

ANNUAL REPORT 2012

CROWN ENERGY AB (PUBL)



This English Annual Report is a translation of the Swedish Annual Report for 2012. If any discrepancies exist in the translation, the Swedish language version shall prevail. The English translation of the Annual Report has not been subject for review by Crown Energy's auditors.

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2012 IN BRIEF

Crown Energy AB (publ) with its subsidiaries (Crown Energy or the Company) is an international oil and gas exploration company. Crown Energy focuses on exploration opportunities with great potential for recoverable reserves of oil and gas in under-exploited areas, initially focused in Africa. The Company has operations in Equatorial Guinea, South Africa, and Madagascar. The Parent Company's commercial domicile is Stockholm, Sweden, and it has been listed on NGM Equity since 28 December 2012.

- In October 2012, the Company completed the acquisition of a five per cent stake in the exploration and production licence Block P (offshore) in Equatorial Guinea. In September 2012, the licence operator submitted a plan of development for the Venus field and its surroundings to the authorities for approval. Subject to regulatory approvals, development drilling is planned to commence in 2014 with production expected to start in 2015.
- In November 2012, a 3D seismic data acquisition contract was signed for licence Block 2B offshore South Africa with WesternGeco, a geophysical services company. The 3D seismic survey ran from January to March 2013. Following processing and interpretation of the acquired data, final results are expected in the third quarter of 2013.
- In 2012, Crown Energy worked intensively with preparatory work for drilling with its Madagascar licence and with otherwise improving the terms of the licence. The intention of the work done in 2012 was to improve the possibility of finding a future qualitative partner to collaborate with both operationally and financially.
- During the year, several cash and offset issues were implemented. They increased the parent company's equity by SEK 63,919,587, net of issue costs of SEK 8,261,676, which increased cash holdings by SEK 28,487,391. The issues also meant that offsets against liabilities could be made, resulting in a decrease in indebtedness of SEK 18,389,427 as regards loans from related parties. The issues increased the equity/assets ratio from 2.4 to 71.9 per cent between 2011 and 2012.
- In December 2012, the parent company, Crown Energy AB, was approved for listing of its shares on the NGM Equity list. Trading in the shares began on 28 December 2012. The stock market listing offers broader opportunities for existing and new shareholders to invest in and develop their holdings in the Company. The share was previously listed on NGM Nordic MTF.

CEO's statement

Dear shareholders,

This past year was a successful one in which the Company was introduced on to the stock exchange, strengthened its capital base, and extended its resource base in assets.

The driving force for an oil exploration company is its geological opportunities, and we focus on areas with proven petroleum systems, areas that are in an early exploration phase, and projects with great potential that can provide high shareholder returns on invested capital. The value of a company in the exploration industry depends on the probability of future discoveries and the size of any such finds. During the year we were able to expand our prospective resources from 579 mmbo to 1,682 mmbo through additional geological work. That is an increase of more than 300%!

In early 2013, the acquisition of 40.5% of the 2B licence in South Africa was agreed and financing of the acquisition was ensured at the same time. In February 2013, the licence's new 3D seismic surveys were implemented, and in the latter part of 2013, decisions on exploration well drilling in the licenced area will be made. In Equatorial Guinea, development preparations are progressing as planned, and the licence's exploration potential will be evaluated at the same time. In Madagascar, preparatory work for drilling one well continued, and geological work was done to gain a better understanding of the very large yet untested structure within the licence area.

The objective of our activities is to create shareholder value. With the asset base and financial capacity we have today, there are opportunities to demonstrate the potential of our assets. We continue to devote ourselves to increasing shareholder value and look forward to an eventful 2013.

Ulrik Jansson
CEO, Crown Energy AB (publ)

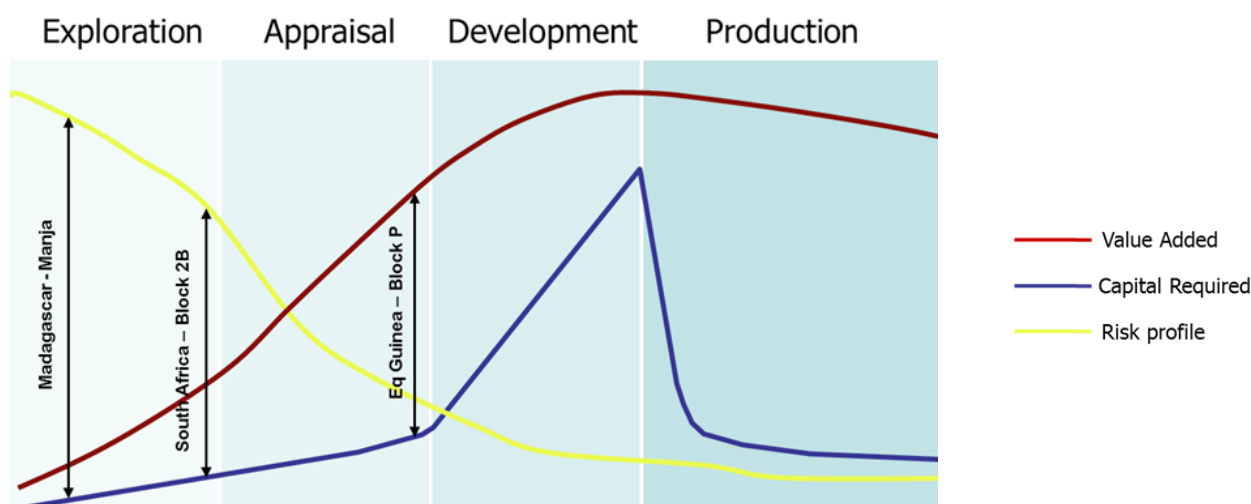


Description of operations

ABOUT CROWN ENERGY

Crown Energy is an international oil and gas company engaged in exploration in Equatorial Guinea, South Africa, and Madagascar. Value is created through developing assets in early stages and when ready, introducing a major oil and gas player to the project. Crown Energy

focuses on exploration opportunities with great potential for recoverable reserves. The Company strives for good risk diversification, both geographically and geologically, and seeks farm-out opportunities as exit strategies in order to capitalise on its assets as far as possible. Below is an illustration of Crown Energy's strategy area:



BUSINESS CONCEPT, GOALS, STRATEGY, AND VISION

Business concept

Through exploration and reprocessing, Crown Energy develops oil and gas projects in underexploited areas, initially in Africa. Value growth in the Company is created by developing assets in early phases that are eventually introduced to appropriate players in the oil and gas industry 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 players' 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.

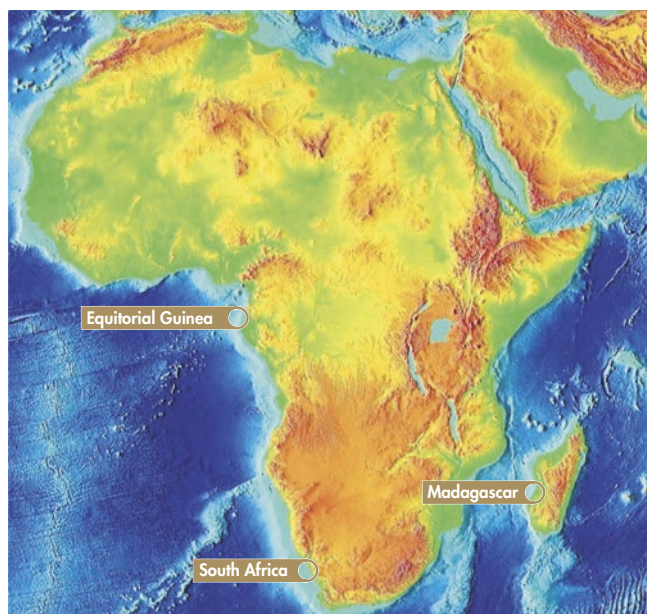
STATEMENTS OF A TECHNICAL NATURE

Project portfolio

Crown Energy's existing projects are located in Equatorial Guinea, South Africa, and Madagascar. Unlike South Africa and Madagascar, there is greater competition for exploration opportunities in West Africa. Crown Energy has its most advanced

project in this region (Equatorial Guinea) and continues to work on preparations for developing the oil field along with other licence partners.

Following is an overview of Africa and where Crown Energy's projects are located:



In March 2013, a competent persons report (CPR) covering Crown Energy's projects was prepared. The CPR is dated 19 March 2013 and was prepared by Peter Mikkelsen, Crown Energy's chief geologist and exploration manager. The CPR was certified by Dunmore Consulting, which is a qualified person registered with the Society of Petroleum Engineers. The CPR was prepared in accordance with current regulations and international standards, Society of Petroleum Engineers Petroleum Resources Management System of 2007 ("SPE PRMS 2007").

Summary of Crown Energy's project portfolio with stated net potential in million barrels of oil equivalents (mmboe), based on the latest CPR:

REGION	PROPORTION	CROWN ENERGY'S	
		STAGE	STAKE IN THE LICENCE
Equatorial Guinea - Block P	5%	Development	1 mmboe
Equatorial Guinea - Block P	5%	Exploration	7 mmboe
South Africa - Block 2B	40.5%	Exploration	183 mmboe
Madagascar - Manja Block 3108	100%	Exploration	1,071 mmboe

Block P – Equatorial Guinea

In October 2012, Crown completed the acquisition of DNO's five per cent stake in the exploration and production licence Block P offshore in Equatorial Guinea. GE Petrol, the national oil company of Equatorial Guinea, is the licence operator and owns 57% of the licence. Other licence partners are Atlas Petroleum (7%) and Vaalco Energy Inc (31%). Vaalco Energy Inc also acquired its stake in 2012.

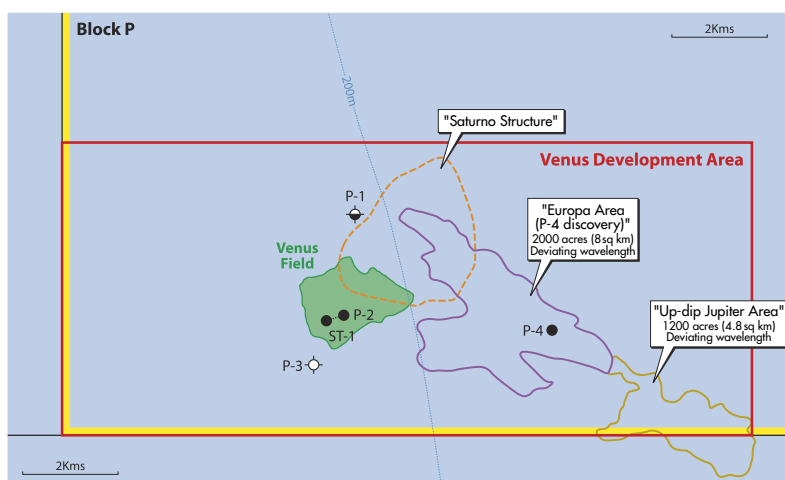
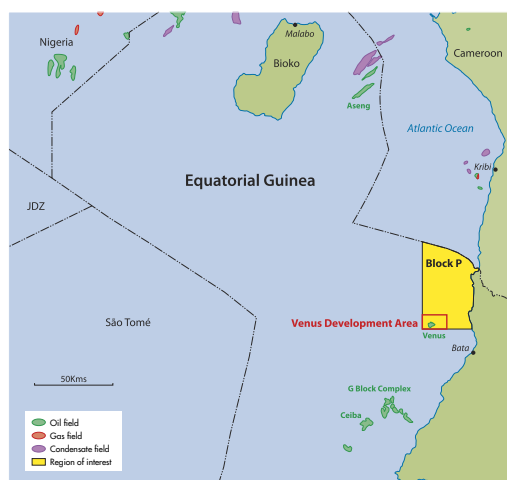
Block P is in close proximity to the mainland in the Rio Muni Basin, which contains confirmed deposits such as the oil-rich Ceiba Field and fields in Block G. These fields, located about 50 kilometres south, have reserves of about 500 million barrels of oil. The Venus field in Block P has identified and verified similar sand reservoirs to the Ceiba Field and fields in Block G. Previous exploration drilling has also indicated potential for oil deposits in the area surrounding the Venus Field. Block P has proven oil finds 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. The application suggests that the licence area be concentrated to the area on 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. 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. Subject to regulatory approvals, development drilling is planned to commence in 2014 with an expected production start in 2015 and a daily initial production of 10,000 barrels of oil.

Block 2B – South Africa

Crown Energy entered into an agreement in 2011 to acquire 75 per cent of licence Block 2B through the acquisition of Thombo Petroleum Ltd. In February 2013, the sellers and the Company decided to implement the deal with a 40.5 per cent stake in the licence and with a proportionally unchanged purchase price. The acquisition is subject to South African regulatory approvals, which according to the Board's assessment will be obtained no later than the second half of 2013. See additional information on these transactions in the Events after the balance sheet date section of the Directors' Report.

Exploration Block 2B in South Africa is located off shore on the Atlantic coast just south of the border with Namibia. A small oil reservoir was previously discovered in the exploration area. The exploration area was previously explored using two-dimensional seismic studies that were analysed and processed in recent

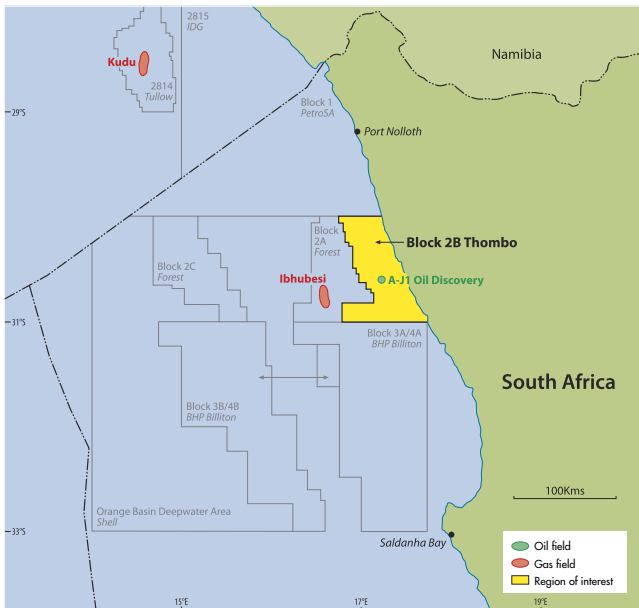


years. The study identified six new structures within the licence area that may contain oil. The next phase of development is obtaining three-dimensional seismic studies of the exploration area to get a better geological understanding of the prospect. The initial work was completed in February 2013, and the processing and interpretation of the data collected continues. The oil-bearing reservoir in the licence area was discovered during test drilling in 1988 and 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 about 450 million barrels of oil.

The current owner, Thombo Petroleum Ltd (Thombo), entered into an agreement with Afren Plc (Afren). This company has committed to funding further exploration within the licence area. The total commitment is for about USD 85 million or more up to 2016. For this commitment, Afren obtains 50 per cent of the licence when the commitment is fulfilled. The first step of the commitment is based on Afren financing a 3D seismic study of the licence area at an estimated cost of about USD 15 million. For this, Afren obtains 25 per cent of the licence. In the next step, Afren has an option to finance up to two wells in the licence area at a current estimated cost of a minimum of about USD 70 million. The intention of the first well is to evaluate the surrounding prospects of the existing AJ-1 discovery on the licence. Through this agreement, Crown Energy's financial commitment for exploration within the licence area is eliminated.

The nine-year exploration phase for the exploration right is divided into an initial period of three years during which 686 square metres of 3D seismic data will be collected, a second period of two years with a likely drilling programme, and stipulations for two extensions of two years each, provided that the contracted programme has been followed.

An updated independent review of the Company's contingent and prospective resources for its South African exploration licence Block 2B was completed by Netherland, Sewell & Associates Inc. (NSAI) in 2012. This independent report was commissioned from NSAI by Thombo. The results of this review showed a sharp increase in prospective resources from Thombo's original estimate of 179 million barrels to 450 million barrels. In accordance with Afren's commitments mentioned above, a 3D seismic data and analysis contract was entered into for the licence with WesternGeco, a geotechnical service company, in November 2012. As previously mentioned, the 3D seismic surveys began in January 2013, and, after processing and interpreting the acquired data, final results are expected after the summer of 2013.



3108 Manja – Madagascar

Crown Energy owns 100 per cent of Amicoh Resources Ltd, which holds 100 per cent of the Manja Block 3108 licence in Madagascar.

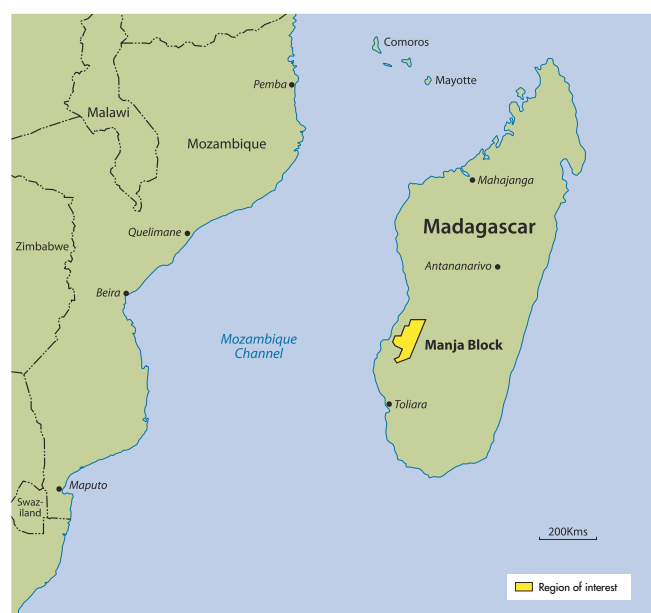
Madagascar, which is located off the east coast of Africa, has historically been underexploited when it comes to oil and gas. There are some oil finds on Madagascar in the form of heavy oil, which proves that there is a working petroleum system on the island. In recent years, exploration activities have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

The Manja block is located on the west side of Madagascar and covers an area of 7,180 square kilometres. In 2007 and 2008, 220 kilometres of seismic data within the licence area was acquired, then processed and compiled. Several structures were identified, of which the largest is located in the northwest part of the licence area (Ambatolava). This structure may contain up to 1,300 million barrels of oil. The structure 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.

The next step in the development of the licence is to drill a well in Ambatolava located in the northwest part of the licence area. According to the terms of the licence, this drilling must be carried out before 12 November 2013. The cost of drilling is estimated at USD 30-35 million, of which USD 10 million represents costs for mobilisation and demobilisation of the drilling rig, i.e., logistics costs. In 2012, Crown Energy began preparations for performing the drilling by the deadline. Among other things, it hired a drilling consultant who completed the drilling plans and

all other drilling preparations. The Company also engaged an EIA consultant to manage environmental permits and upcoming important steps before drilling. The Group currently owns 100 per cent of the licence and, in accordance with Crown Energy's strategy, the Group will work with other companies that finance the drilling. The process of finding a farm-in partner is underway and is expected to go according to plan. Crown Energy has determined that no further financing is necessary for funding the ongoing activities in the licence area. The ten-year exploration phase for the exploration right is divided into an initial period of four years consisting of geological and geophysical studies and 2D seismic studies, a second period of three years consisting of seismic studies and drilling of a well, and a third period of one year consisting of the drilling of two additional wells. The third period ends in November 2013 with a possible extension of two years following approval from Office des Mines et des Industries Strategiques of the government of Madagascar. The last period is an extension of the licence terms.

In summary, Crown Energy worked intensively in 2012 with preparatory work for drilling and with otherwise improving the terms of the licence. The Company also did additional geotechnical and geophysical work on existing data in order to determine the size of recoverable oil and gas reserves in the Madagascar licence area with a greater degree of certainty. The intention of the work done in 2012 was to improve the possibility of finding a future qualitative partner that we can collaborate with both operationally and financially. These are important steps in the Company's efforts to find a licence partner.



Other

On 24 April 2012, the Company entered into an option agreement with Ulrik Jansson whereby the Company obtains an exclusive right, but not an obligation, to acquire Tigris Oil i Sverige AB (Tigris Oil), which had entered into an agreement with an Iraqi region in 2012. Jansson currently holds 15% of Tigris Oil, 5% directly in the prospecting licence, and an option to acquire the remaining 5% of Tigris Oil that extends through 30 June 2015.

The agreement gives Tigris Oil the right to explore for oil and gas over a land area of 24,000 square kilometres for seven years. In order to conduct the amount of exploration work required in the region, including drilling, a financial and industrial partner

will be sought. In the event that the Company chooses to exercise the option, which is valid for another six years, a purchase price corresponding to a certain share of the financial resources that the partner provided will be paid to a maximum of USD 2 million with an option for the Company to pay via a non-cash issue.

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 appraisal phase (see the image in the About Crown Energy section). The following section describes the exploration and appraisal 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 so-called concessions or licences, to domestic and foreign oil companies. In other words, the oil companies do not own the deposits. 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 licensing 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 exploration costs. 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 reservoir. To locate geological structures favourable to the accumulation of oil and natural gas, different types of studies are performed, such as geophysical seismic surveys in which the location of potential structures is done 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 there are or are not 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 carried out 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

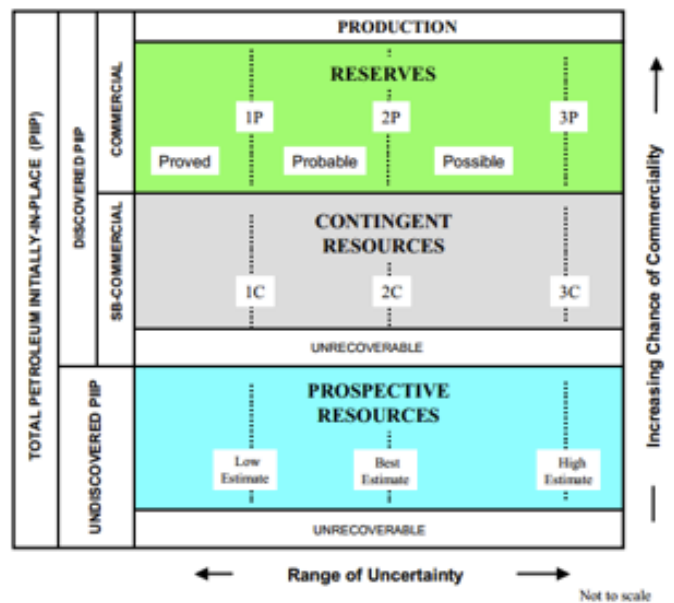
in working with the licence, if the deposits are of a commercial nature, etc. In short, resources are considered reserves when they are deemed commercially recoverable and a development plan has been approved by the local licensing authority.

Reserves are divided into proved, probable, and possible. The difference between these reserves is great. A proved 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 that 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 deposit can be appraised upward.

Resources are divided into contingent and prospective categories. A contingent resource is one in which deposits 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 finds.

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 below 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).



Board of Directors, senior executives, and auditor

BOARD OF DIRECTORS



Alan Simonian (born 1966)

Chairman of the board since 2011

Alan Simonian received his law degree from Southampton University in 1988. He has been engaged by Crown Energy since 2011. His duties relate primarily to business operations and a variety of tasks related to his position as chairman. He has worked on many different international projects, mainly in Nigeria and South Africa. His strength in projects is in the initiation phase, when he works hard to build up the project so a measurable result can be attained. For example, he was involved in the start-up of Scotsdale Ltd, which received a number of licences in the North Sea. The company was later acquired by PA Resources AB. His many years of experience in the oil industry include founding and serving on the board of Simco Petroleum Management Ltd, a London-based oil services company, in 1996. Other posts include serving on the board of Thombo Petroleum Ltd. Apart from this, he was also involved in Whitehawk LTD and Fastnet LTD. His holdings in Crown Energy were privately owned on publication of the annual report and totalled 1,175,377 regular shares and in connection with the ongoing convertible bond issue, he has agreed to subscribe for 334,663 convertible shares. Mr Simonian resides in England. He is independent of both the Company and major shareholders. In addition to his duties for Crown Energy, he is involved in the following companies as stated:

COMPANY	POSITION
Simco Petroleum Ltd	Board member/shareholder
Thombo Petroleum Ltd	Board member/shareholder
Whitehawk Ltd	Board member
Fastnet Ltd	Board member



Ulrik Jansson (born 1954)

Board member since 2011

Ulrik Jansson has been engaged by Crown Energy since 2011. He has a law degree from Uppsala University. He has many years of experience in the oil industry, including as CEO at PA Resources and serving on the board of Tarrango Oil AB since 1998 and working as legal counsel for AGA AB from 1985 to 1996 and at Uddeholm AB from 1982 to 1985. His holdings in Crown Energy were through the company on publication of the annual report and totalled 15,267,226 regular shares and in connection with the ongoing convertible bond issue, he has agreed to subscribe for 1,931,254 convertible shares. He is dependent relative to both the Company and major shareholders. In addition to his duties for Crown Energy, he is involved in the following companies as stated:

COMPANY	POSITION
Cortus AB	Board member
Gasolteknik H Irgens AB	Board member, CEO
Tarrango Oil AB	Board member
Varukungen AB	Board member
Istvan Foth Recreation AB	Deputy board member
Boglund & Wedholm AB	Deputy board member
USB Investment Sverige AB	Board member
Nordic Ground Support Equipment AB	Board member
Nordic Ground Support Equipment IP AB	Board member
Nordic Ground Support Holding AB	Board member
Bröderna Boglund Bygg AB	Board member
Istvan Foth Recreation Projects AB	Deputy board member
Kvarnforsliden Mining KB	Proxy
IGE Resources AB	Chairman of the Board
Nickel Mountain AB	Chairman of the Board

**Andrew Harriman (born 1964)**

Board member since 2011

Andrew Harriman has been engaged by Crown Energy since 2011. From 2000 to 2004, he was a partner in Africa Oilfields Services, a company providing exploration solutions in Nigeria. He owns Nigerian

Development & Construction Company Ltd, which has provided seismic explosives in Nigeria for the last 30 years. His holdings in Crown Energy were privately owned on publication of the annual report and totalled 100,000 regular shares and options corresponding to 100,000 shares. Mr Harriman resides in England. He is independent of both the Company and major shareholders. In addition to his duties for Crown Energy, he is involved in the following companies as stated:

COMPANY	POSITION
Nigerian Development & Construction Company Ltd	CEO
Maerlin Ltd	Board member

SENIOR EXECUTIVES

Crown Energy's senior executives, their backgrounds, qualifications, and year employed are listed below.

Ulrik Jansson (born 1954)

CEO since 2011

See the Board of Directors section.

Andreas Forssell (born 1971)

CFO and vice president since 2011



Andreas Forssell has been engaged by Crown Energy since 2011. He has a business degree from the University of Stockholm, which he attended 1992–1996. In 2000, he received his MBA from Cass Business School in London. He has 15 years of experience in various

senior management positions and was until recently CEO of Tomsk Refining AB. Prior to that he worked as a business advisor in corporate finance and M&A. His holdings in Crown Energy were privately owned and through the company on publication of the annual report and totalled 179,530 shares. In addition to his duties for Crown Energy, he is involved in the following companies as stated:

COMPANY	POSITION
Kopy Goldfields AB (publ)	Board member
Play on TV Europe AB	Board member
Andreas Forssell AB	Board member
Housing Cooperative Fänriken 6	Chairman of the Board

**Peter Mikkelsen (born 1953)**

Chief geologist and exploration manager since 2011

Peter Mikkelsen has been engaged by Crown Energy since 2011. He has more than 30 years of experience in the oil industry, which includes more than 15 years in various

management positions in exploration. He received his bachelor's degree in geology from Oxford University in 1976. After graduation, he worked at Carless Exploration Ltd, where he was primarily responsible for their onshore discoveries in the UK. After becoming exploration manager for Carless' US subsidiary, he moved back to Britain in 1998 where he became an employee of Brabant Petroleum Ltd. As exploration manager at Brabant Petroleum, he was involved in several discoveries in the North Sea, including Malory, Hannay, and Goldeneye. He was also involved in Brabant's European and Tunisian expansions. He left Brabant in 1999, and has since worked as a consultant. He concentrates primarily on developing exploration projects in which the main focus is on commercial and technical aspects, and on project implementation. For the last ten years, he has worked on a wide range of international projects with significant experience in areas such as Africa, northwest Europe, the Mediterranean, the Caribbean, and the US. He has also been a non-executive director at Kea Petroleum PLC since 2009 and an associate at Simco Petroleum Management since 2000. His holdings in Crown Energy were privately owned on publication of the annual report and totalled 100,000 regular shares and options corresponding to 100,000 shares. Mr Mikkelsen resides in England. In addition to his duties for Crown Energy, he is involved in the following companies as stated:

COMPANY	POSITION
KEA Petroleum Plc	Board member
Simco Petroleum Management	Associate
Fastnet Ltd	Partner

David Jones (born 1946)

Legal counsel since 2011

David Jones has a bachelor's degree in law and is a solicitor in England and Wales. He has been engaged by Crown Energy since 2011. He has worked in the international oil industry since 1973, when he was hired by Total Oil Marine to work on the development



of the Frigg Field. Before he became a legal consultant to the oil industry, he also worked at Bow Valley, Charterhall Plc, and Triton Resources Plc. He has worked in a variety of fields, from exploration and production agreements to sales agreements for international companies. He has also advised a number of national and state oil companies on legal matters. Besides his

engagement at Crown Energy, he acts as legal advisor to PA Resources AB and is a director and legal advisor at Eastmed Energy Ventures. His holdings in Crown Energy were privately owned on publication of the annual report and totalled 100,000 regular shares and options corresponding to 100,000 shares. Mr Jones resides in England. In addition to his duties for Crown Energy, he is involved in the following companies as stated:

COMPANY	POSITION
PA Resources AB	Legal adviser
Eastmed Energy Ventures Ltd	Board member
Norfolk Marine Limited	Board member
Spyker Energy PLC	Legal adviser

AUDITOR

**Peter Burholm (born 1968), chief auditor,
Öhrlings PricewaterhouseCoopers AB**

Peter Burholm from Öhrlings PricewaterhouseCoopers AB (PwC) is Crown Energy's chief auditor. Mr Burholm has been an authorised public accountant since 1995. Both he and PwC are members of FAR, Sweden's association for accountancy professionals.

ADDRESSES

Board of directors and senior executives

Crown Energy AB
Engelbrektsgatan 9-11
SE-114 32 Stockholm
Sweden

Auditor

Öhrlings PricewaterhouseCoopers AB
Torsgatan 21
SE-113 97 Stockholm
Sweden

The shares, shareholders, and share capital

SHARE CAPITAL

According to Crown Energy's articles of association, the issued share capital shall be no less than SEK 500,000 and no more than SEK 2,000,000. Only one type of share may be issued and shall total no less than 17,000,000 and no more than 68,000,000 shares. Each qualified shareholder is entitled to as many votes as the full number of shares he or she owns and represents at the Annual General Meeting (AGM) without any voting right restriction. Each share carries equal rights (one vote per share) to the Company's assets and profit at liquidation and all shares are freely transferable. The Company's shares are not subject to offers made as a result of mandatory bid, redemption right, or redemption obligation. Nor were the Company's shares subject to a public takeover bid during the current or prior fiscal

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). Crown Energy's share capital totals SEK 757,185.93 allocated over a total of 25,755,030 shares. The quotient value per share is SEK 0.029. 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

The following table shows changes in the Company's share capital from registration of the Company through 31 December 2012.

YEAR	TRANSACTION	CHANGE IN NUMBER OF VOTES	CHANGE IN NUM- BER OF SHARES	CHANGE IN SHARE CAPITAL (SEK)	CAPITALISATION, EXCLUDING ISSUE COSTS (SEK)	TOTAL NUMBER OF SHARES	TOTAL SHARE CAPITAL (SEK)	QUOTIENT VALUE (SEK)
2010	Incorporation	50,000	50,000	50,000	50,000	50,000	50,000	1.00
2011	Directed share issue	450,000	450,000	450,000	450,000	500,000	500,000	1.00
2011	Share split (3,406:2)	1,702,500,000	1,702,500,000	-	-	1,703,000,000	500,000	0.00029
2011	Directed share issue	116,820	116,820	35	35	1,703,116,820	500,035	0.00029
2011	Reverse share split (1:100)	-1,686,085,652	-1,686,085,652	-	-	17,031,168	500,035	0.029
2012	Directed share issue	181,666	181,666	5,334	3,347,100	17,212,834	505,368	0.029
2012	Non-cash issue ¹	1,135,411	1,135,411	33,336	16,986,66	18,348,245	538,704	0.029
2012	Preferential rights issue ²	1,529,020	1,529,020	44,892	10,703,140	19,877,265	583,596	0.029
2012	Directed share issue	4,285,714	4,285,714	125,828	29,999,998	24,162,979	709,424	0.029
2012	Offset issue ³	1,592,051	1,592,051	47,762	11,144,357	25,755,030	757,186	0.029

¹ Refers to payment for the acquisition of Amicoh Resources Ltd. The proceeds were offset against the purchase price reported in 2011 to the seller, Mocoh Resources Ltd.

² SEK 7,245,070 of total capitalised amount; refers to settlement of loan with principal owner (Ulrik Jansson via company).

³ Settlement of loan with principal owner (Ulrik Jansson via company).

OWNERSHIP STRUCTURE

As of 31 December 2012, Crown Energy had about 1,900 shareholders. The Company's three major shareholders are Ulrik Jansson, via the Company with about 59 per cent of the capital and votes, Comtrack Ventures Ltd with about 9 per cent of the capital and votes, and Mocoh Resources Ltd with about 6 per cent of the capital and votes. The following table shows the shareholdings of the five largest owners and the combined shareholdings of other owners:

Ownership structure as at 31 December 2012 and any known changes thereafter:

SHAREHOLDER	NUMBER OF SHARES	PROPORTION (%)
Ulrik Jansson, via company	15,267,226	59%
Comtrack Ventures Ltd	2,309,583	9%
Mocoh Resources Ltd	1,426,833	6%
Alan Simonian	1,175,377	5%
Bertil Lindkvist	500,000	2%
Other shareholders	5,076,011	19%
	25,755,030	100%

STOCK EXCHANGE

Since 28 December 2012, the Company's shares have traded on the NGM Equity exchange under the ticker CRWN with ISIN code SE0004210854. Shareholders, other players in the stock market, and the public are free to subscribe to the Company's press releases and financial reports through NG News, Nordic Growth Markets news service, at www.ngnews.se.

AFFILIATION WITH EUROCLEAR 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 CSD system via Euroclear Sweden, Box 7822, SE-103 97 Stockholm, our central 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 applies no restrictions or special procedures to cash dividends to shareholders residing outside Sweden. Except for the possible limitations of banking and clearing systems, payment is made 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 that for any given year a dividend will be proposed or determined by the Company.

SHARE-BASED INCENTIVE PLANS AND ISSUED WARRANTS

At an extraordinary general meeting in November 2011, it was resolved to issue up to 450,000 warrants for key persons within the Company. All warrants were subscribed for and allocated. The warrants entitle each holder to subscribe for one share in Crown Energy AB for each warrant held during the period up to and including November 28, 2014. The subscription price is SEK 30 per share.

As part of the purchase price for Amicoh Resources Ltd, it was resolved at the same meeting to also issue 364,954 warrants directed to the seller of Amicoh Resources Ltd. The warrants entitle the holder to subscribe for one share in Crown Energy AB for each warrant held during the period up to and including November 30, 2015. The subscription price is SEK 27.50 per share.

CONVERTIBLE BONDS

At 31 December 2012, Crown Energy had no outstanding convertible instruments. At an extraordinary general meeting on 25 March 2013, it was resolved to issue a maximum of 6,438,757 convertible instruments with preferential rights for shareholders (preferential rights issue). Upon full subscription of this preferential rights issue and later full conversion, the Company's share capital could increase by a maximum of SEK 189,296.47. In addition to the convertible instruments in the preferential rights issue, also approved at the meeting was the Board's proposal of 27 February 2013 requesting that it be allowed to issue an additional maximum 1,000,000 convertible instruments (directed share issue), under the condition that the preferential rights issue is oversubscribed and in deviation from shareholders' preferential right. If the preferential rights issue is fully subscribed, it will provide the Company with about SEK 65 million before issue costs, which are estimated at about SEK 3.6 million, and guaranteed compensation that could amount to a maximum of SEK 3.2 million.

Crown Energy plans to list the convertible instruments on NGM Equity in Stockholm. The subscription period for the convertible instruments is 10 April 2013 through 24 April 2013, which means that the subscription period is currently on-going.

Directors' report

The Board of Directors and CEO of Crown Energy AB (publ), 556804-8598, hereby submit their report for the fiscal year 1 January–31 December 2012.

OPERATIONS

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 underexploited areas, primarily Africa. The Group currently has operations in Equatorial Guinea, South Africa, and Madagascar. The Parent Company's commercial domicile is Stockholm, Sweden, and it has been listed on NGM Equity since 28 December 2012.

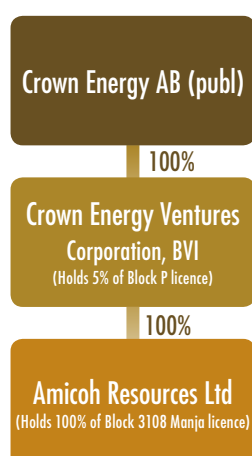
The Company has not yet commenced oil production as projects have not yet reached the production phase.

For a more detailed description of the Group's operations and ongoing projects, see page 5-10.

COMPANY STRUCTURE

The Parent Company was registered in April 2010. The Crown Energy Group was founded in 2011 through acquisition of its subsidiary Crown Energy Ventures Corporation Ltd. That same year, Crown Energy Ventures Corporation Ltd acquired subsidiary Amicoh Resources Ltd, which holds an exploration licence in Madagascar.

Below is an overview of the Group's legal structure as at 31 December 2012:



SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

In October 2012, the Company completed the acquisition of a five per cent stake in the exploration and production licence Block P (offshore) in Equatorial Guinea. In September 2012, the licence operator submitted a plan of development for the Venus field and its surroundings to the authorities for approval. Subject to regulatory approvals, development drilling is planned to commence in 2014 with an expected production start in 2015.

In November 2012, a 3D seismic data and analysis contract was commenced for licence Block 2B in South Africa with WesternGeco, a geophysical services company. The 3D seismic surveys began in January 2013. After processing and interpreting the acquired data, initial results are expected after the summer and final results towards the end of 2013.

In 2012, Crown Energy focused intensively on preparatory work for future drilling on its Madagascar licence and with otherwise improving the terms of the licence. The intention of the work done in 2012 was to improve the possibility of finding a future industry partner which we can collaborate with operationally.

During the year, several cash and offset issues were implemented. The issues increased the Parent Company's equity by SEK 63,919,587, net of issue costs of SEK 8,261,676, increasing cash holdings by SEK 28,487,391. The issues also meant that offsets against liabilities could be made, resulting in a decrease in indebtedness of SEK 18,389,427 as regards loans from related parties.

In December 2012, the Parent Company, Crown Energy AB, was approved for listing of its shares on NGM Equity. Trading in the shares began on 28 December 2012. The stock market listing offers broader opportunities for existing and new shareholders to invest in and develop their holdings in the Company. The share was previously listed on NGM Nordic MTF.

FINANCIAL SUMMARY

Three-year summary

Note that in 2010 there was no group relationship. See Note 27 for definitions of key ratios.

	1 JAN-31 DEC 2012	1 JAN-31 DEC 2011	14 APR-31 DEC 2010
Group, SEK thousand			
Other operating income	–	342	–
Operating expenses	-9,300	-3,501	–
Operating loss	-9,300	-3,158	–
Net finance costs	-410	116	–
Balance sheet total	77,133	51,958	–
Earnings per share, SEK	-0.46	-0.76	–
Equity per share, SEK	2.15	0.07	–
Equity/assets ratio	71.9%	2.4%	–
Number of employees	2	0	–
Parent Company, SEK thousand			
Operating expenses	-9,396	-1,496	-1
Operating loss	-9,396	-1,496	-1
Net finance costs	4,575	-2	–
Balance sheet total	68,595	39,091	100
Number of employees	2	0	–

Balance sheet

Intangible non-current assets

Capital expenditures on exploration and appraisal assets in 2012 (2011) totalled SEK 11,791,004 (49,517,040) net of translation differences. Capital expenditures were related to capitalised exploration expenses for licences 3108 Manja on Madagascar and Block P in Equatorial Guinea. Of these expenditures, SEK 923,400 concerns the initial purchase price for Block P in Equatorial Guinea, which was paid in October 2012. Total capitalised exploration expenses, which are recognised as intangible non-current assets, totalled SEK 61,946,141 (49,517,040) at 31 December 2012 (2011).

Current assets

On 31 December 2012 (2011), current assets totalled SEK 16,186,447 (2,441,036). SEK 11,761,666 (1,563,378) of this refers to cash and cash equivalents. See the explanation of changes in cash and cash equivalents in the Cash flow section.

Prepaid expenses and accrued income increased from SEK 290,476 to SEK 3,456,459, which is due to company operations being more extensive than in 2011. Prepaid expenses consist primarily of prepaid licence fees.

Equity

As at 31 December 2012 (2011), equity totalled SEK 55,433,843 (1,246,822), corresponding to an equity/assets ratio of 71.9 (2.4) per cent. In 2012, cash and offset issues increased the Company's share capital by SEK 257,152 and other contributed capital by SEK 63,662,435, net of issue costs of SEK 8,261,676. Accordingly, equity increased by SEK 63,919,587.

Liabilities

In order to finance the acquisition of Amicoh Resources Limited in 2011, Varukungen AB, which is controlled by Ulrik Jansson (CEO and main shareholder of Crown Energy), lent cash to Crown Energy. At 31 December 2012, loans from Varukungen AB totalled SEK 2,854,275. The remaining amount of the loan is interest-free. For a detailed description of the loan, see note 25 Transactions with related parties.

Deferred tax relates to temporary differences resulting from fair value adjustments. The SEK -30,563 change in 2012 relates to translation differences.

Other provisions result from the acquisition of the Madagascar licence and refer to both a provision for potential future additional purchase prices and Crown Energy AB warrants issued to the seller. The net reduction of SEK 105,704 refers to discount and revaluation effects due to measurement of fair value.

Accounts payable and accrued expenses increased as a result of limited operations in 2011. The biggest changes refer to personnel-related expenses and expenses for management and consultants.

Earnings

Income

No production of oil or gas occurred, so no revenue was recognised. In 2012 (2011), other operating income totalled SEK 0 (342,275). In 2011, other operating income related to technical services performed by outside consultants on Crown Energy's behalf, but which was shared with other third parties.

Expenses

Operating expenses for 2012 (2011) totalled SEK -9,300,150 (-3,500,625), of which SEK -4,811,669 (-116,956) consisted of employee expenses, SEK -4,157,428 (-3,382,669) related

to other external expenses, and SEK -331,053 (0) related to other operating expenses. External expenses for 2012 include about SEK 1,262,000 for listing the Company on NGM Equity. In 2011 about SEK 1,272,000 in transaction expenses were attributable to the acquisition of subsidiary Amicoh Resources Ltd. Generally, operating expenses increased due to more extensive operations in 2012 than in 2011. Expenses for personnel, rent, administration, and management are examples of expenses that did not exist in 2011.

Earnings from financial items

Net finance costs, consisting primarily of exchange differences arising from foreign currency transactions, totalled SEK -409,822 (116,425) for the period.

Profit/loss after tax

Net loss after tax in 2012 (2011) totalled SEK -9,709,972 (-3,041,925), corresponding to SEK -0.46 (-0.76) per share.

Cash flow

Cash flow for 2012 (2011) totalled SEK 10,206,787 (1,464,527).

Cash flow from operating activities in 2012 (2011) totalled SEK -9,545,701 (-2,642,536) primarily due to increased personnel and administrative expenses.

Cash flow from investing activities in 2012 (2011) totalled SEK -11,543,491 (-17,974,382) and consisted of exploration expenditures on licences owned. In 2011, expenditures had primarily to do with the acquisition of subsidiary Amicoh Resources Ltd.

Cash flow from financing activities in 2012 (2011) totalled SEK 31,487,390 (22,081,445). The 2012 cash flow was due to the new share issues implemented during the year. As a result of these issues, SEK 28,487,391 was added to the Parent Company's cash holdings during the period, net of offsetting loans and deduction of issue expenses. In 2011 the increase in cash flow consisted primarily of loans from shareholders.

Financial resources and working capital

Since the Group has not generated any positive cash flow from its operations, financing has historically been done through new share issues. In 2012, several cash and offset issues were implemented that increased Crown Energy's equity by SEK 63,919,587, net of issue costs of SEK 8,261,676, increasing cash holdings by SEK 28,487,391. Cash and cash equivalents at 31 December 2012 (2011) totalled SEK 11,761,666 (1,563,378).

Disputes

As of publication of the annual report, there were no material disputes between Crown Energy and any other parties.

EVENTS AFTER YEAR-END

Crown Energy entered into an agreement in 2011 to acquire 75 per cent of licence Block 2B through the acquisition of Thombo Petroleum Ltd for USD 14 million (ca. SEK 90 million). The sellers and the Company have now decided to implement the deal with a 40.5 per cent stake in the licence and with a proportionally unchanged purchase price of USD 7.6 million (ca. SEK 48 million). This stake in the licence will be transferred by the seller to a newly registered UK company, which Crown Energy will acquire in full. This has the great advantage of reducing the Company's exposure and risk associated with any individual licence, creating a better balance between the Company's various assets without significantly reducing the upside. The acquisition is subject to South African regulatory approvals, which according to the Board's assessment will be obtained no later than the third quarter of 2013.

To finance the acquisition, Crown Energy's Board proposed on 27 February 2013 that a resolution on issuance of convertibles for about SEK 64 million with preferential rights for existing shareholders be determined at an extraordinary general meeting. The preferential rights issue would be secured through subscription commitments from existing shareholders and sellers of licence Block 2B for 50 per cent of the issue amount and guarantees from investment funds, institutions, and individuals for the remaining 50 per cent of the issue amount. At an extraordinary general meeting on 25 March 2013, it was resolved, as proposed by the Board, to issue a maximum of 6,438,757 convertible instruments with preferential rights for shareholders (preferential rights issue). Upon full subscription of this preferential rights issue and later full conversion, the Company's share capital could increase by a maximum of SEK 189,296.47. In addition to the convertible instruments in the preferential rights issue, also approved at the meeting was the Board's proposal of 27 February 2013 requesting that it be allowed to issue an additional maximum 1,000,000 convertible instruments (directed share issue), on condition that the preferential rights issue is oversubscribed and in deviation from shareholders' preferential right.

Crown Energy plans to list the convertible instruments on NGM Equity in Stockholm. The subscription period for the convertible instruments was 10 April 2013 through 24 April 2013.

If the preferential rights issue is fully subscribed, it will provide the Company with about SEK 65 million before issue costs, which are estimated at about SEK 3.6 million, and guaranteed compensation that could amount to a maximum of SEK 3.2 million. Existing shareholders who choose not to exercise their subscription rights to subscribe for convertibles will incur a dilution of 20 per cent upon full conversion of the convertibles under the preferential rights issue, and on full conversion of the convertibles in the directed share issue, if fully subscribed, a dilution of 3.74

per cent. Of the net amount provided by the issue, about SEK 49.5 million will go to acquisitions and about SEK 15.5 million will be added to the Company's cash and working capital. In the event that the directed share issue is fully subscribed, an additional SEK 10 million will be added to the Company's cash and working capital, net of issue costs.

For complete details on the convertibles issue and its terms, see the prospectus approved by the Swedish Financial Supervisory Authority and published on 2 April 2013. The prospectus is available for download on Crown Energy's website. Also available on the website are the minutes of the extraordinary general meeting and the Board's complete proposals.

OUTLOOK

Operations

Going forward, Crown Energy will continue to develop existing projects, and our steps towards drilling Ambatolava-1 on the Manja licence in Madagascar is front and centre. As mentioned earlier, Crown Energy is also working intensively to find a financial and operational licence partner as well as an operational partnership between several companies in Madagascar with which drilling costs can be shared.

Crown Energy will also concentrate a lot of energy on developing Block P, where the US oil company Vaalco Energy Inc. has come in as an exciting licence partner with interests parallel to Crown Energy's. Focus will be on the existing Venus reservoir in the licence area, which will be prepared before any development is done. A government permit is next on the agenda. There are also very interesting structures near the Venus reservoir that will require further exploration work.

Besides this, Crown Energy continually appraises new opportunities in line with its business concept and goals. The Company hopes to enter into agreements for the acquisition of one or more projects in 2013. However, such projects must be compatible with Crown's basic values regarding opportunities, infrastructure, the environment, and upside potential. Funding for such potential projects, regulatory approvals, and such situations are things that must be dealt with at any given moment and at every opportunity. Crown Energy is closely following developments in Tigris Oil, which Crown Energy has an option to acquire and which holds an oil and gas licence in Iraq. Tigris Oil works with gathering all existing data available within the licence area in order to eventually develop and refine exploration and development for production.

In summary, Crown Energy is developing prospects for investors to own shares that generate good revenue, so the Company can be an attractive investment for both small and large investors in the market.

Financing

Since the Group has not generated any profits, financing has historically been done through new share issues. As mentioned in the Events after year-end section, a convertible instrument issue will be implemented in 2013 to finance the acquisition of the Block 2B licence. Besides this issue, the current assessment is that there will be no need for financing of operating activities over the next 12 months.

RISKS AND UNCERTAINTY FACTORS

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

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

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

For a more detailed description of the Company's risks, see Note 3, Operational risks, and Note 4, Financial risk management.

THE SHARE AND OWNERSHIP STRUCTURE

Share capital

According to Crown Energy's articles of association, the issued share capital shall be no less than SEK 500,000 and no more than SEK 2,000,000. Only one type of share may be issued and shall total no less than 17,000,000 and no more than 68,000,000 shares. Each qualified shareholder is entitled to as many votes as the full number of shares he or she owns and represents at the general meeting without any voting right restriction. Each share carries equal rights (one vote per share) to the Company's assets and profit at liquidation and all shares are freely transferable. The Company's shares are not subject to offers made as a result of mandatory bid, redemption right, or redemption obligation. Nor were the Company's shares subject to a public takeover bid during the current or prior fiscal 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).

As at 31 December 2012, Crown Energy's share capital totalled SEK 757,185.93 allocated over a total of 25,755,030 shares. The quotient value per share is SEK 0.029.

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 The shares, shareholders, and share capital section on page 14–15.

Ownership structure

As of 31 December 2012, Crown Energy had about 1,900 shareholders. The Company's three major shareholders are Ulrik Jansson, via company with about 59 per cent of the capital and votes, Comtrack Ventures Ltd with about 9 per cent of the capital and votes, and Mocoh Resources Ltd with about 6 per cent of the capital and votes. The following table shows the shareholdings of the five largest owners and the combined shareholdings of other owners:

Ownership structure as at 31 December 2012 and any known changes thereafter:

SHAREHOLDER	NUMBER OF SHARES	PROPORTION (%)
Ulrik Jansson, via company	15,267,226	59%
Comtrack Ventures Ltd	2,309,583	9%
Mocoh Resources Ltd	1,426,833	6%
Alan Simonian	1,175,377	5%
Bertil Lindkvist	500,000	2%
Other shareholders	5,076,011	19%
	25,755,030	100%

Annual general meeting (AGM)

The AGM will be held on 23 May 2012 at 2 pm at Company headquarters, Engelbrektsgatan 9-11 in Stockholm.

Parent Company

The Parent Company's loss before tax for 2012 (2011) totalled SEK -4,820,749 (-1,497,933). The increase from 2011 is mainly attributable to increased personnel and administrative costs. Cash and cash equivalents at 31 December 2012 (2011) totalled SEK 11,562,720 (1,094,727). The Parent Company's capital expenditures totalled SEK 0 (0). There were 2 (0) persons employed by the Parent Company at the end of the period.

Proposed appropriation of profits

The following profit is at the disposal of the AGM:

SEK	
Share premium reserve	63,662,437
Profit brought forward	2,500,966
Loss for the year	-4,820,749
Total	61,342,654

The Board proposes it be resolved at the AGM that the loss for the year and profit brought forward be offset against the share premium reserve.

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) and is part of the formal annual accounts.

INTRODUCTION

Crown Energy AB is a Swedish public company headquartered in Stockholm. Until 27 December 2012, the Company's shares were traded on NGM Nordic MTF. On 28 December 2012, Crown Energy's shares began trading on NGM Equity, a regulated market.

Crown Energy's corporate governance is allocated among shareholders, the Board, the CEO, and senior management. In 2012, governance was regulated mainly by the articles of association, the Swedish Companies Act, the listing agreement with NGM Nordic MTF, good practice on the stock market, and internal guidelines and policies. As of 28 December 2012, Crown Energy is also covered by NGM's rules for companies whose shares are traded on NGM Equity and by the Code.

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 2012 corporate governance report was prepared accordingly and is part of the formal annual accounts.

Crown Energy initiated efforts to apply the Code from the day after its shares began trading on NGM Equity but will not apply the Code in full until the 2013 AGM (to be held on 23 May 2013). Rules of the Code from which Crown Energy deviated in 2012 are shown below. Explanations and solutions that were used instead are described in each respective section of the Corporate Governance Report.

ALLOCATION OF RESPONSIBILITIES

Crown Energy shareholders exert their influence at the general meeting, which is the Company's highest decision-making body, while responsibility for organisation and administration of the Company rests with the Board and CEO in accordance with the Swedish Companies Act, other laws and ordinances, applicable rules for listed companies, the articles of association, and the Board's internal control instruments. Below is a description of each governing body.

SHAREHOLDERS

As of 31 December 2012, Crown Energy had about 1,900 shareholders. The Company's three major shareholders are Ulrik Jansson, via the Company with about 59 per cent of the capital and votes, Comtrack Ventures Ltd with about 9 per cent of the capital and votes, and Mocoh Resources Ltd with about 6 per cent of the capital and votes. The five largest shareholders had combined holdings of 80 per cent of the shares and votes at the end of 2012.

According to Chap. 6, Sec. 6, Par. 2 P. 3 of the Annual Accounts Act, the corporate governance report shall present direct or indirect shareholdings that represent at least one-tenth of the number of votes for all shares in the company. At 31 December 2012, there was only one such holding, which was represented by Ulrik Jansson, via company (59%). Additional information about the share and shareholders can be found on page 14-15 of this report.

GENERAL MEETING

The general meeting is Crown Energy's highest decision-making body. By law, the Annual General Meeting (AGM) shall 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, allocation 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 extraordinary general meetings 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.

ANNUAL GENERAL MEETING – ("AGM")

Crown Energy's 2012 AGM was held on 29 May 2012 in Stockholm. At the meeting, 66.1 per cent of the votes and share capital were represented. These items and others were resolved at the meeting:

- *Adoption of the income statement and balance sheet for the Parent Company and the Group*
- *Discharge of the Board and CEO*
- *Adoption of appropriation of profits, entailing the Company's accumulated earnings of SEK 2,500,968 being brought forward*
- *Adoption of the number of board members and election of board members*
- *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*
- *Guidelines for remuneration of Group senior executives*
- *Approval of the Board's decision on the directed share issue and a resolution authorising the Board to make decisions affecting the new share issue*

The 2013 AGM will be held on 23 May 2013 at 2 pm at company headquarters, Engelbrektsgatan 9-11 in Stockholm.

Other general meetings

On 25 March 2013, an extraordinary general meeting was held at which it was resolved to adopt the Board's proposal regarding convertible issues with both preferential rights for shareholders and deviation from shareholders' preferential rights. At the meeting, 59.3 per cent of the votes and share capital were represented.

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 the nomination committee are resolved at the AGM.

Crown Energy has historically not had a nominating committee since the Company was not listed on a regulated market and a nomination committee was not deemed necessary in light of the composition of shareholders. A nominating committee will be set up after the AGM on 23 May 2013, and for the 2013 AGM, the Company intends to consult with the principal shareholder regarding the items that are normally covered by the nomination committee.

BOARD OF DIRECTORS

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. The Board currently consists of three members. At present, the Company is reviewing the Board before the 2013 AGM to ensure that it is compliant with the Code. No specific division of duties between board members exists. For additional information on the current board, see the Board of directors, senior executives, and auditors section on pages 11-13 of this report.

At the statutory board meeting following the AGM, Crown Energy's board establishes rules of procedure and instructions concerning interactions between the Board and CEO, along with financial reporting instructions. 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 general meeting. Besides regular meetings, the Board gathers for additional meetings as required. Prior to the NGM Equity listing, the rules of procedure for the Board, instructions for the CEO, and instructions for financial reporting were adapted and expanded to meet the increased demands placed on companies listed on regulated markets.

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. Alan Simonian was elected Chairman of the Board at the 2012 AGM.

The Code requires that a majority of board members be independent relative to the company and its management. At least

two of the independent board members must also be independent relative to the Company's major shareholders. Major shareholders are defined as those controlling ten per cent or more of the Company's shares or voting rights. In 2012, the Board consisted of three members. Two of them were independent of the Company, its management, and major shareholders. As previously mentioned, the Company is reviewing the Board before the 2013 AGM. The intention is to expand the Board to fully ensure that it complies with the Code in terms of competence, etc.

The work of the Board in 2012

The Board had 11 meetings in 2012, including one statutory meeting. During the year, the Board paid special attention to

the Company's stock exchange listing, acquisition of assets, and financing issues. In connection with the Company's listing, the Board approved the prospectus as prepared and adopted new governance documents (Board's rules of procedure, CEO instructions, financial reporting instructions, and disclosure policy). The Board also approved the new share issues implemented during the year. The Board's focus has largely been on the projects on which the Company is currently working.

The Company's auditor attended one board meeting in 2012.

Below is a summary of the Board's composition and participation in meetings:

SHAREHOLDER		NATIONALITY	YEAR ELECTED	REMUNERATION, SEK	INDEPENDENT OF COMPANY AND MANAGEMENT	INDEPENDENT OF MAJOR SHAREHOLDERS	BOARD MEETINGS ATTENDED
Alain Simonian	Chairman	UK	2011	150,000	Yes	Yes	11/11
Ulrik Jansson	Board member and CEO	Sweden	2011	-	No	No	11/11
Andrew Harriman	Board member	UK	2011	75,000	Yes	Yes	11/11

Authorisation

At the AGM on 29 May 2012, it was resolved to authorise the Board to, under existing articles of association and until the next AGM, on one or more occasions but without deviation from shareholders' preferential rights, make decisions regarding new share issues, convertibles, and warrants. Supported by this authorisation, the Company's share capital and number of shares may be increased by up to 20 per cent of the Company's share capital and number of shares by the number of shares that were determined at the time of the AGM. The Board was authorised to decide on whether new share issues may be paid for in cash, through non-cash issues or offsets, or be otherwise conditional.

COMMITTEES

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. If more appropriate, the Board may, in accordance with the Companies Act, decide to perform the duties of a committee themselves, that is, address the issues within the regular Board.

In 2012, Crown Energy did not have an audit committee or remuneration committee for the reasons mentioned in the introduction. In connection with the 2013 AGM, the Board intends to

consider the question of whether separate audit and remuneration committees should be established, or if the Board should carry out the duties of the committees.

CORPORATE 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. Ulrik Jansson is Crown Energy's CEO and is also its principal owner. Ulrik Jansson's holdings in Crown Energy, via the company, on publication of the annual report totalled 15,267,226 shares. He is dependent relative to both the Company and major shareholders.

The management group is otherwise comprised of Andreas Forsell, vice president and CFO, Peter Mikkelsen, chief geologist and exploration manager, and David Jones, legal advisor. Peter Mikkelsen and David Jones perform their duties as consultants, not as employees of Crown Energy.

See the presentation of the CEO and other senior executives on pages 11-13 of the annual report.

INTERNAL AUDITING

The Company has a simple legal and operational structure along with established management and internal control systems. In 2012, the Company did not have a separate internal audit function. In the 2013 fiscal year, the Board intends to regularly monitor 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 general meeting 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.

At an extraordinary general meeting in 2010, the firm PwC was elected as Crown Energy's auditor through the end of the 2015 AGM. As chief auditor, authorised public accountant Peter Burholm was appointed to sign the auditor's report together with authorised public accountant Mikael Winkvist.

REMUNERATION

Remuneration of the Board of Directors

Resolutions on remuneration of the Board are made at the AGM. At the AGM on 29 May 2012, it was decided that the Chairman of the Board's remuneration would be SEK 150,000 for 2012 and that remuneration for other board members not employed by the Company would be SEK 75,000 each.

Chairman 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 programs. In 2011, board member Andrew Harriman received warrants representing 100,000 Crown Energy shares. These warrants were issued before Crown Energy was subject to the Code's rules on board members not being included in incentive programs.

Remuneration and benefits for senior executives

Decisions on remuneration of the CEO are made by the Board. Since 1 January 2012, Ulrik Jansson has received a monthly remuneration of SEK 125,000. There is a notice period of 12 months if the Company terminates the contract and six months if the CEO terminates the contract. He also receives pension benefits, which, as far as the Board can determine, are comparable to CEOs of companies that are similar to Crown Energy. Other senior executives of Crown Energy are Andreas Forssell, CFO and vice president, Peter Mikkelsen, exploration manager, and David Jones, legal advisor. Decisions regarding remuneration of other senior executives are made by the CEO.

Since 1 January 2012, Andreas Forssell has received a monthly remuneration of SEK 85,000. The mutual notice period between him and the Company is six months. He also receives pension

benefits, which, as far as the Board can determine, are comparable to vice presidents of companies that are similar to Crown Energy.

Apart from public pension plans, Crown Energy has no contracted pension benefits other than the pension benefits of the CEO and vice president/CFO. 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 and David Jones fulfil their management obligations to the Company on a consulting basis. In 2012, the Company paid SEK 638,442 and SEK 113,707 SEK to Peter Mikkelsen and David Jones, respectively.

Remuneration of auditors

At the 2010 extraordinary general meeting, PwC was appointed as auditor with Peter Burholm acting as the auditor-in-charge for Crown Energy since then. Mr Burholm has been an authorised public accountant since 1995 and is a member of FAR, Sweden's association for accountancy professionals. Remuneration of the auditor is paid on open account. Total remuneration paid to the auditor for fiscal year 2012 (2011) totalled SEK 539,819 (64,500), of which SEK 264,794 (60,000) pertained to audit engagements and SEK 275,025 (4,500) was for other assignments. An audit involves reviewing the annual report and book-keeping 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 2012 FISCAL YEAR

The Board is responsible for the internal control of the Company and, according to the Annual Accounts Act, the Board shall annually submit a description of the key elements of the Company's internal control and risk management regarding financial statements. Below 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 statements. 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 connection with listing of the Company on NGM Equity in December 2012, the Board's and CEO's instructions as well as the disclosure and financial reporting policies were updated. In addition to these guidance documents, there are also other guidelines and policies for operational and administrative activities. All

guidance documents and process descriptions are communicated within the organisation and are available and known to the staff concerned.

Risk assessment

The Company identifies, analyses, and makes decisions on managing the risk of errors in the financial statements. Currently, the business is relatively small and involves a limited number of persons. The Company has identified the operational processes and earnings 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 risks are linked to raising capital (liquidity risk) and accounting issues related to the acquisition of subsidiaries and licences.

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 will also 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. The Company's intention is for the meetings between the Board and management to be more frequent and formalised in 2013.

To ensure that external communication with the stock market is accurate, there is a disclosure policy that regulates how investor relations are managed. The policy was adopted in December 2012 in connection with the NGM Equity listing.

Follow-up

In 2012, follow-up of operations was mainly done in connection with regular board meetings. The Company's auditors regularly reviewed the internal controls during the year.

Starting in 2013, the Company intends to update procedural descriptions, policies, and guidance documents as necessary, but at least annually. The intention is for the Board to receive quarterly financial results, including management's comments on operations. The Company also intends for its auditor to participate in at least one board meeting to present their observations of the Company's internal routines and control systems.

Consolidated income statement

ALL AMOUNTS IN SEK	NOTE	2012-01-01 2012-12-31	2011-01-01 2011-12-31
Other operating income		–	342,275
Total operating income		–	342,275
Operating expenses			
Other external costs	7	-4,157,428	-3,383,669
Employee benefit expenses	8	-4,811,669	-116,956
Other operating expenses		-331,053	–
Total operating expenses		-9,300,150	-3,500,625
Operating loss	10	-9,300,150	-3,158,350
Finance income	9, 10	26,080	182,447
Finance costs	9, 10	-435,902	-66,022
Profit/loss from financial items		-409,822	116,425
Loss before taxes		-9,709,972	-3,041,925
Income tax expense	11	–	–
Net loss for the year		-9,709,972	-3,041,925
Net loss for the year attributable to			
Parent company owners		-9,709,972	-3,041,925
Proposed dividend per share		None	None
Average number of basic shares	12	20,928,849	3,987,756
Basic earnings per share	12	-0.46	-0.76
Diluted earnings per share	12	-0.46	-0.76

Consolidated statement of comprehensive income

	2012-01-01 2012-12-31	2011-01-01 2011-12-31
Net loss for the period	-9,709,972	-3,041,925
Other comprehensive income for the year		
Currency translation differences	-22,593	-210,249
Other comprehensive income for the year, net of tax	-22,593	-210,249
Total comprehensive income for the year	-9,732,565	-3,252,174
Total other comprehensive income for the year attributable to:		
Parent company owners	-9,732,565	-3,252,174
Total comprehensive income for the year	-9,732,565	-3,252,174

Consolidated statement of financial position

ALL AMOUNTS IN SEK	NOTE	2012-12-31	2011-12-31
ASSETS			
Non-current assets			
Other intangible assets	13	60,946,141	49,517,040
Total non-current assets		60,946,141	49,517,040
Current assets			
Other current financial assets	14	968,323	587,182
Prepayments and accrued income	15	3,456,459	290,476
Cash and cash equivalents	16	11,761,666	1,563,378
Total current assets		16,186,447	2,441,036
TOTAL ASSETS		77,132,588	51,958,076
EQUITY			
Equity attributed to parent company owners			
Share capital	17	757,186	500,034
Other capital contributions	17	67,662,437	4,000,002
Reserves		-232,842	-210,249
Retained earnings, including net loss for the period		-12,752,938	-3,042,965
Total Equity		55,433,843	1,246,822
LIABILITIES			
Non-current liabilities			
Loans from related parties	25	2,854,275	17,298,738
Deferred income tax liabilities	19	11,309,941	11,340,504
Other provisions	20	2,543,300	2,437,596
Total non-current liabilities		16,707,516	31,076,838
Current liabilities			
Accounts payable		2,103,425	503,048
Other current liabilities	21	207,779	18,587,991
Accrued expenses and deferred income	22	2,680,025	543,377
Total current liabilities		4,991,229	19,634,416
TOTAL EQUITY AND LIABILITIES		77,132,588	51,958,076
Pledged assets and contingent liabilities	29	None	None

Consolidated statement of changes in equity

ATTRIBUTABLE TO PARENT COMPANY OWNERS						
ALL AMOUNTS IN SEK	NOTE	SHARE CAPITAL	OTHER CAPITAL CONTRIBUTIONS	RESERVES	RETAINED EARNINGS INCL NET LOSS FOR THE PERIOD	TOTAL EQUITY
Opening balance 2011-01-01		50,000	–	–	-1,041	48,959
Comprehensive income						
Net loss for the year		–	–	–	-3,041,924	-3,041,924
Other comprehensive income						
Currency translation differences		–	–	-210,249	–	-210,249
Total comprehensive income		–	–	-210,249	-3,041,924	-3,252,173
Transactions with shareholders						
New share issue		450,034	2	–	–	450,036
Conditional shareholder contribution		–	4,000,000	–	–	4,000,000
Total transactions with shareholders		450,034	4,000,002	–	–	4,450,036
Closing balance 2011-12-31		500,034	4,000,002	-210,249	-3,042,965	1,246,822
Opening balance 2012-01-01		500,034	4,000,002	-210,249	-3,042,965	1,246,822
Adjusted opening balance 2012-01-01		500,034	4,000,002	-210,249	-3,042,965	1,246,822
Comprehensive income						
Net loss for the year		–	–	–	-9,709,972	-9,709,972
Other comprehensive income						
Currency translation differences		–	–	-22,593	–	-22,593
Total comprehensive income		–	–	-22,593	-9,709,972	-9,732,565
Transactions with shareholders						
Share issue	17	257,152	71,924,111	–	–	72,181,263
Issue expenses ¹⁾		–	-8,261,676	–	–	–
Total transactions with shareholders		257,152	63,662,435	–	–	63,919,587
Closing balance 2012-12-31		757,186	67,662,437	-232,842	-12,752,938	55,433,843

¹⁾ Deferred tax on issue expenses has not been taken into account.

Consolidated statement of cash flows

ALL AMOUNTS IN SEK	NOTE	2012-01-01 2012-12-31	2011-01-01 2011-12-31
Cash flows from operating activities			
Operating loss		-9,300,151	-3,158,350
Adjustments for non-cash items:			
- Other items not affecting cash		-401,407	-
Interest received		533	182,447
Interest paid		-3,630	-1,268
Cash flow from operating activities before changes to working capital		-9,704,655	-2,977,171
Changes to working capital			
Increase/decrease in other receivables		-3,864,514	-559,687
Increase/decrease in other current liabilities		4,023,468	894,322
Total changes to working capital		158,954	334,635
Net cash flow from operating activities		-9,545,701	-2,642,536
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash acquired	24	-	-17,974,382
Purchases of intangible assets	13	-11,791,004	-
Net cash flow used in investing activities		-11,791,004	-17,974,382
Cash flows from financing activities			
Share issue	17	28,543,491	450,036
Shareholder contributions		-	4,000,000
Borrowings		3,000,000	17,631,409
Net cash flows used in financing activities		31,543,491	22,081,445
Cash flow for the year		10,206,787	1,464,527
Cash, cash equivalents at beginning of year		1,563,378	98,959
Exchange gain/loss on cash and cash equivalents		-8,499	-108
Cash and cash equivalents at end of year	16	11,761,666	1,563,378

Consolidated statement of cash flows cont.

ALL AMOUNTS IN SEK	NOTE	2012-01-01 2012-12-31	2011-01-01 2011-12-31
Disclosures cash flow statement			
Other items not affecting cash			
Impairment of other receivables		317,390	–
Remission other liabilities (revenue)		-661,441	–
Fair value adjustment convertible bonds		9,820	–
Unrealised foreign exchange losses/(gains)		-67,176	–
Total other items not affecting cash		-401,407	–
Cash and cash equivalents include the following:			
Cash at bank and on hand		11,761,666	1,563,378

Parent company – income statement

ALL AMOUNTS IN SEK	NOTE	2012-01-01 2012-12-31	2011-01-01 2011-12-31
Other external costs	7	-4,266,692	-1,495,063
Employee benefit expenses	8	-4,811,669	-685
Other operating expenses		-317,855	–
Total operating expenses		-9,396,216	-1,495,748
Operating loss	10	-9,396,216	-1,495,748
Other interest income and similar items	9, 10	4,640,797	–
Interest expenses and similar items	9, 10	-65,330	-2,245
Profit/loss from financial items		4,575,467	-2,245
Loss before taxes		-4,820,749	-1,497,993
Income tax expense	11	–	–
Net loss for the year		-4,820,749	-1,497,993

Parent company – statement of comprehensive income

ALL AMOUNTS IN SEK	NOTE	2012-01-01 2012-12-31	2011-01-01 2011-12-31
Net loss for the year		-4,820,749	-1,497,993
Other comprehensive income			
Other comprehensive income		–	–
Total comprehensive income		-4,820,749	-1,497,993

Parent company – statement of financial position

ALL AMOUNTS IN SEK	NOTE	2012-12-31	2011-12-31
ASSETS			
Non-current assets			
Shares in group companies	23	500,000	500,000
Receivables, group companies		21,243,738	21,243,738
Total financial assets		21,743,738	21,743,738
Total non-current assets		21,743,738	21,743,738
Current assets			
Current receivables			
Receivables, group companies		34,240,881	15,934,000
Other current financial assets	14	934,233	270,957
Prepayments and accrued income	15	113,500	47,100
Total current receivables		35,288,614	16,252,057
Cash and cash equivalents	16	11,562,720	1,094,727
Total current assets		46,851,334	17,346,784
TOTAL ASSETS		68,595,072	39,090,522

Parent company – statement of financial position cont.

ALL AMOUNTS IN SEK	NOTE	2012-12-31	2011-12-31
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	17	757,186	500,034
Total restricted equity		757,186	500,034
Non-restricted equity			
Share premium reserve	17	63,662,437	2
Profit brought forward		2,500,966	3,998,959
Net loss for the period		-4,820,749	-1,497,993
Total non-restricted equity		61,342,654	2,500,968
Total equity		62,099,840	3,001,002
Liabilities			
Non-current liabilities			
Loans from related parties	25	2,854,275	17,298,738
Total non-current liabilities		2,854,275	17,298,738
Current liabilities			
Accounts payable		766,887	503,049
Other current liabilities	21	207,779	17,987,733
Accrued expenses and deferred income	22	2,666,291	300,000
Total current liabilities		3,640,957	18,790,782
TOTAL EQUITY AND LIABILITIES		68,595,072	39,090,522
Pledged assets			
		None	None
Contingent liabilities			
		None	None

Parent company – changes in equity

ALL AMOUNTS IN SEK	NOTE	SHARE CAPITAL	SHARE PREMIUM RESERVE	PROFIT BROUGHT FORWARD	NET LOSS FOR THE PERIOD	TOTAL EQUITY
Opening balance 2011-01-01		50,000	–	–	-1,041	48,959
Net loss for the year		–	–	–	-1,497,993	-1,497,993
Transfer of previous year's result		–	–	-1,041	1,041	–
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	-1,041	-1,496,952	-1,497,993
Transactions with shareholders						
New share issue		450,034	2	–	–	450,036
Conditional shareholder contribution		–		4,000,000	–	4,000,000
Closing balance 2011-12-31		500,034	2	3,998,959	-1,497,993	3,001,002
Opening balance 2012-01-01		500,034	2	3,998,959	-1,497,993	3,001,002
Comprehensive income:						
Net loss for the year		–	–	–	-4,820,749	-4,820,749
Transfer of previous year's result		–	–	-1,497,993	1,497,993	–
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	-1,497,993	-3,322,756	-4,820,749
Transactions with shareholders						
New share issue	17	257,152	71,924,111	–	–	72,181,263
Issue expenses ¹⁾		–	-8,261,676	–	–	-8,261,676
Total transactions with shareholders		257,152	63,662,435	–	–	63,919,587
Closing balance 2012-12-31		757,186	63,662,437	2,500,966	-4,820,749	62,099,840

¹⁾ Deferred tax on issue expenses has not been taken into account.

Parent company – statement of cash flow

ALL AMOUNTS IN SEK	NOTE	2012-01-01 2012-12-31	2011-01-01 2011-12-31
Cash flows from operating activities			
Operating loss		-9,396,216	-1,495,748
Adjustments for non-cash items:			
- Other items not affecting cash		199,348	–
Interest received		533	–
Interest paid		-2,924	-2,245
Cash flow from operating activities before changes to working capital		-9,199,259	-1,497,993
Changes to working capital			
Increase/decrease in other receivables		-14,713,683	-316,892
Increase/decrease in other current liabilities		2,837,443	2,855,617
Total changes to working capital		-11,876,240	2,538,725
Net cash flow from operating activities		-21,075,499	1,040,732
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash acquired	24	–	-500,000
Increase/decrease in receivables to group companies		–	-21,243,738
Net cash flow used in investing activities		–	-21,743,738
Cash flows from financing activities			
Share issue	17	28,543,492	450,036
Shareholder contributions		–	4,000,000
Borrowings		3,000,000	17,248,738
Net cash flows used in financing activities		31,543,492	21,698,774
Cash flow for the year		10,467,993	995,768
Cash and cash equivalents at beginning of year		1,094,727	98,959
Cash and cash equivalents at year-end	16	11,562,720	1,094,727

Parent company – statement of cash flow cont.

ALL AMOUNTS IN SEK	NOTE	2012-01-01 2012-12-31	2011-01-01 2011-12-31
Disclosures cash flow statement			
Other items not affecting cash			
Impairment of other receivables		317,390	–
Unrealised foreign exchange losses/(gains)		-118,042	–
Total other items not affecting cash		199,348	–
Cash and cash equivalents include the following:			
Cash at bank and on hand		11,562,720	1,094,727

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 underexploited areas, initially in Africa. The Group currently focuses on Equatorial Guinea (Block P), South Africa (Block 2B), and Madagascar (3108 Manja).

The Parent Company is a limited company registered in Sweden and domiciled in Stockholm. The Parent Company has been listed on NGM Equity since 28 December 2012. The street address of the main office is Engelbrektsgatan 9-11, Stockholm.

On 17 April 2013, the Board of Directors approved these consolidated accounts for publication.

All amounts are reported in whole Swedish krona (SEK) 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

Up to 1 January 2012, Crown Energy's annual reports were prepared in accordance with the Swedish Annual Accounts Act and the general recommendations of the Swedish Accounting Standards Board, excluding BFNAR 2008:1. As of 1 January 2012, the Company changed its accounting policies and has since then applied International Financial Reporting Standards (IFRS) as adopted by the EU with a conversion date of 1 January 2011. In connection with the transition to IFRS in Crown Energy's consolidated accounts, the Company switched to RFR 2, Accounting for Legal Entities. In accordance with RFR 2, the Company applies IFRS as far as possible, with due regard to the relationship between accounting and taxation. RFR 2 defines the exceptions from IFRS to be applied and which amendments should be applied according to Swedish law.

Previous year figures were restated in accordance with the new accounting rules. Note 6 presents the effects of the transition to reporting in accordance with IFRS.

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.

The Parent Company's accounts were prepared in accordance with RFR 2, Accounting for Legal Entities, and the 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 in which assumptions and estimates are very significant to the consolidated accounts.

2.2 Changes in accounting policies and disclosures

New and amended standards adopted by the Group

None of the IFRS or IFRIC interpretations that are mandatory for the first time for the financial year beginning 1 January 2012 have had a material effect on the Group.

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 2012 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. IFRS 9 was issued in November 2009 for financial assets and in October 2010 for financial liabilities and replaces those parts of IAS 39 related to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two categories: measurement at fair value or at amortised cost. Classification is determined at initial recognition based on the company's business model and the characteristics of the contractual cash flows. For financial liabilities, there are no major changes compared with IAS 39. The biggest change relates to liabilities that are designated at fair value. For these, the portion of the fair value change that is attributable to own credit risk must be recognised in other comprehensive income rather than profit/loss unless this causes inconsistencies in the accounts (accounting mismatch). The Group intends to apply the new standard by the financial year beginning 1 January 2015 and has not yet evaluated its impact.

IFRS 10, Consolidated Financial Statements, is based on existing principles by identifying the control as the determining factor for establishing whether a company is fully consolidated or not. The standard provides

additional guidance on determining whether control exists when it can be difficult to assess. IFRS 10 is not applicable until the fiscal year beginning 1 January 2014, and the Company is not expected to adopt it early. Initially, this is not expected to have any material impact on the consolidated accounts.

IFRS 11, Joint Arrangements, provides a more realistic picture of joint arrangements by focusing on rights and obligations rather than the legal form of an arrangement. There are two types of joint arrangements: joint operations and joint ventures. A joint operation arises when a joint operator has direct rights to the assets and an obligation to the liabilities in a joint arrangement. In such an arrangement, assets, liabilities, income, and expenses are recognised based on the holder's share of these. A joint venture arises when a joint operator has the right to the net assets of a joint arrangement. In such an arrangement, the holder recognises its share as per the equity method. The proportional method is no longer permitted. The effective date of the standard is 1 January 2014, and the Group has yet to assess its full impact on its financial statements.

IFRS 12, Disclosures of Interests in Other Entities, includes disclosure requirements for subsidiaries, joint arrangements, associated companies, and unconsolidated structured entities. The standard will go into effect 1 January 2014. The Group has yet to assess its full impact on its financial statements.

IFRS 13, Fair Value Measurement, aims to provide a uniform definition and guidance for measuring fair value under IFRS. IFRS 13 contains new disclosure requirements that will largely also be submitted in a company's interim reports. The standard applies from 1 January 2013. IFRS 13 is not expected to have any material impact on the consolidated accounts.

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

2.3 Consolidated accounts

Subsidiaries

Subsidiaries are all entities over which the Group has power to formulate financial and operating strategies in a way that generally accompanies a shareholding of more than 50 per cent of the shares' or the participations' voting power, or where by agreement the Group solely exercises a controlling influence. 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.

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 as well as 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.

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 an impairment may exist. Accounting policies for subsidiaries were modified when applicable to ensure the consistent application of Group policies.

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 considered to have only one segment, so no particulars on this segment are presented in this report.

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 subsidiary Amicoh Resources uses USD as its functional currency. The consolidated accounts are presented in the Swedish krona (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 statement is 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 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.

The following exchange rates were used to prepare the financial statements in this report:

CURRENCY	CLOSING RATE 2012	AVERAGE RATE 2012	CLOSING RATE 2011	AVERAGE RATE 2011
SEK/USD	6.5156	6.7195	6.9234	6.8317

2.6 Oil and gas assets (intangible assets)

Accounting for exploration, appraisal, and development costs

The Group complies with IFRS 6, Exploration for and Evaluation of Mineral Resources, in reporting any exploration and appraisal expenditures that arise. Oil and gas 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 stakes in production sharing agreements, as well as for technical studies, drilling, and development of such interests, are capitalised. This includes capitalisation of future decommissioning and restoration costs (see Provisions).

Oil and gas assets are recognised after initial recognition at cost less accumulated amortisation and impairment losses. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of assets sold and are recognised in the income statement.

Proceeds from the sale or farming out of oil and gas licences in the exploration phase are offset against the capitalised costs in the balance sheet. Any surplus or deficit is recognised in the income statement.

Oil and gas assets are categorised as either producing or non-producing.

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

Amortisation

Exploration and evaluation assets classified as intangible non-current assets are not amortised. Instead, the assets are regularly evaluated to determine whether any impairment exists. As the Group only holds intangible non-current 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 entity, which in the Group's case consists of each individually acquired licence and concession right along with stakes in any oil reservoirs in the country in which they operate. An impairment loss is recognised in accordance with IAS 36 when an asset or cash-generating entity's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the income statement.

If impairment losses were previously made, 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 and amortisation

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. They are then reclassified, after which they are recognised according to IAS 16 and IAS 38. 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.

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.

As at 31 December 2012, the Group has a jointly owned asset, namely Block P in Equatorial Guinea. Crown Energy holds 5% working interest in this licence and 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.

2.7 Financial instruments

General principles

Purchases and sales of financial assets and liabilities are recognised on the trade date, that is, the date on which the Group commits to purchasing or selling the asset or liability. 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 derecognised when the right 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 balance sheet date, 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 each balance sheet date, 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. At 31 December 2011, there was also an acquisition debt that was classified as a (short-term) other provision. This was settled in 2012.

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.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, and other short-term investments with maturities of three months or less. Currently, the Group only holds cash and cash equivalents in the form of bank deposits.

2.9 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.

2.10 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.

2.11 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. As of 31 December 2012, the Group has no convertible debt instruments issued.

At 31 December 2011, there was an acquisition debt that was classified as a (short-term) other provision.

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 balance sheet date. Loans from related parties are classified as long-term debt. Any borrowing costs are recognised in the income statement in the period to which they relate.

2.12 Current and deferred tax

Current tax expense is calculated using the tax rules that on the balance sheet date 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.

ties 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 recognised nor taxable earnings. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income 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.

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.

2.13 Employee benefits

Staff are employed by the Swedish Parent Company.

Retirement benefits

The Group has only 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. The Group's profit/loss is charged with expenses 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 redundancy 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 that fall due more than 12 months after the balance sheet date are discounted to present value.

2.14 Provisions, guarantees, and contingent liabilities

Provisions are recognised when the Group has a legal or informal 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 that reflects current market assessments of the time value of money and the risks specific to the provision. The increase in the provision due to the passage of time is recognised as 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.

At present there are no disputes or other incidents that may lead to a possible contingent liability.

2.15 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. Crown Energy 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 income attributable to production has been reported. Other income relates to technical services performed by outside consultants on Crown Energy's behalf, but which will be shared with third parties. These are recognised in the accounting period in which the services are performed.

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

2.16 Leasing

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 linearly over the lease period.

Leasing 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 leasing.

2.17 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.

2.18 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, which consist of convertible debt instruments and options during the reported periods. 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.

2.19 Parent Company accounting policies

In connection with the preparation of the consolidated accounts in accordance with IFRS, the Parent Company has switched to RFR 2, Accounting for Legal Entities.

The Parent Company applies different accounting policies from 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 written down. 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 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 there is an impairment in the value of the shares and participations in question.

NOTE 3 OPERATIONAL RISKS AND RISKS RELATED TO THE SHARE

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 appraisal, these risks cannot be completely avoided.

Operational risks

Risks related to exploring for oil and gas

The risks and uncertainties generally associated with oil and gas operations include fire, explosions, blow-outs (uncontrolled release of oil, gas, or water from an oil well), emissions of acid gas, breaks in pipelines, and oil spills. Each of these risks could result in substantial damage to oil and gas wells, production facilities, other property, and the environment, and can also cause significant personal injury. This may in turn lead to substantial liability for damages and the like. Collecting systems and processing plants are also subject to many of these risks. Any major damages to systems or facilities on which the Company is dependent may also have an adverse effect on the Company's ability to sell its produced oil and gas. Oil and gas operations are also subject to the risk of a premature decline in reserves from natural causes or inflow of

water into producing formations. Accordingly, the Company may incur considerable uninsured losses that may have a significant adverse effect on the Company's financial position and operations.

Risks related to exploration licences

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.

Increased costs for environmental impact and decommissioning of facilities

The Company is responsible for the costs incurred when oil wells and production facilities are dismantled and abandoned. The Company may also be liable for costs to remedy unforeseen environmental impacts arising as a result of oil and gas extraction in the use of property, plant, and equipment. Such costs can be significant. In particular, costs for illegal levels of pollution and contamination, potential remediation costs, and shortcomings in the handling of toxic or hazardous substances, for which the Company or its subsidiaries may be held liable, can be difficult to calculate in light of current legislation and its application in various jurisdictions. The Company may also incur environmental liability in connection with the acquisition of assets subject to such obligations. The Company has not yet incurred any significant costs for environmental impact, but may be encumbered with such costs in the future. This can have a negative impact on the Company's reputation, earnings, and financial position. It should be noted that Crown Energy has not yet begun exploration drilling or production.

Contractual risks

The Company's operations are largely based on concession agreements, licences, and other agreements. 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 its obligations under a concession, licence, or other agreement, it could also cause the Company's rights under them to be fully or partially eliminated.

Completion of acquisition of stake in Thombo Petroleum Ltd is subject to regulatory approval

The Company has invested a lot of time and capital in the acquisition of a stake in licence 2B in South Africa, which is an integral part of the Company's strategic plan. If the Company does not receive regulatory

approval from the South African authorities, which is a condition for completing the acquisition, the Company risks not being able to follow through with the acquisition. A cancelled acquisition would have a negative impact on the Company's strategic plan, operations, earnings, and financial position. The Board believes, however, that the South African authorities will approve the acquisition.

Uncertainty about partnerships

In cases where Crown Energy is not the operator of a jointly owned licence, the Company's ability to manage and control the business is restricted and is, at such times, dependent on its partners. This can result in a loss of flexibility. In cases where the Company's rights derive from contractual agreements with partners, there is always a risk that extraction licences may expire or be terminated because of circumstances related to the Company's partners. There is no guarantee that Crown Energy will not be adversely affected by events attributable to partners, and if such occurs, that it will not have a negative effect on Crown Energy's sales and profitability.

Dependence on key employees

Crown Energy employs key persons that are important to the successful development of the Company's business. If these individuals should leave the Company, it would have a negative impact on the Company's operations. Crown Energy is dependent on skilled, motivated personnel in all functions. It is very important that the Company manages to attract and retain key personnel and that they regard Crown Energy as a stimulating employer. It is equally important that staff in the Company's production facilities regard Crown Energy as a secure, long-term employer. If this is not achieved, it can have a negative impact on the Company's operations.

Market and industry related risks

Market growth

In the long term, demand for oil and gas can be negatively impacted by the climate debate and efforts to reduce atmospheric carbon emissions. Climate change has led countries and groups of countries to discuss legislation and various economic incentives to support alternatives to fossil fuels along with introducing higher taxes and carbon compensation on the latter. This may ultimately lead to a reduction in demand for oil and gas, which may negatively affect the Company's operations, earnings, and financial position.

General political and societal risks

The Company's operations are subject to general political and societal risks in the countries in which it operates, which may consist of potential government intervention, potential changes in fiscal policy, potential inflation and deflation, potential limitation of access to foreign currency and the ability to export oil, potential political, social, and economic instability, and religious unrest. Should any of these risks flesh out, the Company's business, earnings, and financial position could be adversely affected.

Political, social, and economic instability

Given that the Company 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 means that the Company's business will be exposed to various levels of political risk and regulatory uncertainties that include government regulations, directives on foreign investors, restrictions on production, price controls, export controls, income and other taxes, nationalisation or expropriation of property, repatriation of income, fees, and environmental legislation. Political, social, and economic instability may thus have a very negative impact on the Company's operations, particularly with regard to permits and partnerships. The company may also be affected by currency restrictions, unstable or non-convertible currencies, high inflation, and increased royalty or tax rates. States are increasingly levying yield tax on the sale of assets, which may affect the Company in the event that an asset is sold in the future. Historically, foreign companies that are active in developing countries have to a greater extent than domestic companies been affected by nationalisation or expropriation of property, changes in policies or legislation relating to foreign ownership and the operations of foreign companies.

Different legal systems and judicial procedures

The Company's exploration activities and potential future oil production will be conducted in countries with legal systems that differ from Sweden to various degrees. Rules, ordinances, and legal principles may differ in terms of both substantive law and with respect to matters relating to court proceedings and enforcement. The majority of the Company's significant production and exploration rights and related agreements are subject to local laws in the respective countries in which it operates. This means that the Company's ability to exercise or enforce its rights and obligations may differ from country to country and also from what would have been the case if those rights and obligations were subject to Swedish law. The Company's operations are also largely subject to various complex laws and ordinances as well as detailed provisions in concessions, licences, and contracts that often include multiple parties. If the Company should become involved in litigation to defend or enforce its rights under such concessions, licences, or agreements, the legal procedures could be both expensive and time consuming. The outcome of such litigation is always uncertain, and although the Company could ultimately win the case, disputes and other legal proceedings could have a significant adverse effect on the Company and its operations. The Company may at any time be exposed to claims and disputes in relation to the authorities, customers, and third parties. The outcome of such claims and disputes can never be predicted.

Geological risks

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 producers 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 operations and financial position.

Competitors

The petroleum industry is highly competitive in all areas. This applies to the acquisition of stakes in oil and gas licences, sales of oil and gas, and access to drilling equipment and other necessities. The Company competes with numerous other companies in the search for and acquisition of potential oil and gas reservoirs as well as the recruitment of qualified staff. Among the Company's competitors are several oil companies that have greater financial resources, more staff, and larger facilities than the Company and its partners. The Company's ability to increase its reserves in the future will depend, among other things, on the Company's ability to develop its current assets in the best way possible and to identify and acquire suitable oil or gas producing assets or reservoirs to explore. The Company must also cost-effectively face the economic and competitive factors affecting the distribution and sale of oil and gas. Producers of oil and gas also face increased competition from alternative forms of energy, fuel, and related products that could have a considerably adverse effect on the Company's business, prospects, and earnings. The number of state-owned oil companies and their share of world oil reserves has increased substantially in recent years. They are to increasingly larger extents searching for oil reserves outside their own national borders. The reasons vary, but in many cases, such as in India and China, the motivation is to try to secure access to oil in order to meet the needs of a rapidly growing economy. Such state-owned businesses do not usually have the same yield requirements as private companies and in some cases they are willing to pay more despite lower yields, which may have an adverse effect on the Company's ability to compete effectively for the acquisition of oil and gas assets.

Risks related to the shares

Securities trading is always associated with risk and risk taking. Since an equity investment may either rise or fall in value, it is not certain that investors will get back their invested capital. Both the stock market's general performance and the share price's performance for specific companies depend on a number of factors, several of which individual companies are not able to influence. Investments in shares should therefore be preceded by a careful analysis.

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.

Financial risk factors

Market risk

Price risk

Crown Energy's profitability on the sale of oil and gas is and will continue to be heavily dependent on oil prices, which are influenced by a number of external factors over which the Company has no control. Oil price trends are affected by things such as market fluctuations, government regulations, proximity to and capacity of oil pipelines, equipment, oil reserve characteristics, and economic and political developments. The oil market and oil prices over the last decade have been highly

volatile. OPEC's influence on oil markets and the policies practiced by OPEC's member countries increase difficulties in forecasting the future price of oil and thus expected future profitability. Any reduction in the rate of production due to lower demand also means that the value of the estimated oil reserves Crown Energy holds will decrease. This can also lead to a reduction in the Company's exploration and development activities. A significant and prolonged decline in prices relative to average historical oil price levels may also lead to difficulties in arranging financing for the Company, reduced interest in farm-out projects, or possible sales of assets.

The Company believes that in the current situation it is not possible to estimate the quantitative price risk exposure, so a sensitivity analysis was not conducted.

Currency risk

Currency risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

Essentially, Crown Energy has costs in US dollars and Malagasy Ariary (MGA). The Parent Company's main currency is SEK and there are loans between the companies that are denominated in both SEK and USD.

There is no currency hedging of these risks.

Crown Energy may from time to time be completely dependent on available external funding for further development of the business. External capital can be raised in various currencies but will be continuously recalculated and recognised in SEK, so this may also be an exchange rate risk. At present, there is no external borrowing in foreign currency.

The Group has holdings in foreign operations whose net assets are exposed to exchange rate risks. They are not considered to be appreciable in monetary terms. 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. This translation risk is not included in the assessment of the Company's exposure to currency risks. Intra-Group receivables and liabilities in foreign currencies that do not represent a net investment are included in the currency risk analysis. However, this type of exchange rate risk is not considered to be significant in monetary terms.

In summary, there are currently no significant exposures in foreign currency, so a sensitivity analysis was not conducted.

Interest rate risk

Net interest expense is 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.

Crown Energy currently has no interest-bearing liabilities, so a sensitivity analysis was not conducted.

*Credit risk***Liquidity risk**

Management closely monitors rolling forecasts of consolidated cash and cash equivalents on the basis of expected cash flows. Depending on operational developments in general, the Group may need additional capital to acquire assets or to further develop the assets under terms acceptable to the Group. If the Group is unable to obtain sufficient financing, the extent of the Group's activities may be limited, which ultimately may mean the Company can no longer execute its long-term exploration and production plan. Historically, financing of the Group has been primarily through new share issues.

In the short term, liquidity is dependent on borrowings from related parties.

The following table presents the undiscounted cash flows of consolidated liabilities in the form of financial instruments based on the remaining contractual periods at the balance sheet date. Amounts falling due within 12 months correspond to their booked amounts, as the impact of discounting is immaterial. Amounts in foreign currency were estimated using the exchange rates and interest rates applicable on the balance sheet date.

GROUP AMOUNTS IN SEK	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	MORE THAN 5 YEARS
As of 31 December 2012				
Borrowings	–	2,854,275	–	–
Other provisions	–	–	2,543,300 ¹⁾	–
Accounts payable	2,103,425	–	–	–
Other liabilities	207,779	–	–	–
Total	2,311,204	2,854,275	2,543,300	–
As of 31 December 2011				
Borrowings	999,964	17,298,738	–	–
Other provisions	–	–	2,437,596 ¹⁾	–
Accounts payable	503,048	–	–	–
Other liabilities	17,588,027	–	–	–
Total	19,091,039	17,298,738	2,437,596	–

¹⁾ Additional consideration due in the event that a commercial reservoir is found in Madagascar, Block Manja 308, and the consideration in the form of warrants. For more detailed information, see Note 5, Critical estimates and assumptions for accounting purposes.

PARENT COMPANY AMOUNTS IN SEK	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	MORE THAN 5 YEARS
As of 31 December 2012				
Borrowings	–	2,854,275	–	–
Accounts payable	766,887	–	–	–
Other liabilities	207,779	–	–	–
Total	974,666	2,854,275	–	–
As of 31 December 2011				
Borrowings	999,964	17,298,738	–	–
Accounts payable	503,049	–	–	–
Other liabilities	16,987,769	–	–	–
Total	18,490,782	17,298,738	–	–

Management of capital

Oil and gas exploration is a capital-intensive business, which means that in the future the Group may need capital injections to continue operating activities or to acquire new licences. Historically, financing has been primarily through new share issues. At present, there are no external loans and the Group's financing plan has so far been based on loans from Parent Company shareholders.

The main risk associated with financing is that new shares may be issued under less favourable market conditions.

Debt/Equity ratio

The Group currently has no interest-bearing liabilities or receivables. Current liabilities in 2011 referred to a loan from related parties. Non-current liabilities also refer to loans from related parties. As indicated in Note 25, Transactions with related parties, loans from related parties are interest-free.

Total capitalisation is calculated as equity in the consolidated balance sheet plus net debt. Net debt refers to total liabilities (current and non-current) less cash and cash equivalents.

AMOUNTS IN SEK		
EQUITY AND INDEBTEDNESS	2012-12-31	2011-12-31
Total current liabilities	4,991,229	19,634,416
<i>Unguaranteed/unsecured</i>	4,991,229	19,634,416
 Total non-current liabilities	 2,854,275	 17,298,738
<i>Unguaranteed/unsecured</i>	2,854,275	17,298,738
 Equity	 55,433,843	 1,246,821
Share capital	757,186	500,034
Other contributed capital	67,662,437	4,000,002
Total capitalisation	76,265,127	41,433,190
Equity/assets ratio, %	71.9%	2.4%

AMOUNTS IN SEK

NET INDEBTEDNESS	2012-12-31	2011-12-31
A) Cash	11,761,666	1,563,378
B) Other cash and cash equivalents	–	–
C) Current financial investments	–	–
D) Liquidity, A+B+C	11,761,666	1,563,378
 E) Current receivables	 –	 –
F) Current bank loans	–	–
G) Current portion of non-current liabilities	–	–
H) Other current liabilities	–	990,900
I) Current interest-bearing liabilities, F+G+H	–	990,900
 J) Net current indebtedness, I-E-D	-11,761,666	-572,478
 K) Non-current bank loans	–	–
L) Outstanding bond loans	–	–
M) Other non-current liabilities, excluding minority	2,854,275	17,298,738
N) Non-current indebtedness, K+L+M	2,854,275	17,298,738
 O) Net indebtedness, N+J	-8,907,391	16,726,260

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 7 for financial instruments, disclosures about fair value measurement must be made 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.

CLOSING BALANCE ON 31 DEC 2012	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Total assets	–	–	–	–
Liabilities				
Financial liabilities measured at fair value via the income statement:				
- Provision for additional consideration	–	–	2,376,550	2,376,550
- Provision for warrants	–	166,750	–	166,750
Total liabilities	–	166,750	2,376,550	2,543,300

CLOSING BALANCE ON 31 DEC 2011	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Total assets	–	–	–	–
Liabilities				
Financial liabilities measured at fair value via the income statement:				
- Acquisition debt			16,986,669	16,986,669
- Provision for additional consideration	–	–	2,255,118	2,255,118
- Provision for warrants	–	182,477	–	182,477
Total liabilities	–	182,477	19,241,787	19,424,264

At 31 December 2011, the Group had a debt totalling SEK 16,986,669 for the acquisition of shares in Amicoh Resources Ltd. This portion of the purchase price was settled by issuing Crown Energy AB shares to the seller of Amicoh Resources Ltd. In addition to this, the Group made a provision of SEK 2,255,119 for an additional consideration that will fall due if any commercial reservoirs are found in Madagascar and SEK 182,477 for a portion of the purchase price in the form of warrants. In 2012, that SEK 16,986,669 was settled in the form of a directed share issue to the seller. The outstanding debt at 31 December 2012 due to the acquisition of the subsidiary relates to the potential additional consideration, which is calculated at present value and totals SEK 2,376,549. The remainder relates to the provision for the warrants, which are valued at SEK 166,750 using an option pricing model. For a more detailed description of the assessments and assumptions regarding the additional consideration and warrants, see Note 5, Critical estimates and assessments for accounting purposes, and Note 20, Provisions.

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

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 are 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.

Deferred tax

The Group recognises 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 recognises a fiscal deficit of SEK 4,368,650. It is not possible to calculate the exact amount of the total consolidated fiscal deficit since the recognised fiscal deficit that can be utilised in the future in subsidiary Amicoh and in the Block P (Equatorial Guinea) licence is dependent on approval of the defunct investment costs of exploration by the tax authorities in each country. Investment costs are examined by the tax authorities in each country no earlier than at production start-up. That is, an assessment is made only when production starts and production revenues are secured. If deficits are approved, they will be deducted from these production revenues.

Due to the current uncertainty in the ability to take advantage of deficits in the near future, deferred tax assets were not recognised in the Parent Company or the Group.

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 containing only prospecting licences with no associated administration involved are normally classified as asset acquisitions.

Following is a breakdown of Crown Energy's acquisitions of subsidiaries 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

In July 2011, all shares in Crown Energy Ventures BVI were acquired. This was a more or less dormant company at the time, and the assessment is that this was an asset acquisition.

In August 2011, all shares in Amicoh Resources Ltd were acquired. Since the acquisition of Amicoh Resources Ltd sought to acquire exploration rights held by the company, an analysis was performed of whether it was an asset acquisition or a business combination. A branch office in Madagascar was included in the acquisition. This office provides Crown Energy with access to local existing logistics and expertise, which management sees as a basis for classifying it as a business combination. Since all asset items were written down in Amicoh Ltd before the acquisition, part of the identified surplus value on the acquisition date is likely attributable to asset items other than intangibles. However, it is our assessment that the value of other asset items is not material, so no further analysis is considered justifiable, and all surplus value was recognised as other intangible assets.

Additional considerations

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 a commercial reservoir is discovered. A probability assessment must be performed every year-end for each potential future additional consideration. Below is a description of the potential future additional considerations that existed at 31 December 2012.

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 that a commercial reservoir is discovered in Madagascar. Under the acquisition agreement, the seller will receive USD 4,000,000 in the event a commercial reservoir is discovered. 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 reservoir 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 reservoir being discovered, i.e., 10%.

In calculating the present value of the provision for the additional consideration, a discount factor before tax of 6.0 per cent (6.0) was used. At 31 December 2012 (2011) the estimated amount totalled USD 400,000 (400,000) corresponding to SEK 2,606,240 (2,769,360) at the closing day rate. The portion paid at discovery of a commercial reservoir is recognised at a value of SEK 2,376,550 (2,255,118) after present value calculations. This year's discounting effect on the provision totals SEK 121,431 (64,754).

As part of the consideration for Amicoh Resources Limited, it was resolved at the general meeting in November 2011 to also issue 364,954 warrants directed to the seller of Amicoh Resources Limited. The warrants entitle the holder to subscribe for one share in Crown Energy AB for each warrant held during the period up to and including 30 November 2015. The contractual issue price is SEK 27.50 per share. The fair value (theoretical value) on 31 December 2012 of the issued options was established as per the customary option valuation model (Black & Scholes). These parameters were used in the calculation:

ASSUMPTIONS

Exercise price, SEK	27.50
Maturity	5 Aug 2011- 30 Nov 2015
Number of options as of 31 Dec 2012	364,954
Translated exercise price, SEK ¹	26.91
Translated number of options ¹	372,983
Share price on 31 Dec 2012, SEK	7.70
Market value on 31 Dec 2012, SEK	2,871,969
Expected volatility	55%
Expected dividend	–
Risk-free interest	1%
Fair value per option on 31 Dec 2012, SEK	0.45
Fair value (total) on 31 Dec 2012, SEK	166,750

¹ In accordance with the terms of the option agreement, the exercise price and number of shares is recalculated with respect to the preferential rights issue in Q2 2012. The translation is theoretical, that is, it is based on what the exercise price would have been if the holders had chosen to subscribe for the shares on 31 Dec 2012. The number of shares was also recalculated on the basis of the dilutive effect of this year's preferential rights issue.

The fair value of the provision for the warrants on 31 December 2012 (2011) totalled SEK 166,750 (182,477). The year's translation effect due to revaluation as per the option valuation model is SEK -15,727 (0).

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 estimates that at present it is unlikely that any of these additional considerations will be paid in the future and has therefore not made any provisions.

Option agreement for oil exploration in Iraq

On 24 April 2012, the Company entered into an option agreement with Ulrik Jansson whereby Crown Energy obtains an exclusive right, but not an obligation, to acquire Tigris Oil i Sverige AB (Tigris Oil), which entered into an agreement with an Iraqi region in 2012. The agreement gives Tigris Oil the right to explore for oil and gas over a land area of 24,000 square kilometres for seven years. In order to conduct the amount of exploration work required in the region, including drilling, a financial and industrial partner will be sought. In the event that the Company chooses to exercise the option, which is valid for another five years, a consideration corresponding to a specific share of the financial resources that the partner provides will be paid to a maximum of USD 2 million with an option for the Company to pay via a non-cash issue. Ulrik Jansson currently holds 15% of Tigris Oil shares, 5% directly in the exploration licence and an option to acquire the remaining 85% in Tigris Oil, an option which is valid until 30 June 2015.

Going concern

Oil and gas exploration is a capital-intensive business, which means that in the future the Group may need capital injections to continue operating activities or to acquire new licences. Historically, financing has been primarily through new share issues. Capital can also be raised through external borrowing and through cash flows from either production or sale of assets.

Apart from the issue of convertibles to be implemented in 2013 for the purpose of acquiring Block 2B in South Africa, the Board estimates that the existing working capital is sufficient to meet Crown Energy's current needs for the 12 months following publication of the annual report.

The annual report was prepared assuming a going concern in view of existing cash and cash equivalents and the assumption that the Group can fund itself through methods such as new share issues, external borrowing, or future cash flows.

NOTE 6 EFFECTS OF TRANSITION TO IFRS REPORTING

Effects on Parent Company accounts

In connection with the transition to IFRS in the consolidated accounts for Crown Energy AB (the Parent Company), the Parent Company switched to RFR 2, Accounting for Legal Entities. In accordance with RFR 2, the Parent Company applies IFRS as far as possible, with due regard to the relationship between accounting and taxation. RFR 2 defines the exceptions from IFRS to be applied and which amendments should be applied according to Swedish law.

Some effects on the Parent Company's accounts had not been identified at the transition in 2011.

Effects on consolidated accounts

Beginning 1 January 2011, Crown Energy and its subsidiaries have prepared the consolidated accounts in accordance with IFRS as adopted by the EU.

The date of the Group's transition to IFRS was 1 January 2011. The Group relationship first arose in July 2011. An opening balance for 1 Jan 2011 is not presented for the Group since the Group relationship arose during the year in 2011.

Before the transition to IFRS, the Group presented in accordance with the Annual Accounts Act and the general recommendations of the Accounting Standards Board. The consolidated accounts were prepared in accordance with the Financial Accounting Standards Council's recommendation RR 1:00, Consolidated Accounts.

The transition to IFRS is reported in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. Previously published financial information for financial year 2011 that had been prepared in accordance with the Annual Accounts Act and the statements and general advice of the Accounting Standards Board were restated to comply with IFRS. Financial information for financial years prior to 2011 were not restated.

The main rule is that all applicable IFRS and IAS standards in force and approved by the EU should be applied retroactively.

The following information outlines the changes in accounting policies that the adoption of IFRS entailed and the transition effects on Crown Energy's consolidated income statements and consolidated balance sheets for the 2011 financial year. Each section also sets out the exceptions Crown Energy made from full retroactive application. The letters in each section (a-c) refer to the notes in the tables summarising the effects of the transition to IFRS.

Effects on 2011 consolidated income statement

AMOUNTS IN SEK	PREVIOUSLY APPLIED ACCOUNTING POLICIES	ADJUSTMENT 2, NOTE A	ADJUSTMENT 3, NOTE B	ADJUSTMENT 4, NOTE B	IFRS
Operating income					
Other operating income	342,275	–	–	–	342,275
Total operating income	342,275	–	–	–	342,275
Operating expenses					
Other external expenses	-2,112,046	–	-1,271,623	–	-3,383,669
Employee expenses	-116,956	–	–	–	-116,956
Total operating expenses	-2,229,002	–	-1,271,623	–	-3,500,625
Operating loss	-1,886,727	–	-1,271,623	–	-3,158,350
Financial income	182,447	–	–	–	182,447
Financial expenses	-1,268	–	–	-64,755	-66,023
Earnings from financial items	181,179	–	–	-64,755	116,424
Loss before tax	-1,705,548	–	-1,271,623	-64,755	-3,041,926
Income tax	–	–	–	–	–
Loss for the year	-1,705,548	0	-1,271,623	-64,755	-3,041,926
Other comprehensive income					
Other comprehensive income for the year	–	-210,249	–	–	-210,249
Total comprehensive income for the year	-1,705,548	-210,249	-1,271,623	-64,755	-3,252,175

Effects on consolidated balance sheet, 31 Dec 2011

AMOUNTS IN SEK	PREVIOUSLY APP- LIED ACCOUNT- ING POLICIES	ADJUSTMENT 1, NOTE A	ADJUSTMENT 2, NOTE A	ADJUSTMENT 3, NOTE B	ADJUSTMENT 4, NOTE B	IFRS
ASSETS						
Non-current assets						
Other intangible assets	48,086,886	–	–	-1,651,458	3,081,612	49,517,040
Total non-current assets	48,086,886	–	–	-1,651,458	3,081,612	49,517,040
Current assets						
Other receivables	587,182	–	–	–	–	587,182
Prepaid expenses and accrued income	290,476	–	–	–	–	290,476
Cash and cash equivalents	1,563,378	–	–	–	–	1,563,378
Total current assets	2,441,036	–	–	–	–	2,441,036
TOTAL ASSETS	50,527,922	–	–	-1,651,458	3,081,612	51,958,076
EQUITY						
Equity attributable to Parent Company shareholders						
Share capital	500,034	–	–	–	–	500,034
Other contributed capital	–	4,000,000	–	–	–	4,000,000
Reserves	–	–	-210,249	–	–	-210,249
Earned income, including profit/loss for the year	2,083,164	-4,000,000	210,249	-1,271,622	-64,755	-3,042,964
Total equity	2,583,198	–	–	-1,271,622	-64,755	1,246,821
LIABILITIES						
Non-current liabilities						
Loans from related parties	17,298,738	–	–	–	–	17,298,738
Deferred tax liabilities	11,011,570	–	–	-379,836	708,771	11,340,505
Other provisions	–	–	–	–	2,437,596	2,437,596
Total non-current liabilities	28,310,308	–	–	-379,836	3,146,367	31,076,839
Current liabilities						
Accounts payable	503,048	–	–	–	–	503,048
Other liabilities	18,587,991	–	–	–	–	18,587,991
Accrued expenses and deferred income	543,377	–	–	–	–	543,377
Total current liabilities	19,634,416	–	–	–	–	19,634,416
TOTAL EQUITY AND LIABILITIES	50,527,922	–	–	-1,651,458	3,081,612	51,958,076

Summary of effects on equity

AMOUNT IN SEK	31 DEC 2011
Equity under previous accounting policies	2 583 198
Transaction costs, business combinations, Adjustment 3, note b	-1 271 622
Interest expenses, Adjustment 4, note b	-64 755
Total adjustments	-1 336 377
Tax effect on adjustments made	–
Total adjustment to equity	-1 336 377
Equity as per IFRS	1 246 821

Explanations of adjustments made

a) Presentation and layout

Besides quantitative effects, a transition to IFRS also entails that classification of assets, liabilities, income, and expenses may change, as occurred in Crown Energy's consolidated accounts.

Subsequently, differences in classification and measurement are what are primarily accounted for.

Adjustment 1

Reclassification of equity was done in accordance with the line items stipulated by IFRS. A conditional shareholder contribution of SEK 4,000,000 was reclassified to be included among other contributed capital from previously being included in accumulated earnings. The dividing line between what is earned income within the Group and what is contributed by shareholders becomes clearer through this reclassification.

Adjustment 2

Within equity, exchange-rate effects due to translation of foreign subsidiaries were reclassified to be recognised on a separate line, having previously been included among the earned income (previously referred to as non-restricted reserves in the consolidated accounts). As at 31 December 2011, translation differences totalled SEK -210,249.

Besides the aforementioned reclassifications, an income statement contains other line items than those stipulated in the Annual Accounts Act. Among other things, Interest income and similar items and Interest expenses and similar items are instead called Financial income and Financial expenses. The line Tax on profit/loss for the year is instead called Income tax.

Crown Energy classifies all provisions as current or non-current liabilities on the basis of when they are expected to be paid. Provisions for deferred tax are classified as non-current liabilities. Under Swedish accounting, provisions were recognised under a separate heading before non-current liabilities.

b) Business combinations and transaction-related expenses

Adjustment 3

On 5 August 2011, all shares in Amicoh Resources Ltd were acquired. In addition to the acquisition price of the shares, transaction-related expenses of SEK 1,271,622 were, according to previous policies, recognised as part of the acquisition expenditure for the shares. According to IFRS 3, Business Combinations, such expenditures should be written off as they are incurred. As a result of this, other external expenses increased by SEK 1,271,622, while intangible assets decreased by the same amount along with the tax effect arising due to temporary differences, which totals SEK 379,836. Intangible assets have therefore decreased by a total of SEK 1,651,458.

Adjustment 4

In addition to the consideration paid, the acquisition price was adjusted for the estimated future value of call options pledged to the seller and the agreed upon additional consideration in the event of any commercial reservoir discovery. Both components were contracted for in connection with the acquisition and, according to previous accounting policies, valued at SEK 0. The adjustment for the additional consideration increased provisions by SEK 2,372,842. Intangible assets increased by the same amount along with the tax effect arising due to temporary differences, which totals SEK 708,771. Intangible assets have therefore increased by a total of SEK 3,081,612.

Provisions were calculated to present value, which increased recognised provisions to SEK 2,437,596 and affected consolidated interest expenses by SEK -65,755 at 31 December 2012.

The net impact on accumulated earnings related to adjustments 3 and 4 totals SEK 1,336,377.

c) Deferred tax

Since the transition to IFRS, deferred taxes are recognised under the heading Non-current liabilities instead of being recognised under Provisions as in previously applied policies. Deferred tax liability increased by SEK 328,935 (net) from SEK 11,011,570 to SEK 11,340,505. The change in temporary differences arises due to changes in the original acquisition cost calculation resulting from the transition to IFRS, i.e., adjustments 3 and 4 as described in section b above. Changes in deferred tax attributable to the business combination were recognised in intangible assets, not in the income statement or in equity. This is an effect of IFRS 6, Business Combinations, and, as mentioned above, that the acquisition cost calculation has changed.

d) Consolidated statement of cash flows

Neither cash flow nor total cash and cash equivalents were affected by the IFRS transition at the end of the year. However, line items in cash flow were affected by the IFRS adjustments as previously described and as described in following sections.

NOTE 7 REMUNERATION OF AUDITORS

GROUP	1 JAN 2012- 31 DEC 2012	1 JAN 2011- 31 DEC 2011
Öhrlings PricewaterhouseCoopers AB		
Audit engagement	264,794	60,000
Auditing aside from audit engagement	275,025	4,950
Group total	539,819	64,950

PARENT COMPANY	1 JAN 2012- 31 DEC 2012	1 JAN 2011- 31 DEC 2011
Öhrlings PricewaterhouseCoopers AB		
Audit engagement	264,794	60,000
Auditing aside from audit engagement	275,025	4,950
Parent Company total	539,819	64,950

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 tax advice or other services. Apart from the audit engagement above, auditing relates primarily to reviews in connection with listing, prospectus drafting, and issue-related audit costs.

NOTE 8 SALARIES, FEES, OTHER REMUNERATIONS, AND SOCIAL CHARGES**Remunerations and terms for senior executives and the Board***Remunerations in 2012*

The following table shows remunerations in 2012.

Remunerations in 2011

No remuneration was paid to CEO Ulrik Jansson in the 2011 financial year. Crown Energy's other senior executive (other than board members) is Andreas Forssell, CFO and vice president. Andreas Forssell AB, which is owned by Andreas Forssell, invoiced the Company for SEK 960,000

for his duties as Crown Energy's CFO in 2011. The position was changed to permanent employment in January 2012.

In 2011, no pension benefits were allocated to any senior executives.

Terms and guidelines for 2011 and 2012 relating to remunerations and benefits for senior executives

The principles for remunerations are that they should be commercially competitive. For the individual employee, the remuneration level should be based on position, competence, experience, and performance. None of the senior executives have a variable salary. Senior executives are defined as board members, the CEO, and the vice president.

The remuneration of the Board, including the chairman, is set by the shareholders at the AGM and is applicable until the next AGM. At the AGM on 29 May 2012, it was resolved that the chairman of the board's remuneration would be SEK 150,000 for 2012 and that remuneration for other board members not employed by the Company would be SEK 75,000 each. In 2011, the Board's chairman and members received no remunerations or benefits.

Remuneration to the CEO is determined annually by the Board. There is a notice period of twelve months between the CEO and the Company if the Company terminates the employment agreement and six months if the CEO terminates the employment agreement. The Parent Company pays defined contribution pension premiums for the CEO, which means that vesting occurs through the Parent Company's annual payments of premiums. The CEO receives a pension provision of 35% of salary per year.

Remuneration to the vice president/CFO is determined annually by the CEO. There is a mutual notice period of six months between the vice president/CFO and the Company. The Parent Company pays defined contribution pension premiums for the vice president/CFO. This means that vesting occurs through the Parent Company's annual payments of premiums. The Company has a defined contribution pension plan for staff and senior executives.

	BASE SALARY/ BOARD FEE	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION EXPENSE	TOTAL
Alan Simonian, chairman of the board	150,000	–	–	–	150,000
Andrew Harriman	75,000	–	–	–	75,000
Ulrik Jansson, CEO	1,500,000	–	–	525,000	2,025,000
Other senior executives, 1 person	1,020,000	–	–	232,103	1,252,103
Total board and senior management	2,745,000	–	–	757,103	3,502,103

Salaries, remunerations, and social charges

	GROUP		PARENT COMPANY	
	1 JAN 2012- 31 DEC 2012	1 JAN 2011- 31 DEC 2011	1 JAN 2012- 31 DEC 2012	1 JAN 2011- 31 DEC 2011
Salaries, fees, and benefits ¹⁾				
Board members				
Fee	225,000	–	225,000	–
CEO	1,500,000	–	1,500,000	–
Other senior executives	1,020,000	–	1,020,000	–
Other employees ²⁾	16,250	–	16,250	–
Total salaries, fees, and benefits	2,761,250	–	2,761,250	–
Contractual pension expenses				
CEO	525,000	–	525,000	–
Other senior executives	232,103	–	232,103	–
Other employees ²⁾	–	–	–	–
Total pension expenses	757,103	–	757,103	–
Social charges incl. special employer's contribution				
Board members	72,945	–	72,945	–
CEO	616,357	–	616,357	–
Other senior executives	376,792	–	376,792	–
Other employees ²⁾	3,249	–	3,249	–
Total social charges incl. special employer's contribution	1,069,343	–	1,069,343	–

¹⁾ Remunerations to the Board are included in the Other external expenses item in the statement of comprehensive income.

²⁾ An additional person was employed as of 1 January 2013. An hourly wage was paid for work done in December 2012.

Average number of employees

	2012		2011	
	AVERAGE NUMBER OF EMPLOYEES	OF WHICH MEN	AVERAGE NUMBER OF EMPLOYEES	OF WHICH MEN
AVERAGE NUMBER OF EMPLOYEES				
Group				
Sweden	2	2	–	–
Group total	2	2	–	–
Parent Company				
Sweden	2	2	–	–
Parent Company total	2	2	–	–

Gender breakdown of board members and other senior executives

GENDER BREAKDOWN OF BOARD MEMBERS AND OTHER SENIOR EXECUTIVES	2012		2011	
	NUMBER ON BALANCE SHEET DATE	OF WHICH MEN	NUMBER ON BALANCE SHEET DATE	OF WHICH MEN
Group				
Board members	2	2	2	2
CEO and other senior executives	2	2	2	2
Group total	4	4	4	4
Parent Company				
Board members	2	2	2	2
CEO and other senior executives	2	2	2	2
Parent Company total	4	4	4	4

NOTE 9 FINANCIAL INCOME AND EXPENSES

GROUP	1 JAN 2012- 31 DEC 2012	1 JAN 2011- 31 DEC 2011
Financial income		
Exchange gains	–	182,447
Interest income	26,080	–
Total financial income	26,080	182,447
Financial expenses		
Exchange losses	-310,844	-1,268
Interest expenses		
- Other interest expenses	-3,630	–
- Provisions, dissolution of discount effect	-121,429	-64,754
Total financial expenses	-435,902	-66,022
Earnings from financial items, net	-409,822	116,425
PARENT COMPANY	1 JAN 2012- 31 DEC 2012	1 JAN 2011- 31 DEC 2011
Interest income and similar items		
Interest income, Group companies	4,640,264	–
Interest income	533	–
Total interest income and similar items	4,640,797	–
Interest expenses and similar items		
Exchange differences	-62,406	-2,245
Interest expenses		
- Other interest expenses	-2,924	–
Total interest expenses and similar items	-65,330	-2,245
Earnings from financial items, net	4,575,467	-2,245

NOTE 10 EXCHANGE DIFFERENCES, NET

Exchange differences are recognised in the income statement as follows:

GROUP	1 JAN 2012- 31 DEC 2012	1 JAN 2011- 31 DEC 2011
Exchange losses on operational receivables and liabilities, net	-2,831	–
Financial items, net	-310,843	181,179
Total exchange differences	-313,674	181,179
PARENT COMPANY	1 JAN 2012- 31 DEC 2012	1 JAN 2011- 31 DEC 2011
Exchange losses on operational receivables and liabilities, net	-465	–
Financial items, net	-62,406	-2,245
Total exchange differences	-62,871	-2,245

NOTE 11 TAX

	1 JAN 2012- 31 DEC 2012	1 JAN 2011- 31 DEC 2011
Group		
Current tax for the year	–	–
Total income tax	–	–
Parent Company		
Current tax for the year	–	–
Total tax on profit for the year	–	–

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

GROUP	1 JAN 2012- 31 DEC 2012	1 JAN 2011- 31 DEC 2011
Loss before tax	-9,709,972	-3,041,925
Income tax calculated as per the Group's current tax rate	2,553,723	800,026
Tax effects of:		
Non-taxable income	4,276	–
Non-deductible expenses	-274,399	-359,018
Tax losses for which no deferred tax asset was recognised	-2,283,600	-441,008
Income tax	–	–

PARENT COMPANY	1 JAN 2012- 31 DEC 2012	1 JAN 2011- 31 DEC 2011
Loss before tax	-4,820,751	-1,497,993
Income tax calculated as per current tax rate (26.3%)	1,267,858	393,972
Tax effects of:		
Non-taxable income	140	–
Non-deductible expenses	-242,463	7,551
Tax losses for which no deferred tax asset was recognised	-1,025,535	-401,523
Tax on profit for the year	–	–

NOTE 12 EARNINGS PER SHARE

Basic earnings per share attributable to holders of ordinary shares in the Parent Company are calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding.

When the result is negative, there is no dilutive effect as the earnings per share would be improved taking into account any dilutive effects.

Average numbers of shares, basic and diluted, and number of shares at the end of the period are restated taking into account the preferential rights issue in Q2 2012. All periods before the new share issue were translated.

In Q4 2011, a split and a reverse split of Parent Company shares were implemented. In conjunction with this, about 10% of the shares in Crown Energy were gifted to former owner Commodity Quest AB's shareholders, which meant that the Company acquired about 1,700 new shareholders. Because of these transactions, the average number of ordinary shares differs significantly compared with the number of outstanding ordinary shares at the balance sheet date.

Crown Energy issued 814,954 warrants that could be converted into an equivalent number of ordinary shares. The issue price for these shares is

SEK 27.50/share (364,954 warrants) and SEK 30/share (450,000). As the issue price exceeds the average market price of ordinary shares during the recognised periods, there is no dilutive effect.

The Board proposed to the AGM that no dividend be paid for the 2012 financial year.

NOTE 13 INTANGIBLE ASSETS

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

Intangible assets arising from the acquisition of a foreign entity are treated as assets of the entity and are therefore translated at the closing rate. The translation difference that arises is recognised directly in the currency translation reserve in other comprehensive income.

	CAPITALISED EXPLORA- TION AND EVALUA- TION EXPENDITURES
As of 1 January 2011	
Carrying amount	–
2011 financial year	
Opening carrying amount	–
Increase through business combination	49,517,040
Closing accumulated cost	49,517,040
As of 31 December 2011	
Cost of acquisition	49,517,040
Closing carrying amount	49,517,040
As of 1 January 2012	
Cost of acquisition	49,517,040
Carrying amount	49,517,040
2012 financial year	
Opening carrying amount	49,517,040
Investments for the year	11,791,004
Translation differences	-361,903
Closing accumulated cost	60,946,141
As of 31 December 2012	
Cost of acquisition	60,946,141
Closing carrying amount	60,946,141

NOTE 14 OTHER RECEIVABLES

GROUP	31 DEC 2012	31 DEC 2011
VAT recoverable	934,233	270,957
Receivables from suppliers	34,090	316,225
Total other receivables	968,323	587,182
PARENT COMPANY	2012-12-31	2011-12-31
VAT recoverable	934,233	270,957
Total other receivables	934,233	270,957

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

NOTE 15 PREPAID EXPENSES AND ACCRUED INCOME

GROUP	31 DEC 2012	31 DEC 2011
Prepaid licence fees	3,305,189	–
Prepaid administrative expenses	113,500	–
Prepaid rent	–	21,500
Prepaid insurance expenses	–	25,600
Advances to suppliers	37,770	–
Other items	–	243,376
Total prepaid expenses and accrued income	3,456,459	290,476
PARENT COMPANY	31 DEC 2012	31 DEC 2011
Prepaid administrative expenses	113,500	–
Prepaid rent	–	21,500
Prepaid insurance expenses	–	25,600
Total prepaid expenses and accrued income	113,500	47,100

NOTE 16 CASH AND CASH EQUIVALENTS

GROUP	31 DEC 2012	31 DEC 2011
Balance sheet		
Cash and bank balances	11,761,666	1,563,378
Total cash and cash equivalents in balance sheet	11,761,666	1,563,378
Cash flow statement		
Cash and bank balances	11,761,666	1,563,378
Total cash and cash equivalents in cash flow statement	11,761,666	1,563,378
PARENT COMPANY	31 DEC 2012	31 DEC 2011
Balance sheet		
Cash and bank balances	11,562,720	1,094,727
Total cash and cash equivalents in balance sheet	11,562,720	1,094,727
Cash flow statement		
Cash and bank balances	11,562,720	1,094,727
Total cash and cash equivalents in cash flow statement	11,562,720	1,094,727

NOTE 17 SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL**Group**

	NUMBER OF SHARES	SHARE CAPITAL	OTHER CONTRIBUTED CAPITAL	TOTAL
Opening balance at 1 January 2011	50,000	50,000	–	50,000
Changes, 2011				
Shareholder contributions	–	–	4,000,000	4,000,000
Directed share issue	450,000	450,000	2	450,002
Share split (3,406:2)	1,702,500,000	–	–	–
Directed share issue	116,820	35	–	35
Reverse share split (1:100)	-1,686,085,652	–	–	–
Closing balance at 31 December 2011	17,031,168	500,035	4,000,002	4,500,037
Changes, 2012				
Directed share issue	181,666	5,334	3,341,766	3,347,100
Non-cash issue ¹⁾	1,135,411	33,336	16,953,333	16,986,668
Preferential rights issue ²⁾	1,529,020	44,892	10,658,248	10,703,140
Directed share issue	4,285,714	125,828	29,874,170	29,999,998
Offset issue ³⁾	1,592,051	47,762	11,096,595	11,144,357
Issue expenses ⁴⁾	–	–	-8,261,676	-8,261,676
Closing balance at 31 December 2012	25,755,030	757,186	67,662,437	68,419,623

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, Moco Resources Ltd.

²⁾ SEK 7,245,070 of total capitalised amount refers to settlement of loan with principal owner (Ulrik Jansson via Company).

³⁾ Settlement of loan with principal owner (Ulrik Jansson via Company).

⁴⁾ Of total issue expenses, SEK 3,100,000 applies to guarantees.

The share capital consists of 25,755,030 shares with a quotient value of 0.029.

Parent company

The above table illustrates recognised share capital and other contributed capital in the Group in accordance with IFRS. Note that in the Parent Company Other contributed capital corresponds to the Share premium reserve, except for the shareholder contribution of SEK 4 million obtained in 2011, which is classified as Accumulated earnings in the Parent Company.

NOTE 18 SHARE-BASED PAYMENTS

At an extraordinary general meeting in November 2011, it was resolved to issue up to 450,000 warrants for key persons within the Company. These key persons are hired consultants, not employees of the Company. All warrants were subscribed for, allocated, and were gratuitous. The warrants entitle each holder to subscribe for one share in Crown Energy AB for each warrant held during the period up to and including 28 November 2014. The issue price is SEK 30 per share.

Because the fair value at allocation was not a significant amount, the options were not recognised in the income statements or balance sheets.

In 2012, no additional warrants were allocated, nor have any been exercised or forfeited.

	2012		2011	
	AVERAGE EXERCISE PRICE PER OPTION (SEK)	NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE PER OPTION (SEK)	NUMBER OF OPTIONS
Series 2011:1				
As of 1 January	–	450,000	–	–
Allocated	–	–	30.00	450,000
Exercised	–	–	–	–
Forfeited	–	–	–	–
As of 31 December	–	450,000	30.00	450,000

NOTE 19 DEFERRED TAX

GROUP	1 JAN 2012- 31 DEC 2012	1 JAN 2011- 31 DEC 2011
Deferred tax liabilities on other intangible assets		
Deferred tax on surplus value	11,309,941	11,340,504
Total deferred tax liabilities	11,309,941	11,340,504

Gross change in deferred taxes are as follows:

GROUP	1 JAN 2012- 31 DEC 2012	1 JAN 2011- 31 DEC 2011
At start of year	11,340,504	–
Increase through business combination	–	11,340,504
Translation differences	-30,563	–
At end of year	11,309,941	11,340,504

Recognised deferred tax liability is expected to be settled after twelve months.

The Parent Company recognises a fiscal deficit of SEK 4,368,650. It is not possible to calculate the exact amount of the total consolidated fiscal deficits since the recognised fiscal deficits that can be utilised in the future in subsidiary Amicoh and in the Block P (Equatorial Guinea) licence are dependent on approval of incurred investment costs for exploration 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, an assessment is made only when production starts and production revenues are secured. If deficits are approved, they will be deducted from these production revenues.

Due to the current uncertainty in the ability to take advantage of deficits in the near future, deferred tax assets were not recognised in the Parent Company or the Group.

NOTE 20 PROVISIONS

GROUP	31 DEC 2012	31 DEC 2011
Opening balance	2,437,596	–
Provision for additional consideration	–	2,372,842
Discount effect on provision	121,431	64,754
Revaluation effect on provision	-15,727	–
Closing balance on 31 Dec 2012	2,543,300	2,437,596

GROUP	31 DEC 2012	31 DEC 2011
Long-term provision	2,543,300	2,437,596
	2,543,300	2,437,596

In connection with the acquisition of subsidiary Amicoh Resources Ltd., an additional consideration of up to USD 4,000,000 was agreed upon in the event of a commercial reservoir discovery on Madagascar. At 31 December 2012 (2011) the estimated amount totalled USD 400,000 (400,000), based on the likelihood of a commercial reservoir, which corresponds to SEK 2,606,240 (2,769,360) at the closing day rate. The portion paid at discovery of a commercial reservoir is recognised at a value of SEK 2,376,549 (2,255,118) after present value calculations. This year's discounting effect on the provision totals SEK 121,431 (64,754). More detailed information regarding the Company's assessments and assumptions regarding this additional consideration is in Note 5, Critical estimates and assessments for accounting purposes.

As part of the consideration for Amicoh Resources Limited, it was resolved at the Crown Energy general meeting in November 2011 to also issue 364,954 warrants directed to the seller of Amicoh Resources Limited. The warrants entitle the holder to subscribe for one share in Crown Energy AB for each warrant held during the period up to and including 30 November 2015. The contractual issue price is SEK 27.50 per share. The fair value of the provision for these warrants on 31 December 2012 (2011) totalled SEK 166,750 (182,477). The year's translation effect due to revaluation as per fair value is SEK -15,727 (0). More detailed information regarding the Company's assessments and assumptions regarding these options is in Note 5, Critical estimates and assessments for accounting purposes.

NOTE 21 OTHER LIABILITIES

GROUP	31 DEC 2012	31 DEC 2011
Employee-related liabilities	207,779	–
Loans from related parties	–	999,964
Acquisition debt	–	16,986,669
Other liabilities	–	601,358
Total other liabilities	207,779	18,587,991

PARENT COMPANY	31 DEC 2012	31 DEC 2011
Employee-related liabilities	207,779	–
Loans from related parties	–	999,964
Acquisition debt	–	16,986,669
Other liabilities	–	1,100
Total other liabilities	207,779	17,987,733

Besides the settled consideration for subsidiary Amicoh Resources Ltd in 2011, an additional consideration was paid in connection with the listing of Crown Energy in the form of shares in the Parent Company. On 31 December 2011, when the listing was approved and implemented, the consideration was booked as a liability totalling SEK 16,986,669. This debt was settled in 2012 shortly after the listing of Crown Energy on Nordic MTF.

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 22 ACCRUED EXPENSES AND DEFERRED INCOME

GROUP	31 DEC 2012	31 DEC 2011
Accrued social charges	72,945	–
Other personnel-related items	1,406,827	–
Accrued consultant fees	749,643	240,000
Accrued audit fees	171,000	60,000
Accrued board fees	225,000	–
Other	54,610	243,377
Total accrued expenses and deferred income	2,680,025	543,377

PARENT COMPANY	31 DEC 2012	31 DEC 2011
Accrued social charges	72,945	–
Other personnel-related items	1,406,827	–
Accrued consultant fees	735,909	240,000
Accrued audit fees	171,000	60,000
Accrued board fees	225,000	–
Other	54,610	–
Total accrued expenses and deferred income	2,666,291	300,000

NOTE 23 PARTICIPATING INTERESTS IN GROUP COMPANIES

PARENT COMPANY	31 DEC 2012	31 DEC 2011
Opening cost	500,000	–
Investment	–	500,000
Closing carrying amount	500,000	500,000

The 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	
					31 DEC 2012	31 DEC 2011
Crown Energy Ventures Corporation	79456	British Virgin Islands	100%	100	500,000	500,000

Indirectly owned Group companies

Amicoh Resources Ltd	667642	British Virgin Islands
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NOTE 24 BUSINESS COMBINATIONS**2012**

No business combinations were formed in 2012.

2011

The Group was founded in June 2011 when Crown Energy AB acquired all shares in Crown Energy Ventures Corporation (CEV). CEV began operations in 2010 with the accumulation of an investment portfolio focused on the exploration of oil and gas. On the acquisition date, several projects were identified but no agreements were signed. In July 2011, CEV acquired all shares in Amicoh Resources Ltd (Amicoh), which holds an exploration licence on Madagascar.

Of the acquisition debt, SEK 16,986,669 in the form of newly issued shares was paid in early 2012. The remaining recognised debt is an estimate of the present value of a contracted additional consideration of USD 4,000,000 in the event a commercial reservoir is discovered. In calculating the present value of the provision for the additional consideration, a discount factor before tax of 6.0% (-) was used. In assessing the size of the provision, the likelihood that the additional consideration will be paid was estimated to be 10%.

Transaction-related expenses associated with the acquisition of Amicoh totalled SEK 1,271,622 and are recognised in the Parent Company as part of the acquisition expenditure for the shares but are recognised in the consolidated accounts in the income statement.

Effects of business combinations

Information on acquired net assets and goodwill:

GROUP	TOTAL 2011	AMICOH 2011	CEV 2011
Consideration			
- Cash paid	18,015,035	18,015,035	–
- Acquisition debt	19,859,510	19,359,510	500,000
Total consideration	37,874,545	37,374,545	500,000
Fair value of acquired net assets	37,874,545	37,374,545	500,000
Goodwill	–	–	–

Assets and liabilities arising from the acquisitions are as follows:

	GROUP TOTAL		AMICOH		CEV	
	FAIR VALUE	ACQUIRED CARRYING AMOUNT	FAIR VALUE	ACQUIRED CARRYING AMOUNT	FAIR VALUE	ACQUIRED CARRYING AMOUNT
Cash and cash equivalents	40,653	40,653	40,653	40,653	–	–
Intangible non-current assets	49,517,040	–	49,306,545	–	210,495	–
Accounts receivable and other receivables	317,970	317,970	580	580	317,390	317,390
Borrowings	–	-2,000,180	–	-2,000,180	–	–
Deferred tax liabilities, net	-11,340,505	–	-11,340,505	–	–	–
Accounts payable and other liabilities	-660,613	-660,613	-632,728	-632,728	-27,885	-27,885
Fair value of net assets	37,874,545	-2,302,170	37,374,545	-2,591,675	500,000	289,505
Goodwill	–	–	–	–	–	–
Total consideration	37,874,545		37,374,545	-2,591,675	500,000	289,505
Cash-settled consideration	18,015,035		18,015,035		–	
Cash and cash equivalents in subsidiaries	-40,653		-40,653		–	
Change in Group cash and cash equivalents	17,974,382		17,974,382		–	

NOTE 25 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 and vice president/CFO, who are employees of the Company. There are two more persons in the management group who are not employees.

Purchases and sales within the Group

The Parent Company's net sales represent 0 (0) per cent of sales to other companies within the Group. Of the Parent Company's interest income, 99 (0) per cent relates to other companies within the Group. Interest is payable on 10% of intra-group loans and on operating liabilities that are not expected to be repaid within one year.

Loans from related parties

The Parent Company took out an interest-free loan from Ulrik Jansson (via Varukungen AB) of SEK 2,854,275 (18,298,638). The loan carries no interest and is renegotiated annually. The next due date is January 2014. The present value of the loans, corresponding to estimated fair value at 31 December 2012, was estimated at SEK 2,718,357, which is based on an interest rate of 5% if the loan had been subscribed to at market conditions.

The following illustrates the changes in the loan during the year:

	31 DEC 2012	31 DEC 2011
Opening balance	18,298,602	–
Borrowing related parties	3,000,000	18,298,602
Loan impairment	-54,900	–
Repayment – issue offset	-18,389,427	–
Closing balance	2,854,275	18,298,602
	31 DEC 2012	31 DEC 2011
Non-current liabilities	2,854,275	17,298,638
Current liabilities (reported as current liabilities)	–	999,964
Total loans from related parties	2,854,275	1,298,602

Purchases of services

Two persons in management, Peter Mikkelsen and David Jones, work in their respective management positions under consultancy agreements. Their services are purchased on normal commercial terms and they invoice for work performed.

In 2012, Crown Energy purchased technical consulting services from Simco Petroleum Ltd (Simco). Alan Simonian, Crown Energy's board chairman, owns 33% of Simco and also sits on Simco's board. Services from Simco are purchased on normal commercial terms.

Alan Simonian owns 14% of Thombo Petroleum Ltd ("Thombo"). In 2012, Crown Energy paid a cost reimbursement to Thombo in connection with the extension of the carrying through of the Block 2B-acquisition.

Following is a summary of services purchased from related parties in 2011 and 2012:

GROUP	31 DEC 2012	31 DEC 2011
Remuneration for consulting, Andreas Forssell AB	–	960,000
Remuneration for consulting (technical services), Peter Mikkelsen	638,442	–
Remuneration for consulting (technical services), David Jones	113,707	–
Remuneration for consulting (technical services), Simco Petroleum Ltd	238,030	–
Reimbursement, Thombo Petroleum Ltd	3,305,189	–
Total	4,295,368	960,000

Remuneration of senior executives

At an extraordinary general meeting in November 2011, it was resolved to issue up to 450,000 warrants for key persons within the Company. These key persons are hired consultants, not employees of the Company. All warrants were subscribed for, allocated, and were

gratuitous. The warrants entitle each holder to subscribe for one share in Crown Energy AB for each warrant held during the period up to and including 28 November 2014. The issue price is SEK 30 per share.

Because the fair value at allocation was not a significant amount, the options were not recognised in the income statements or balance sheets.

For other remunerations of senior executives, see Note 8, Salaries, fees, other remunerations, and social charges.

Other

On 24 April 2012, the Company entered into an option agreement with Ulrik Jansson whereby Crown Energy obtains an exclusive right, but not an obligation, to acquire Tigris Oil i Sverige AB (Tigris Oil), which entered into an agreement with an Iraqi region in 2012. The agreement gives Tigris Oil the right to explore for oil and gas over a land area of 24,000 square kilometres for seven years. In order to conduct the amount of exploration work required in the region, including drilling, a financial and industrial partner will be sought. In the event that the Company chooses to exercise the option, which is valid for another five years, a consideration corresponding to a specific share of the financial resources that the partner provides will be paid to a maximum of USD 2 million with an option for the Company to pay via a non-cash issue. Ulrik Jansson currently holds 15% of Tigris Oil shares, 5% directly in the exploration licence and an option to acquire the remaining 85% in Tigris Oil, an option which is valid until 30 June 2015.

NOTE 26 FINANCIAL INSTRUMENTS BY CATEGORY

GROUP	FINANCIAL ASSETS MEASURED AT FAIR VALUE VIA THE INCOME STATEMENT	LOANS RECEIVABLE AND ACCOUNTS RECEIVABLE	FINANCIAL ASSETS AVAILABLE FOR SALE	TOTAL
31 Dec 2012				
Assets in the balance sheet				
Other receivables	–	34,090	–	34,090
Cash and cash equivalents	–	11,761,666	–	11,761,666
Total	–	11,795,756	–	11,795,756

GROUP	FINANCIAL LIABILITIES MEASURED AT FAIR VALUE VIA THE INCOME STATEMENT	OTHER FINANCIAL LIABILITIES	TOTAL
31 Dec 2012			
Liabilities in the balance sheet			
Loans from related parties	–	2,854,275	2,854,275
Accounts payable	–	2,103,425	2,103,425
Other current liabilities	–	207,779	207,779
Provisions	2,543,300	–	2,543,300
Total	2,543,300	5,165,479	7,708,778

GROUP	FINANCIAL ASSETS MEASURED AT FAIR VALUE VIA THE INCOME STATEMENT	LOANS RECEIVABLE AND ACCOUNTS RECEIVABLE	FINANCIAL ASSETS AVAILABLE FOR SALE	TOTAL
31 Dec 2011				
Assets in the balance sheet				
Other receivables	–	316,957	–	316,957
Cash and cash equivalents	–	1,563,378	–	1,563,378
Total	–	1,880,335	–	1,880,335

GROUP	FINANCIAL LIABILITIES MEASURED AT FAIR VALUE VIA THE INCOME STATEMENT	OTHER FINANCIAL LIABILITIES	TOTAL
31 Dec 2011			
Liabilities in the balance sheet			
Loans from related parties	–	17,298,738	17,298,738
Accounts payable	–	503,048	503,048
Other current liabilities	–	18,587,991	18,587,991
Other provisions	2,437,596	–	2,437,596
Total	2,437,596	36,389,777	38,827,373

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 27 KEY RATIOS**Key ratios, Group**

AMOUNTS IN SEK UNLESS OTHERWISE STATED	NOTE	1 JAN 2012- 31 DEC 2012	1 JAN 2011- 31 DEC 2011
Earnings			
Other income		–	342,275
Operating loss		-9,300,150	-3,158,350
Net loss after tax		-9,709,972	-3,041,925
Return			
Return on equity, %		neg	neg
Return on total capital, %		neg	neg
Financial position			
Equity/assets ratio, %		71.9%	2.4%
Net worth per share		2.15	0.07
Balance sheet total		77,132,588	51,958,076
Equity		55,433,843	1,246,822
Cash flow from investments		-11,791,004	-17,974,382
Per share			
Total number of shares outstanding	12	25,755,030	17,387,485
Average number of shares	12	20,928,849	3,987,756
Average number of shares, diluted	12	20,928,849	3,987,756
Basic earnings per share	12	-0.46	-0.76
Diluted earnings per share	12	-0.46	-0.76
Equity per share		2.15	0.07
Employees			
Average number of employees		2.0	0.0

Definitions of key ratios*Return**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*

Equity at end of period.

Net worth per share

Net worth (equity plus the difference between the book value and market value of the assets) divided by number of shares at end of period.

Equity/assets ratio

Equity including the minority as a percentage of the balance sheet total.

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

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 total capital

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

Earnings per share

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

*Employees**Number of employees*

Average number of employees during the period.

NOTE 28 EVENTS AFTER THE BALANCE SHEET DATE

Crown Energy entered into an agreement in 2011 to acquire 75 per cent of licence Block 2B through the acquisition of Thombo Petroleum Ltd for USD 14 million (ca. SEK 90 million). The sellers and the Company have now decided to implement the deal with a 40.5 per cent stake in the licence and with a proportionally unchanged purchase price of USD 7.6 million (ca. SEK 49.5 million). This has the great advantage of reducing the Company's exposure and risk associated with an individual licence, creating a better balance between the Company's various assets without significantly reducing the upside. The acquisition is subject to South African regulatory approvals, which according to the Board's assessment will be obtained no later than the second half of 2013.

To finance the acquisition, Crown Energy's Board proposed on 27 February 2013 that a resolution on issuance of convertibles for about SEK 64 million with preferential rights for existing shareholders be determined at an extraordinary general meeting. The preferential rights issue would be secured through subscription commitments from existing shareholders and sellers of licence Block 2B for 50 per cent of the issue amount and guarantees from investment funds, institutions, and individuals for the remaining 50 per cent of the issue amount. At an extraordinary general meeting on 25 March 2013, it was resolved, as proposed by the Board, to issue a maximum of 6,438,757 convertible instruments with preferential rights for shareholders (preferential rights issue). Upon full subscription of this preferential rights issue and later full conversion, the Company's share capital could increase by a maximum of SEK 189,296.47. In addition to the convertible instruments in the preferential rights issue, also approved at the meeting was the Board's proposal of 27 February 2013 requesting that it be allowed to issue an additional maximum 1,000,000 convertible instruments (directed share issue), under the condition that the preferential rights issue is oversubscribed and in deviation from shareholders' preferential right.

Crown Energy plans to list the convertible instruments on NGM Equity in Stockholm. The subscription period for the convertible instruments was 10 April 2013 through 24 April 2013.

If the preferential rights issue is fully subscribed, it will provide the Company with about SEK 65 million before issue costs, which are estimated at about SEK 3.6 million, and guaranteed compensation that could amount to a maximum of SEK 3.2 million. Existing shareholders who choose not to exercise their subscription rights to subscribe for convertibles will incur a dilution of 20 per cent upon full conversion of the convertibles under the preferential rights issue, and on full conversion of the convertibles in the directed share issue, if fully subscribed, a dilution of 3.74 per cent. Of the net amount provided by the issue, about SEK 49.5 million will go to acquisitions and about SEK 15.5 million will be added to the Company's cash and working capital. In the event that the directed share issue is fully subscribed, an additional SEK 10 million will be added to the Company's cash and working capital, net of issue costs.

For complete details on the convertibles issue and its terms, see the prospectus approved by the Swedish Financial Supervisory Authority and published on 2 April 2013. The prospectus is available for download on Crown Energy's website. Also available on the website are the minutes of the extraordinary general meeting and the Board's complete proposals.

NOTE 29 PLEDGED ASSETS AND CONTINGENT LIABILITIES

The Group currently has no pledged assets, and there were no disputes known to the Company at the balance sheet date. And because the Group's licensing projects are in such early stages, there are no provisions for future site restoration costs.

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 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 23 May 2013.

STOCKHOLM, 17 APRIL 2013

Ulrik Jansson
CEO,
Board member

Alan Simonian
Chairman of the Board

Andrew Harriman
Board member

Our auditors' report was submitted on 19 April 2013
Öhrlings PricewaterhouseCoopers AB

(Signature on swedish version)
Peter Burholm
Authorised Public Accountant
Auditor in charge

(Signature on swedish version)
Mikael Winkvist
Authorised Public Accountant

(This English auditor's report is a translation of the Swedish auditor's report for 2012. If any discrepancies exist in the translation, the Swedish language version shall prevail. Signatures only on the Swedish version of the auditor's report.)

Auditor's report

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Crown energy AB (publ) for the year 2012 except for the corporate governance statement on pages 21-25. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 16-68.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

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 the parent company as of 31 December 2012 and of its financial performance [and its cash flows] 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 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate govern-

ance statement on pages 21-25. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Crown Energy AB (publ) for the year 2012. We have also conducted a statutory examination of the corporate governance statement.

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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement on pages 21-25 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory 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.

Opinions

We recommend to the annual 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. A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.



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