100% | 1,000 | 20,204 | 19,704 |
| Closing carrying amount | | | | | 20,704 | 20,204 |

Indirectly owned Group companies

| | | |
|--------------------------|---------|------------------------|
| Amicoh Resources Ltd | 667642 | British Virgin Islands |
| Simbo Petroleum No.2 Ltd | 8542642 | UK |

NOTE 25 ACQUISITION OF SIMBO PETROLEUM NO.2 LTD**Accounting in Group**

On 27 January 2015, 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 holds an interest in the Block 2B licence in South Africa, previously 40.5 per cent and now 10 per cent. For more information on the acquisition, see Note 26 in the 2015 Annual Report. Disclosures are made below in order to explain the comparative period of 31 December 2015.

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

| EXPLORATION AND EVALUATION ASSETS, ALL AMOUNTS IN SEK THOUSAND | 2015 |
|---|---------------|
| Increase through acquisition of subsidiaries: | |
| <i>Acquired assets (licences)</i> | 18,149 |
| <i>Surplus values</i> | 33,563 |
| <i>Directly attributable acquisition costs</i> | 3,643 |
| Total increase in exploration and evaluation assets due to the acquisition of Simbo No.2 | 55,355 |

Cash flows attributable to acquisition

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

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

NOTE 26 TRANSACTIONS WITH RELATED PARTIES

The Parent Company and its subsidiaries are deemed to be related parties.

Related parties are also defined as Board members, senior executives, and their close relatives. Senior executives refers to persons who make up the management group together with the CEO. At Crown Energy, senior executives include the CEO, COO and CFO, who are employees of the Company. There is one individual apart from the above individuals in the management group who is not employed.

Purchases and sales within the Group

The Parent Company's revenue in 2016 (2015) represents 100% (100%) of re-invoicing to other companies within the Group. Of the Parent Company's total interest income in 2016 (2015), 97% (97%) 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. The loans totalled SEK 5,054 thousand at 31 December 2016. The loans decreased by SEK 1,650 thousand since 31 December 2015 due to repayments. The loan was reclassified from non-current to current because the lender requested repayment.

As a result of the issue conducted in December 2016, Ulrik Jansson no longer has controlling influence based on his shareholdings in Crown Energy AB.

Purchase of services

Peter Mikkelsen works in his management position under a consultancy agreement. Technical services are also contracted from former Board member Nick Johnson (who resigned in December 2016). Their services are purchased on normal commercial terms and they invoice regularly for work performed. In full year 2016, Peter Mikkelsen invoiced for a total of GBP 6 thousand (21) and Nick Johnson for GBP 0 thousand (9), which is equivalent to SEK 76 thousand and SEK 7 thousand respectively at an average exchange rate for full year 2016.

Crown Energy also purchases technical consulting services from Simco Petroleum Ltd. (Simco). Alan Simonian, Board member and Company employee, 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 full year 2016 in the amount of USD 120 thousand (110), which is equivalent to SEK 1,029 thousand calculated using an average rate for full year 2016.

Following is a summary of services purchased from related parties in 2014 and 2015. The amounts at 31 December were calculated based on an average exchange rate for the year.

| GROUP, ALL AMOUNTS IN SEK THOUSAND | INVOICING CURRENCY | AMOUNTS IN THOUSANDS OF THE INVOICING CURRENCY | | ALL AMOUNTS IN SEK THOUSAND | |
|---|-----------------------|---|------------|--------------------------------|--------------|
| | | 2016-12-31 | 2015-12-31 | 2016-12-31 | 2015-12-31 |
| Remuneration for consulting (technical services), Peter Mikkelsen | GBP | 6 | 21 | 76 | 257 |
| Remuneration for consulting (technical services), Nick Johnson | GBP | 0 | 9 | 7 | 110 |
| Remuneration for consulting (technical services etc.), Simco Petroleum Ltd | USD | 120 | 110 | 1,029 | 889 |
| Total | | | | 1,112 | 1,256 |

Other transactions

In December 2016, Crown Energy AB provided a short-term loan to ESI Group SA as part of the ongoing acquisition of ESI Group SA. The loan amounted to USD 1 million and carries interest of 7 per cent per annum. ESI Group SA is controlled by Yoav Ben-Eli via his company YBE Ventures Ltd. Yoav Ben-Eli is now a shareholder (via YBE Ventures Ltd) and Board member of Crown Energy AB. For more information about the acquisition, see Note 14 Acquisition of ESI Group.

The acquisition of Simbo Petroleum No.2 Ltd, which holds the Block 2B licence in South Africa, was completed in the comparative 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.

Remuneration of senior executives

For information on the remuneration of senior executives, see Note 8, Salaries, fees, other remuneration, and social charges, and the previous section on purchase of services.

NOTE 27 FINANCIAL INSTRUMENTS BY CATEGORY

| GROUP, ALL AMOUNTS IN SEK THOUSAND | FINANCIAL ASSETS MEASURED AT FAIR VALUE VIA INCOME STATEMENT | LOANS RECEIVABLE AND ACCOUNTS RECEIVABLE | FINANCIAL ASSETS AVAILABLE FOR SALE | TOTAL |
|---------------------------------------|---|--|--|---------------|
| 2016-12-31 | | | | |
| Assets in balance sheet | | | | |
| Other receivables | - | 228 | - | 228 |
| Cash and cash equivalents | - | 26,540 | - | 26,540 |
| Total | - | 26,768 | - | 26,768 |

| GROUP, ALL AMOUNTS IN SEK THOUSAND | FINANCIAL LIABILITIES MEASURED AT FAIR VALUE VIA THE INCOME STATEMENT | OTHER FINANCIAL LIABILITIES | TOTAL |
|---------------------------------------|--|-----------------------------------|---------------|
| 2016-12-31 | | | |
| Liabilities in balance sheet | | | |
| Convertible loans | - | - | - |
| Loans from related parties | - | 5,054 | 5,054 |
| Accounts payable | - | 4,887 | 4,887 |
| Other current liabilities | - | 1,220 | 1,220 |
| Other provisions | 3,517 | - | 3,517 |
| Total | 3,517 | 11,161 | 14,678 |

| GROUP, ALL AMOUNTS IN SEK THOUSAND | FINANCIAL ASSETS MEASURED AT FAIR VALUE VIA INCOME STATEMENT | LOANS RECEIVABLE AND ACCOUNTS RECEIVABLE | FINANCIAL ASSETS AVAILABLE FOR SALE | TOTAL |
|---------------------------------------|---|--|--|---------------|
| 2015-12-31 | | | | |
| Assets in balance sheet | | | | |
| Other receivables | - | 228 | - | 228 |
| Cash and cash equivalents | - | 26,540 | - | 26,540 |
| Total | - | 26,768 | - | 26,768 |

| GROUP, ALL AMOUNTS IN SEK THOUSAND | FINANCIAL LIABILITIES MEASURED AT FAIR VALUE VIA THE INCOME STATEMENT | OTHER FINANCIAL LIABILITIES | TOTAL |
|---------------------------------------|--|-----------------------------------|---------------|
| 2015-12-31 | | | |
| Liabilities in balance sheet | | | |
| Convertible loans | - | 11,209 | 11,209 |
| Loans from related parties | - | 6,704 | 6,704 |
| Accounts payable | - | 2,878 | 2,878 |
| Other current liabilities | - | 880 | 880 |
| Other provisions | 3,046 | 6,204 | 9,250 |
| Total | 3,046 | 27,875 | 30,921 |

Loans receivable, accounts receivable and other financial liabilities are measured at amortised cost. The items do not include tax-related receivables and liabilities. See also Note 2, Summary of significant

accounting policies, for accounting policies and Note 4, Financial risk management, for credit risks, maturities, and fair value hierarchy.

NOTE 28 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets in previous years referred to a bank guarantee of SEK 50 thousand with Euroclear Sweden AB as beneficiary. This expired in Q4 2016.

Contingent liabilities refer to the additional consideration for Simbo Petroleum No.2 Ltd and the Group has recognised it at the maximum amount that may be paid at the time of settlement. For more information on the additional consideration, see Note 5 Critical estimates and assessments. No changes to the estimate of the contingent liability have been made since 31 December 2015.

Following is a summary of pledged assets and contingent liabilities:

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

| PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND | 2016-12-31 | 2015-12-31 |
|--|------------|------------|
| Pledged assets | | |
| <i>Bank guarantee</i> | - | 50 |
| Contingent liabilities | - | - |
| Total pledged assets and contingent liabilities | - | 50 |

There were no disputes known to the Company at the end of the reporting period. And because the Group's licensing projects are in such early stages, there are no provisions for future site restoration costs.

NOTE 29 ACQUISITION OF ESI GROUP

Crown Energy announced that the Company entered into an agreement with YBE Ventures Ltd ("YBE Ventures") on 10 November 2016 to acquire all of the shares in the Luxembourg-registered company ESI Group SA ("ESI Group").

The acquisition agreement regulates that a business which to date has been run entirely in an Angolan owner structure will be fully or partially transferred to a newly formed group for which ESI Group is the parent company. This business transfer, called a carve-out, is a condition that must be met before the ESI Group shares can be taken over.

Private individual Yoav Ben-Eli owns 100 per cent of YBE Ventures Ltd, the counterpart.

The acquisition is described in more detail below.

ESI Group – A newly formed group

ESI Group owns all shares in the newly formed Angolan company YBE Imobiliária Lda ("YBE Imobiliária") and the Mauritian company ESI East Africa (currently a shell company). The operations that were historically conducted in a private company in Angola, ESI Angola

Lda ("ESI Angola"), shall, in accordance with the acquisition agreement, be transferred to YBE Imobiliária before Crown Energy takes possession of the ESI Group shares.

ESI Angola is an Angolan company that has developed and offered customised solutions for staff housing and offices primarily to companies in the oil and gas industry for the last 15 years. The offering includes everything from project planning and construction to administration and other value-added services, such as security, transportation, telecommunications, catering and recreational facilities. Customers include some of the world's leading oil companies. Yoav Ben-Eli has 100 per cent control over the company, which has approximately 250 employees.

As mentioned above, Crown Energy is acquiring ESI Angola's operations via ESI Group. Instead of acquiring the entire business, all business-critical functions and assets, such as properties, leases and key personnel will be carved-out to YBE Imobiliária. When all functions and assets have been transferred in accordance with the acquisition agreement, the transaction (takeover of shares) can be completed. Crown Energy then becomes the owner of ESI Group, including its subsidiary YBE Imobiliária and its operations.

ESI Angola, with about 250 employees, will remain as a company at first and will only conduct support activities in future, such as property maintenance and support services. In accordance with the acquisition agreement, YBE Imobiliária will contract with ESI Angola for these support functions. This means that YBE Imobiliária will provide the same services previously provided by ESI Angola. The non-business-critical parts of the operations will be outsourced, which will help promote expansion in existing and new markets. ESI Angola is now controlled by and will continue to be controlled by Yoav Ben-Eli. A close relationship between Crown Energy Group and ESI Angola arises since Yoav Ben-Eli, via YBE Ventures, will be the largest owner (see description below) of shares and votes in Crown Energy AB. The service agreement will naturally be entered into on normal commercial terms.

After the transaction is completed, Crown Energy will consist of two business areas: Energy and Property Development & Services. The acquisition makes Crown Energy a major player in the oil and gas industry while creating significant growth potential for both business areas through expansion in existing and new markets.

Terms of the acquisition agreement

The acquisition is a reverse acquisition. Crown Energy will take over the operations described above (shares in ESI Group) and payment will be made with newly issued shares.

The transaction takes place in two stages.

1) Discounted issue of C shares

The extraordinary general meeting decides on a discounted issue and that Crown Energy shall provide a new class of shares: C shares. Shares prior to the issue are ordinary shares. The ordinary shares confer ten votes, C shares only one vote. ESI Group's current owner, YBE Ventures, is given the right to subscribe for C shares. The subscription proceeds of all C shares shall be a total of SEK 1.

2) Takeover - conversion of C shares to ordinary shares

Once all assets are transferred, a final settlement will determine the final purchase price and a maximum of 363,401,823 C shares can be converted into an equal number of ordinary shares. In the acquisition agreement the shares are assigned a value of SEK 2.50 per share and the number of exchanged shares will depend on the final statement. Any remaining C shares will be cancelled. If all assets are not transferred by 30 June 2017, the purchase price will be reduced, and thus the number of shares that can be converted from C shares into ordinary shares, by the corresponding price for each asset that was not transferred. (Price per asset is specified and agreed upon in the acquisition agreement.)

The main terms of the acquisition agreement are summarised below.

- The acquisition is subject to shareholder approval of the issue of the new C shares and approval of the ability to convert C shares into ordinary shares. The new share class has 1/10 of the voting rights of the original ordinary shares.

- ESI Group's current owner, YBE Ventures, shall be given the right to subscribe for C shares.
- Crown Energy shall loan USD 1 million to ESI Group. The purpose of the loan is for ESI Group to capitalise YBE Imobiliária. This capitalisation is required by Angolan tax legislation for international investors.
- Assets (property and contracts) shall have been transferred to YBE Imobiliária by 30 June 2017. Regardless of the takeover date, revenue from the assets will accrue to Crown Energy as of 1 January 2017.
- The C shares will be converted into ordinary shares proportionate to the transferred assets as of the closing date.
- C shares may be cancelled in whole or in part by Crown Energy if the terms for the transfer of assets are not deemed to be met.
- Converted C shares can only be traded on NGM Equity subject to the Swedish Financial Supervisory Authority's approval of a prospectus.

Timetable and process for completion

Before the acquisition agreement was entered into, the seller requested and received an exemption from the mandatory bid from the Swedish Securities Council. The reason for the exemption is that the seller does not have the liquid assets required for submitting a bid for the remainder of the shares.

The acquisition and the issue of C shares were approved by an extraordinary general meeting on 12 December 2016. YBE Ventures subscribed for the shares directly in connection with the meeting. The shares were transferred to YBE Ventures in February 2017 (see Events after the end of reporting period).

In December 2016, Crown Energy AB, in accordance with the acquisition agreement, provided a short-term loan to ESI Group SA, which carries an annual interest rate of 7 per cent. With this loan, YBE Imobiliária could be capitalised and registered in Angola and the process of transferring assets and contracts could begin.

On 13 April 2017, Crown Energy announced in a press release that all local government approvals in Angola has been received and registration measures completed. The formal approvals were important in order to commence the transferring of assets from ESI Angola to YBE Imobiliária and in order to complete the transaction.

The final closing of the transaction is expected during the second quarter of 2017, however Crown Energy is entitled to receive the full benefit of the revenues from the property assets as from 1 January 2017.

As the closing of the transaction is expected during the second quarter of 2017, a prospectus for the admission of new ordinary shares to trading at NGM Equity, is required and will be published during the second quarter of 2017. The prospectus, which is subject to the approval from the Swedish FSA, will contain the first published financial information on the combined Crown Energy/ESI group. This is scheduled to be released in May or June. The first interim report with the combined Crown Energy/ESI group figures is planned to be the interim report of the period January to June 2017, which is scheduled to be published on August 11, 2017.

In connection with the press release on April 13, 2017, Crown Energy also announced that in the interim period from announcement in November and the EGM in December 2016, the management of ESI Group were approached by certain lease tenants to acquire part of one of ESI Group's owned properties, Ponticelli. The parties agreed to proceed with the sales transaction for this part of the property, constituting approximately 30 per cent of the total value of that asset. The sale was successful and the proceeds from the sale were in turn used to clear the existing mortgage of approximately USD 4 million that ESI Group had on the larger C-view building. The highly beneficial result of this transaction is that the ESI Group's whole portfolio of assets now is free and clear of all debt.

If all assets are transferred and all C shares are converted to ordinary shares, Yoav Ben-Eli, via YBE Ventures, will be the principal owner, giving him a maximum of 79.7 per cent of both the share capital and votes in Crown Energy AB before any dilution caused by current outstanding warrants to Cement Fund. On publication of this annual report, Yoav Ben-Eli, via YBE Ventures, holds 79.7 per cent of the registered shares and 28.2 percent of the votes in Crown Energy AB.

Accounting of the acquisition

Since the acquisition had not been completed yet at 31 December 2016, it did not affect the 2016 accounts, except for the loan, including interest, that was provided to ESI Group.

The acquisition will be classified as a reverse acquisition because it gives Crown Energy a new principal owner. This means that IFRS 3 Business Combinations will be observed for accounting and presentation of the acquisition within the Group.

NOTE 30 EVENTS AFTER THE BALANCE SHEET DATE

Change in number of shares and votes

In February 2017, 363,401,823 newly issued C shares (and 363,401,823 votes) were transferred to YBE Ventures. The ordinary shares confer ten votes, and the new share class, the C shares, confer only one vote. Shares prior to the issue are ordinary shares. The number of shares after the issue was 455,949,202 and the number of votes was 1,288,875,613.

This gives Yoav Ben-Eli, who controls YBE Ventures, 79.7 per cent of the total number of shares and 28.2 per cent of the votes.

Successful Sale of Asset and Repayment of Debt

In connection with a pressrelease on April 13, 2017, with a transaction update regarding ESI Group, Crown Energy also announced that part of a property has been sold to an external party. The proceeds from the sale were used to clear the existing mortgage of approximately USD 4 million that ESI Group had on the larger C-view building. The highly beneficial result of this transaction is that the ESI Group's whole portfolio of assets now is free and clear of all debt.

The purchase price of the asset, exceeded the external valuation of the building, by the amount of approximately USD 850 thousand.

Consulting agreement with Proger

On April 19, 2017, Crown Energy announced that the Company has signed an agreement with Proger S.p.A., an internationally recognised Italian engineering company, which will provide us with a wide range of technical and engineering support for our Iraq project.

NOTE 31 KEY RATIOS

| GROUP, ALL AMOUNTS IN SEK THOUSAND UNLESS OTHERWISE STATED | 2016-01-01 2016-12-31 | 2015-01-01 2015-12-31 | 2014-01-01 2014-12-31 | 2013-01-01 2013-12-31 | 2012-01-01 2012-12-31 | 2011-01-01 2011-12-31 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Earnings | | | | | | |
| Revenue | - | - | - | - | - | - |
| Other operating income | - | 73.00 | - | - | - | 342 |
| Change in revenue, % | n/a | n/a | n/a | n/a | n/a | n/a |
| Operating profit/loss | -11,125 | -8,644 | -9,448 | -9,271 | -9,300 | -3,158 |
| Net loss for the period, after tax | -3,083 | -15,577 | -21,115 | -14,399 | -9,710 | -3,042 |
| Earnings yield | | | | | | |
| Return on equity, % | neg | neg | neg | neg | neg | neg |
| Return on capital employed, % | neg | neg | neg | neg | neg | neg |
| Financial position | | | | | | |
| Equity/assets ratio, % | 86.0% | 73.5% | 38.3% | 51.3% | 71.9% | 2.4% |
| Net debt/equity ratio, times | -0.18 | 0.08 | 0.37 | -0.02 | n/a | n/a |
| Net asset value per share, SEK | 0.43 | 2.34 | 2.03 | 2.49 | 2.15 | 0.07 |
| Total assets | 227,480 | 177,458 | 149,083 | 134,211 | 77,133 | 51,958 |
| Equity | 195,683 | 130,177 | 57,090 | 68,843 | 55,434 | 1,247 |
| Cash flow from investments | -12,203 | -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 |
| Number of basic shares outstanding, thousand | 455,949 | 55,547 | 28,143 | 27,598 | 25,755 | 17,031 |
| Number of diluted shares outstanding, thousand | 455,949 | 55,547 | 28,143 | 27,598 | 25,755 | 17,031 |
| Average number of shares, thousand | 86,276 | 45,001 | 27,969 | 25,917 | 20,929 | 3,906 |
| Average number of diluted shares, thousand | 86,276 | 45,001 | 27,969 | 25,917 | 20,929 | 3,906 |
| Basic earnings per share, SEK | -0.04 | -0.35 | -0.75 | -0.56 | -0.46 | -0.78 |
| Diluted earnings per share, SEK | -0.04 | -0.35 | -0.75 | -0.56 | -0.46 | -0.78 |
| Equity per share, SEK | 0.43 | 2.34 | 2.03 | 2.49 | 2.15 | 0.07 |
| Cash flow from operating activities per share, SEK | -0.21 | -0.21 | 0.00 | -0.59 | -0.37 | -0.16 |
| Employees | | | | | | |
| Average number of employees | 2.6 | 2.5 | 3.0 | 3.0 | 2.0 | 0.0 |

NOTE 31 KEY RATIOS, cont.**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.

Net asset value per share

Net asset value (equity plus difference between carrying amount and market value of assets) divided by number of shares at end of period.

Equity/assets ratio, %

Equity including the minority as a percentage of total assets.

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.

The Board and CEO ensure that the consolidated accounts were prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and earnings.

The Annual Report was prepared using generally accepted accounting principles and provides a fair presentation of the Parent Company's financial position and earnings. The Directors' Report for the Group and Parent Company provides a true and fair summary of the performance of Group and Parent Company operations, along with their financial positions and earnings, and describes significant risks and uncertainties faced by the Parent Company and Group companies.

Earnings from Group and Parent Company operations and their financial positions at the end of the financial year are indicated in the income statements, balance sheets, cash flow statements, and related notes.

Balance sheets and income statements will be up for approval at the AGM to be held on 12 May 2017.

Stockholm 20 April 2017

Alan Simonian
Board member

Pierre-Emmanuel Weil
Chairman of the Board

Jean Benaim
Board member

Yoav Ben-Eli
Board member

Andreas Forssell
CEO

Our auditor's report was submitted on 20 April 2017
Öhrlings PricewaterhouseCoopers AB

Bo Lagerström
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Crown Energy AB (publ),
corporate identity number 556804-8598

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Crown Energy AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 30-81 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Crown Group financial reports include Crown Energy AB and four subsidiaries located in Sweden and Great Britain. The operations are managed, administrated and supervised by the head office in Stockholm. The subsidiaries operate only as the legal owner of the oil and exploration rights. We have, therefore, focused our audit on the operations conducted by the Parent Company taking into consideration the company's control environment, existing business processes and the Group management's monitoring of controls.

We have audited the annual financial statements for Crown Group, including the Parent Company, consolidation and the subsidiaries. We also conducted a limited review of the interim report as of September 30 and performed an assessment of the key controls over financial reporting based on the size of the company's operations and organization. The Group audit team has also performed statutory audit procedures in Sweden for all Swedish subsidiaries. The statutory audit of the subsidiary in the UK are carried out by local auditors. The units covered by the audit of the Group procedures represent 100 per cent of the Group's assets, costs and results.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of exploration and evaluation Assets

The Group balance sheet include valuation and exploration assets in the amount of SEK 187.4 million. Those assets comprise the most significant balance sheet item.

Reported assets refer to four different regions and include both contingent and prospective assets.

Crown Energy's valuation of exploration and evaluation assets is based on the so-called Competent Person Report (CPR) regarding Crown Energy's assets. The most recent available report is dated July 7, 2016, and covers all assets. This valuation is based on an external valuation of South Africa, which was prepared in July 2015, and as regards other geographical areas, the valuation is based on previous valuations prepared in May 2015.

The CPR reports and the company's assessment show, with the exception of Iraq, that the valuation of the company's oil and gas assets is unchanged compared with the valuation in corresponding reports from May and July, 2015. The change as regards Iraq refers to a change in the interpretation of Crown Energy's ownership portion as stipulated in the production license agreement, and this change implies that Crown Energy's portion is now deemed to be 60%, compared with the previous assessment of 100%.

During 2016, the company assessed whether there has been an indication of impairment of the assets in any of the regions. The company's assessment has not indicated a need for an impairment charge on the exploration and evaluation assets in any of the regions.

For further information, see Note 14.

How our audit addressed the Key audit matter

In our audit, we have undertaken procedures to verify that the assessment performed by Crown Energy in testing to determine any impairment requirements has been executed on the basis of generally accepted valuation methods, is mathematically correct and is based on reasonable assumptions as regards, amongst other things, future cash flows and discount rates.

Our audit procedures have included a review of the company's forecasts and assumptions regarding oil prices and exploration costs. We have verified that the assumptions used in the projection of future cash flows are consistent with the information provided in the CPR reports.

We also evaluated the company's analysis of the sensitivity of the valuation to changes in key parameters, which could result in an impairment requirement.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 3-29 and 85. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Report on other legal and regulatory requirements**Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Crown Energy AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Stockholm the 20 April 2017

PricewaterhouseCoopers AB

Bo Lagerström
Auktoriserad revisor
Huvudansvarig revisor

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 licensing 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.



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