



CROWN
ENERGY

ANNUAL REPORT 2013

CROWN ENERGY AB (PUBL)

Contents

2012 IN BRIEF	3
CEO'S STATEMENT	4
DESCRIPTION OF OPERATIONS	5
BOARD OF DIRECTORS, SENIOR EXECUTIVES, AND AUDITOR	11
THE SHARES, SHAREHOLDERS, AND SHARE CAPITAL	14
DIRECTORS' REPORT	16
CORPORATE GOVERNANCE REPORT	21
FINANCIAL STATEMENTS	26
NOTES	38
AUDITOR'S REPORT	69

This English Annual Report is a translation of the Swedish Annual Report for 2013. If any discrepancies exist in the translation, the Swedish language version shall prevail. The translated English Annual Report has not been audited by the Company's auditors.

2013 IN BRIEF

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

- In 2013, Crown Energy completed the share purchase agreement with the sellers of the company that owns a working interest in the Block 2B licence in South Africa. The consideration for the company totals SEK 49 million. Completion of the acquisition requires the approval of the South African authorities. (Crown Energy will not be able to formally take over the licence until this occurs.) To finance the acquisition, Crown Energy issued a convertible loan, which is traded on NGM Equity. The convertible issue raised SEK 44 million in cash after transaction costs for Crown Energy. The consideration will be paid partly with cash totalling SEK 36 million and partly with Crown Energy convertibles totalling SEK 13 million. Until the South African authorities approve the change of ownership, the cash and convertibles will be held in escrow by a third party.
- During the summer of 2013, the process of acquiring a license in Iraq was initiated via Crown Energy Iraq AB (previously Tigris Oil Sweden AB), and in November 2013 the company was taken over after approval of the acquisition by both the Crown Energy shareholders and the authorities in Iraq. It was resolved at an extra general meeting (EGM) that the consideration would consist of newly issued Crown Energy shares, that is, the acquisition was made via a non-cash issue. On the takeover date, the final consideration comprised 1,842,715 newly issued Crown Energy shares at an issue price of SEK 8 per share, for a total of about SEK 15 million. The acquisition resulted in an increase in the Group's intangible assets, in the form of licenses, of SEK 28 million.
- In conjunction with Crown Energy's decision to acquire the licence in Iraq, Surinder S. Rai was recruited as chief operating officer (COO) in September 2013. Before assuming his position at Crown, he was employed by Gulf Keystone Petroleum, where he was responsible for development of oil production in Kurdistan, Iraq. In his role as COO, Mr Rai will also work in Crown Energy's other business segments.
- Between 1 and 30 December 2013, holders of Crown Energy's KV1 2013/2016 convertible had an opportunity to convert to shares. Holders exercised 246,934 convertibles, which meant that an equal amount of new shares were subscribed for during the period. The nominal value of the convertibles exercised during the conversion period in December 2013 amounted to SEK 2.5 million. The conversions increased the share capital by SEK 8 thousand and other contributed capital by SEK 1.8 million.

CEO's statement

Dear shareholders and investors,

Development of our assets and further acquisitions

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

As of this writing, we have finished analysing and interpreting the 3D seismic data acquired from Block 2B in South Africa. Alongside a reinterpretation of the licence's previous drilling data, the data revealed a number of new facts that indicate potential commercial quantities of oil and/or gas to a much greater extent than before. It may be that the existing well contains more oil than previously indicated, and there could be significantly more hydrocarbons around this deposit than previously specified. A full report will be prepared to show where the next drilling will occur.

There are two objectives to the work in Iraq. The first is finding a partner for the entire licence area that can develop the larger reservoirs, and the second is finding a partner that can start small-scale production as soon as possible. Considerable work has been done to obtain information about the small reservoirs that are within the licence area. Of the smaller reservoirs, the West Tikrit field is considered most suitable for initial production, given the information the Company has on the field and that it is located near existing infrastructure, thus facilitating production start-up. The Company's licence rights in Iraq have attracted considerable attention from other oil companies, and discussions have been initiated with several major companies on participating in development of the reservoirs within the licence area. The objective for 2014 is to contract with a partner and begin working toward production along with further exploration work in the licence area.

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

After several years of political uncertainty in Madagascar, a president was democratically elected in January 2014. This resulted in a number of international oil companies resuming their operations in the country and new players coming to the country. The first commercial production of oil in the country was initiated in 2013, which is also increasing interest.

Financing

Financing of the acquisition of our South African asset was made possible through a convertible loan of about SEK 64 million that runs from May 2013 to April 2016, i.e., over three years. With an interest rate of 10% and a conversion rate of SEK 10 per share, we believe that this is an attractive investment security since it is also secured against the South Africa asset. Conversion is allowed twice a year and we saw a number of convertibles converted into shares in the first year, namely about SEK 2.5 million was converted into about 245,000 new shares in December. All we need for the acquisition to be completed is regulatory approval from South Africa. Many were interested in the convertibles – so many that the Board will request authorization at the 2014 AGM to expand the existing convertible series by at least SEK 15 million. This will ensure the financing of the Company for a good while to come.

Acquisition of the Iraqi asset, Salah ad-Din, was implemented via a non-cash issue. The sellers of Crown Energy Iraq AB, previously Tigris Oil Sweden AB, which holds 100% of the Salah ad-Din oil and gas licence, received about 1.8 million new Crown Energy shares.

Outlook

Through the acquisition of the asset in Iraq, the Company's geographical and operational focus expanded to also include the Middle East. Oil reservoirs have already been identified within the licence area. The Company's objective is to get started with small-scale production in one or more fields as soon as the political situation allows.

In 2013, we continued to build up the Company. Risks continue to be high, but at the same time we have established an exciting international oil and gas company with an emphasis on exploration in early stages that presents opportunities for generating great value for our shareholders.

In 2014, we will focus on further developing our assets, primarily by finding partners who are prepared to contribute capital and expertise to these efforts. By collaborating with major players we also bring the huge potential of the assets to the forefront and reduce our financial exposure.

The objective is for 2014 to be a year that adds value for the Company's shareholders.

Ulrik Jansson
CEO, Crown Energy AB (publ)



Description of operations

ABOUT CROWN ENERGY

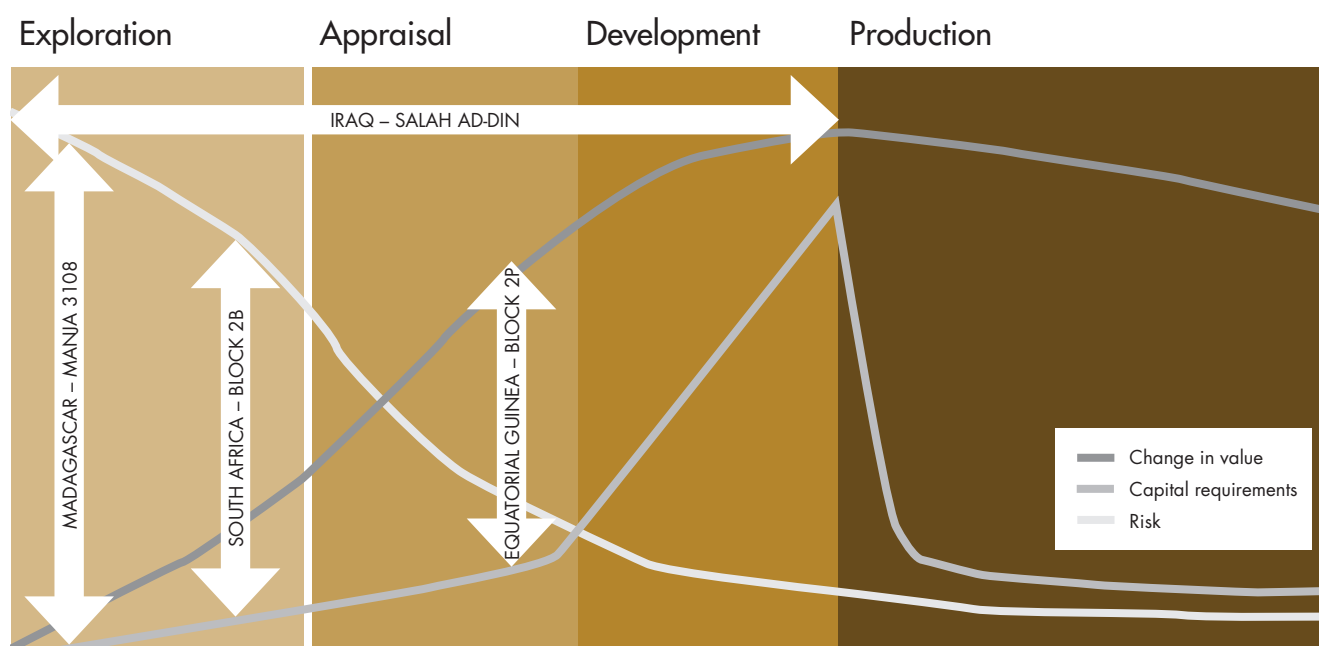
Crown Energy is an international oil and gas company engaged in oil and gas exploration and production in underexplored areas. The portfolio consists of assets in Africa and the Middle East;

- *Iraq* – Onshore exploration licence over an area of 24,000 square kilometres located in northern Iraq south-west of Kurdistan. The license area contains a number of major reservoirs as well as vast unexploited areas with high potential.
- *South Africa* – Offshore exploration licence that includes one reservoir and where an extensive 3D seismic survey has been finalized. Results indicate significant potential in and around the existing structures in the licence area.
- *Madagascar* – Onshore exploration licence on the western side of the island. After conducting seismic and geological studies, several structures have been identified. Future efforts include drilling, for which Crown Energy is seeking a partner.
- *Equatorial Guinea* – Offshore exploration licence in the Rio Muni Basin. The licence area contains confirmed reservoirs that are also surrounded by a number of structures with potential for further discoveries.

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

Value is created through finding and developing assets in early stages and then introducing larger oil and gas industry players to the projects for further development and production.

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



BUSINESS CONCEPT, GOALS, STRATEGY, AND VISION

Business concept

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

Goals

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

Strategy

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

- Crown Energy will benefit from its own and other player's experiences in order to carefully select exploration areas where the chance of oil and gas discoveries is high.
- Crown Energy will seek good risk diversification, geographical as well as geological, and pursue farm-out opportunities as exit strategies in order to capitalize as much as possible on its assets.
- Crown Energy intends to run multiple parallel projects in order to diversify.

Vision

Crown Energy's vision is to eventually become a major, profitable player in the international oil market.

PROJECT PORTFOLIO

Crown Energy's existing projects are located in Equatorial Guinea, South Africa, Madagascar, and Iraq. Crown Energy has its most advanced project in Equatorial Guinea and is working on preparations for developing the oil field along with other licence partners. Other projects are in the exploration and appraisal phases.

In 2013, a competent persons report (CPR) covering Crown Energy's projects was prepared. The CPR 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 previously mentioned CPR:

REGION	STAKE	STAGE	CROWN ENERGY'S STAKE IN THE LICENCE (MILLION BARRELS OF OIL EQUIVALENTS)
Equatorial Guinea – Block P (PDA)	5%	Development	1 mmboe
Equatorial Guinea – Block P (PDA)	5%	Exploration	7 mmboe
South Africa – Block 2B	40.5%*	Exploration	183 mmboe
Madagascar – Manja Block 3108	100%	Exploration	1,071 mmboe

*Completion of the acquisition requires the approval of the South African authorities. Crown Energy will not be able to formally take over the licence until this occurs.

The previously listed assets do not include the licence in Iraq, the Company's most recent acquisition. The reason for this is that there is no independent CPR for this area. Crown Energy's objective is to obtain more information about the asset in 2014.

Block P (PDA) - Equatorial Guinea

Crown Energy owns 5% of the offshore exploration and production licence Block P (PDA) Equatorial Guinea. Other licence partners are GE Petrol (57%), Atlas Petroleum (7%), and Vaalco Energy Inc. (31%).

The licence area is in close proximity to the mainland in the Rio Muni Basin, which contains confirmed reservoirs such as the oil-rich Ceiba Field and fields in Block G. These fields, located about 50 kilometres south, have reserves of about 500 million barrels of oil. In the Venus field in Block P, sand reservoirs similar to those in the Ceiba Field and fields in Block G have been identified and verified. Previous exploration drilling has also indicated potential for oil deposits in the area surrounding the Venus Field. Block P has proven oil reservoirs 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 resulted in a change entailing 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 reservoir. The area also includes a number of highly interesting identified structures with potential for further reservoirs. 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.

IRAQ – SALAH AD-DIN

Working interest: 100%
Operator: Crown Energy Iraq*
Stage: Exploration

**Wholly-owned subsidiary of Crown Energy AB*

EQUATORIAL GUINEA – BLOCK P (PDA)

Working interest: 5%
Operator: GE Petrol
Stage: Development/
Exploration

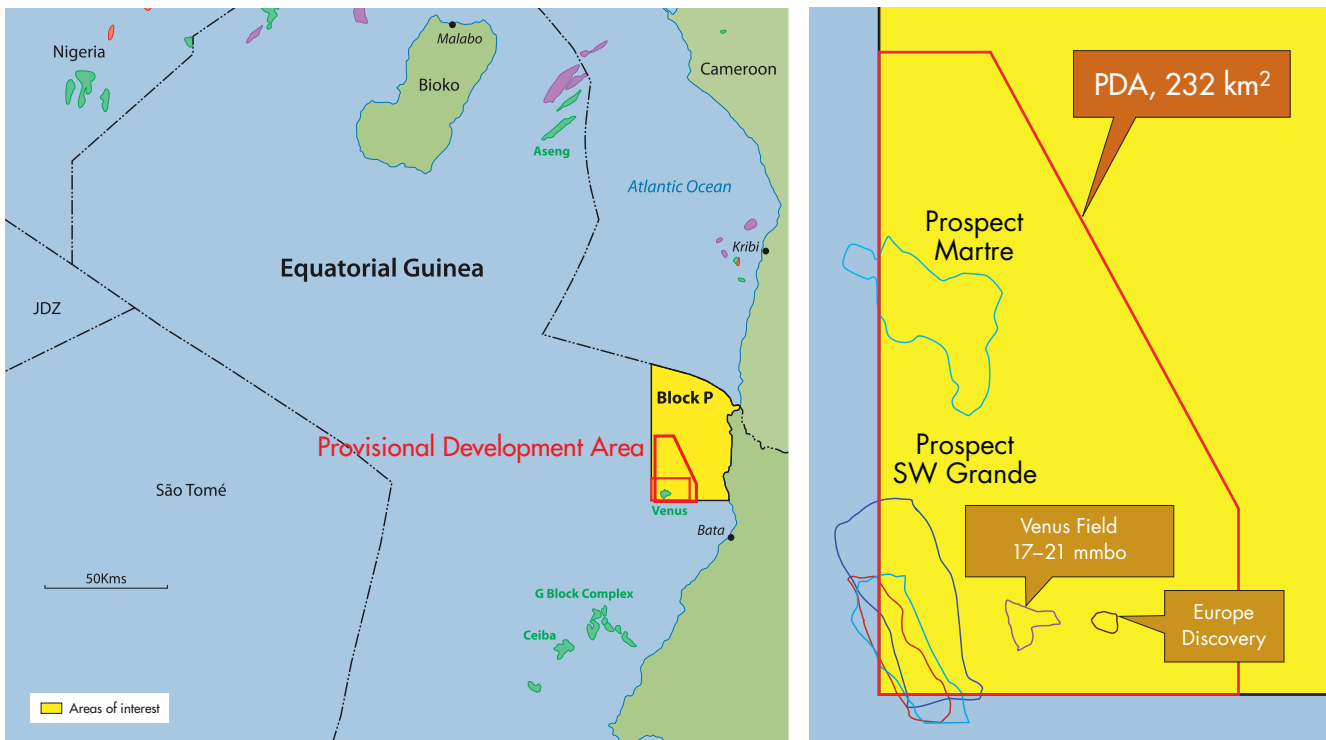
MADAGASCAR – MANJA 3108

Working interest: 100%
Operator: Amico Resources*
Stage: Exploration

**Wholly-owned subsidiary of Crown Energy AB*

SOUTH AFRICA – BLOCK 2B

Working interest: 40.5%
Operator: Thombo
Stage: Exploration



Since Vaalco Energy joined us as a partner in the project, much of our efforts in 2013 were focused on the strategy going forward. The alternatives being discussed by the parties are to either expand the existing reservoir (Venus) or do additional preliminary exploration work on structures situated around the Venus reservoir.

Block 2B – South Africa

In February 2013, Crown Energy acquired 40.5% of the licence. The acquisition is subject to South African regulatory approvals. For detailed information on the acquisition, see “Significant events during the financial year” on page 16.

Exploration Block 2B in South Africa is located offshore 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 surveys that were analysed and processed in recent years. The survey identified six new structures within the licence area that may contain oil. In 2013, 700 square kilometres of 3D seismic data was collected and processed. Final results from the surveys will be available in the first half of 2014.

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 several billion barrels of oil gross.

The nine-year exploration phase of the licence is divided into an initial period of three years, which expires in April 2014. Obligations for this period were fulfilled via collection of the 3D seismic data. The next period runs for two years, with a likely drilling program. After that, the licence can be extended for four

years, in periods of two years, subject to implementation of the agreed upon work program.

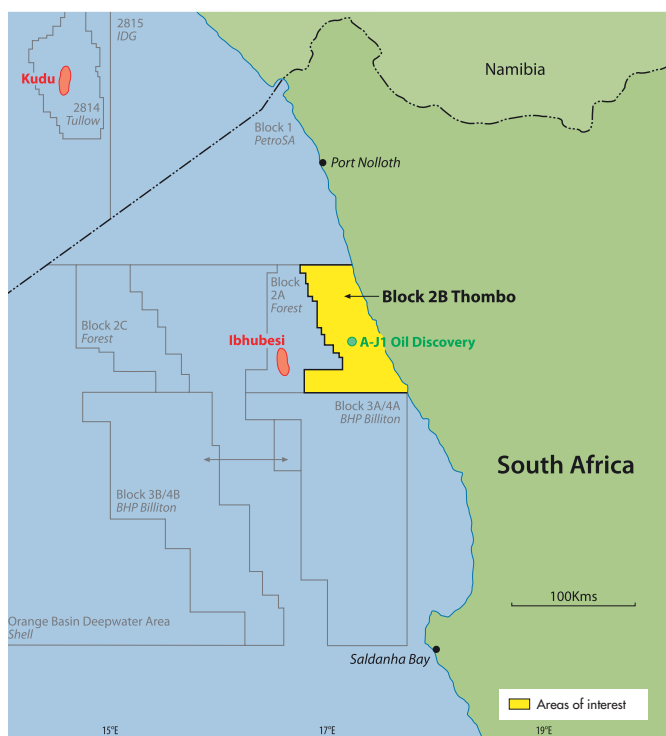
3108 Manja – Madagascar

Crown Energy owns 100% 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 the island in the form of heavy oil, which proves that there is a working petroleum system. 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. Several structures were identified, of which the largest is located in the north-western part of the licence area. This structure may contain up to 1,250 million barrels of oil. 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 north-west part of the licence area. Crown Energy currently owns 100% of the licence and, in accordance with its strategy, the Company will try to find other companies that can finance the drilling. The process of finding a farm-out partner is under way and is expected to progress according to plan. Crown Energy has determined that no further financing is necessary for funding the ongoing activities in the licence area. In November 2013 the licence was extended two years and is now valid through 15 November 2015.



Salah ad-Din - Iraq

In November 2013, Crown Energy acquired Crown Energy Iraq AB (previously Tigris Oil Sweden AB), which holds an oil exploration licence in Salah ad-Din in Iraq.

The licence covers the entire Salah ad-Din region – about 24,000 square kilometres – in northern Iraq. The license covers a number of existing oil fields, such as Ajeel, Hamrin, Tikrit, and Balad, which potentially contain several billion barrels of oil. Despite the large, obvious commercial reservoirs, production has been limited. Activities have been limited due to political instability over the last 20 years.

Since Q3 2013, Crown Energy's activities have been focused on building an organization for the operation in Iraq. A first step was to recruit a COO with extensive experience in oil and



gas exploration in the Middle East. In addition, consultants with extensive experience in the industry and region were engaged by the company.

An extensive technical plan was developed and initiated, including the retrieval of data and review of the status of the various projects and their appraisal. The plan for developing assets in Iraq follows two parallel tracks. In the short term the objective is to take one or several reservoirs into production. Long-term efforts will be on traditional exploration work throughout the licence territory.

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, appraisal, 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 reservoirs. 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. Commonly, the English terms farm in and farm out are used. 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 surveys are performed, such as geophysical seismic surveys in which potential structures are located using sound waves. Seismic data can be two-dimensional or three-dimensional. The difference is that 2D seismic surveys provide data in two dimensions (length and depth) while 3D seismic data provides an additional dimension (width). Three-dimensional seismic data provides a better foundation but is much more expensive and usually covers smaller areas.

Exploration drilling

Only by drilling can an oil company confirm with certainty whether 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, mobilization of equipment and materials to the drilling location, the drilling phase, and finally demobilization.

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

Resources and reserves

In an oil company, oil assets are divided into reserves and resources. The difference is in how far the oil company has come in working with the licence, if the 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.

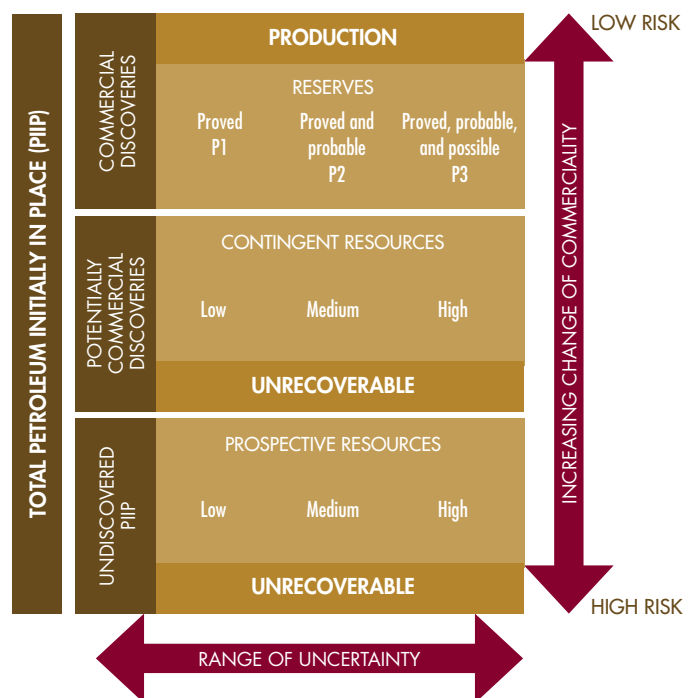
Reserves are divided into proved, probable, and possible. The difference between these reserves is great. A proved reserve

(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 reservoir can be appraised upward.

Resources are divided into contingent and prospective categories. A contingent resource is one in which reservoirs 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 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
Thombo Petroleum Ltd	Board member
Whitehawk Ltd	Board member
Fastnet Ltd	Board member
Simbo Petroleum No. 2 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 CEO at PA Resources, 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 15,529,726 regular shares and 2,531,254 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 Energy AB	Board member
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
Istvan Foth Recreation Projects AB	Deputy board member
Bröderna Boglind Bygg AB	Board member
Boglind & Wedholm AB	Deputy board member
USB Investment Sweden 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
Nordic Aerowash Equipment AB	Board member
Kvarnforsliden Mining KB	Proxy
Crown Energy Iraq AB	Board member, 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

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

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. Before his engagement with Crown Energy, Andreas Forssell was CEO at Tomsk Refining AB. Prior to this, Mr Forssell worked as a business adviser in corporate finance and mergers and acquisitions. 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
AB Krasny Gold Fields	Board member
Andreas Forssell AB	Board member
Crown Energy Iraq AB	Board member

**Surinder Rai (born 1977)***Chief Operating Officer (COO)**since September 2013*

Surinder Rai has been engaged by Crown Energy since September 2013. He has a chemical engineering degree from the University of Bath in the UK, is a chartered engineer,

and is a member of the Institute of Chemical Engineers and the Energy Institute. Mr Rai has more than 16 years of experience in the oil industry and has held several global, technical, and executive positions in major companies such as Chevron, Hess, and most recently Gulf Keystone Petroleum (Gulf Keystone). In his position as head of projects, engineering, and pipelines at Gulf Keystone, he was responsible for the development of oil production in Kurdistan, Iraq. Gulf Keystone was one of the earliest players in the Kurdish region of Iraq and has had great success with the Shaikan reservoir, with an approximate volume of 13.7 billion barrels. His other industry experience includes operations in UK oil refineries, offshore oil operations in the North Sea, and international projects in the Irish Sea, the Shetland Islands, Gulf of Mexico, Algeria, Iraq, Libya, Kazakhstan, and Russia. He held no Crown Energy shares on publication of the annual report. Mr Rai resides in England.

In addition to his duties for Crown Energy, he is involved in the following companies as stated:

COMPANY	POSITION
Fast Flow Oil & Gas Ltd	Board member
Cornerstone Energy Consulting Ltd	Board member
Menamo Oil & Gas Ltd	Board member

**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, north-west 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 adviser to PA Resources AB and is a director and legal adviser 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 counsel

AUDITOR

Öhrlings PricewaterhouseCoopers AB with Peter Burholm (born 1968) as chief auditor

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

ADDRESSES

Board of Directors and senior executives

Crown Energy AB
Norrlandsgatan 18
SE-111 43 Stockholm

Auditor

Öhrlings PricewaterhouseCoopers AB
Torsgatan 21
SE-113 97 Stockholm

The share, 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 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 owner's 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 818,622 allocated over a total of 27,844,679 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

In the autumn of 2013, the Company acquired Crown Energy

Iraq AB (Crown Iraq), previously Tigris Oil Sweden AB. The consideration consisted of newly issued Crown Energy shares. On 18 November 2013, Crown Energy took over Crown Iraq for a consideration of 1,842,715 newly issued shares. The non-cash issue resulted in the number of shares increasing by 1,842,715 to 27,597,745 and the share capital increasing by SEK 54,176 to SEK 811,362.

To finance the coming acquisition of Block 2B in South Africa, it was resolved at an extraordinary general meeting (EGM) in June 2013 to issue 6,438,757 convertibles (KV1 2013/2016) with preferential rights for shareholders. Between 1 and 30 December 2013, holders of Crown Energy's KV1 2013/2016 convertible had an opportunity to convert to shares. Holders exercised 246,934 convertibles, which meant that an equal amount of new shares were subscribed for during the period. The registration of the shares with the Swedish Companies Registration Office first took place on 8 January 2014, but since the conversion was deemed to be a 2013 event, the Company chose to include these shares as at 31 December 2013. The conversion resulted in an increase in share capital of SEK 8 thousand.

The following shows changes in the Company's share capital in table format from registration of the Company through 8 January 2014:

YEAR	TRANSACTION	INCREASE IN NUMBER OF VOTES	CHANGE IN NUMBER OF SHARES	CHANGE IN SHARE CAPITAL (SEK THOUSAND)	CAPITALIZATION, EXCL. ISSUE EXPENSES (SEK THOUSAND)	TOTAL NUMBER OF SHARES	TOTAL SHARE CAPITAL (SEK THOUSAND)	QUOTIENT VALUE (SEK)
2010	Incorporation	50,000	50,000	50	50	50,000	50	1.00
2011	Directed share issue	450,000	450,000	450	450	500,000	500	1.00
2011	Share split (3,406:2)	1,702,500,000	1,702,500,000	-	-	1,703,000,000	500	0.00029
2011	Directed share issue	116,820	116,820	0	0	1,703,116,820	500	0.00029
2011	Reverse share split (1:100)	-1,686,085,652	-1,686,085,652	-	-	17,031,168	500	0.029
2012	Directed share issue	181,666	181,666	5	3,347	17,212,834	505	0.029
2012	Non-cash issue ¹	1,135,411	1,135,411	34	16,987	18,348,245	539	0.029
2012	Preferential rights issue ²	1,529,020	1,529,020	45	10,703	19,877,265	584	0.029
2012	Directed share issue	4,285,714	4,285,714	125	30,000	24,162,979	709	0.029
2012	Offset issue ³	1,592,051	1,592,051	48	11,144	25,755,030	757	0.029
2013	Non-cash issue	1,842,715	1,842,715	54	18,611	27,597,745	811	0.029
2014	Redemption of con- vertibles ⁴	246,934	246,934	8	1,845	27,844,679	819	0.029

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

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

³Settlement of loan with principal owner.

⁴Recognized as unregistered share capital as of 31 December 2013. The shares were registered at the Swedish Companies Registration Office on 8 January 2014.

OWNERSHIP STRUCTURE

As at 31 December 2013, Crown Energy had about 2,000 shareholders. The Company's three major shareholders are Ulrik Jansson, via the Company with about 55.7% of the capital and votes, Comtrack Ventures Ltd with about 7.8% of the capital and votes, and T Intressenter AB with about 5.7% 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 2013 and any known changes thereafter (i.e., as of 8 January 2014):

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE OF SHARES
Ulrik Jansson, privately and via Company	15,529,726	55.7%
Comtrack Ventures Ltd	2,163,811	7.8%
T Intressenter AB	1,580,215	5.7%
Mocoh Resources Ltd	1,239,227	4.5%
Alan Simonian	1,175,377	4.2%
Other shareholders	6,156,323	22.1%
Total number of shares	27,844,679	100%

STOCK EXCHANGE

Since 28 December 2012, all (100%) of 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 organization. Instead of issuing physical certificates to shareholders, transactions are done electronically by registering with the CSD system of an authorized 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 considering 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 statement of financial position, 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 EGM in November 2011, it was resolved to issue up to 450,000 warrants directed to 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 28 November 2014. The issue 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 30 November 2015. The issue price is SEK 27.50 per share.

CONVERTIBLE DEBT INSTRUMENTS

Crown Energy's convertibles (KV1 2013/2016) are traded on NGM Equity under the designation CRWN KV1. A trading lot amounts to SEK 10, which is the nominal amount. Twice annually during the periods 1 June through 30 June and 1 December through 31 December, and also during the period 1 March 2016 through 31 March 2016, holders of the convertibles can request conversion of all or part of their claims into new shares in the Company at a conversion price of SEK 10 per convertible. The loan carries an annual interest rate of 10% from 2 May 2013, payable annually in arrears on 2 May with the final payment on the due date of 30 April 2016. The convertible debt instrument was traded at 31 December 2013 at 93.5% of the nominal value, corresponding to an annual rate of about 10.7%. For information on the accounting for convertibles, see Note 20, Interest-bearing loans and liabilities.

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 2013.

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. The Group currently has operations in Equatorial Guinea, South Africa, Madagascar, and Iraq. The Parent Company, whose commercial domicile is Stockholm, Sweden, is listed on NGM Equity.

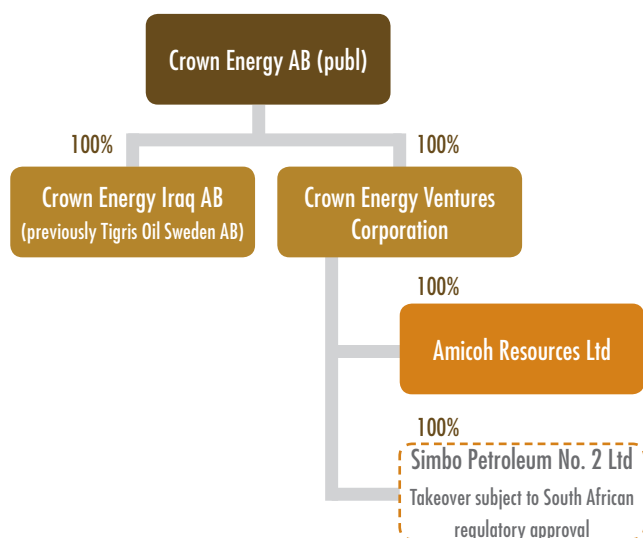
The Company has not yet commenced oil production as projects have not yet reached the production phase.

For a more detailed description of the Group's operations and ongoing projects, see pages 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, which owned a stake in the Equatorial Guinea licence. That same year, Crown Energy Ventures Corporation acquired subsidiary Amicoh Resources Ltd, which holds an exploration licence in Madagascar. In 2013, the Company also acquired Crown Energy Iraq AB (Crown Iraq), previously Tigris Oil Sweden AB, which holds an exploration licence in Iraq.

Following is an overview of the Group's legal structure at 31 December 2013:



SIGNIFICANT EVENTS DURING THE FISCAL YEAR

Completion of share transfer agreement and registration of convertible issue

Crown Energy Ventures Corporation, a Crown Energy AB subsidiary, entered into an agreement in August 2011 to acquire 75% of the Block 2B licence in South Africa through the acquisition of Thombo Petroleum Ltd for USD 14 million (ca. SEK 90 million). In February 2013, the sellers and the Company instead came to an agreement on implementing the deal with a 40.5% stake in the licence and with a proportionally unchanged purchase price, thus totalling about USD 7.6 million (ca. SEK 49 million). This part of the licence will be transferred by the sellers to a newly established English company, Simbo Petroleum No. 2 Ltd (Simbo), that Crown Energy will acquire in its entirety. 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. On 24 July the share transfer agreement between Crown Energy and the sellers of Simbo in South Africa was completed. The consideration for the stake in the licence totalled SEK 48,757 thousand. Completion of the acquisition requires the approval of the South African authorities. Crown Energy will not be able to formally take over the licence until this occurs.

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

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

Decision on acquisition and takeover of Crown Iraq

In June, Crown Energy's board resolved to exercise an option it has held since 2012. The decision means that Crown Energy acquires 100% of Crown Iraq through a consideration of SEK 1.5 million. The sellers were T Intressenter AB and USB Investment B.V. The Board's proposal meant that payment for Crown Iraq

would consist of newly issued Crown Energy shares through a directed non-cash issue. The number of shares was to be determined on the basis of an agreed-upon issue price relative to the SEK 15 million consideration. A Crown Energy AB EGM was held on 31 October 2013, at which the shareholders resolved to approve the acquisition of Crown Iraq in accordance with the proposal made by the Board. It was also resolved that, with deviation from shareholders' preferential rights, to issue up to 3,000,000 shares to T Intressenter AB and USB Investment B.V. as payment for Crown Iraq.

Regulatory approval of the acquisition was received from the regional Iraqi authorities in early November 2013. In doing so, all conditions for the acquisition were satisfied and on 18 November 2013, Crown Energy took over Crown Iraq. The final consideration comprised 1,842,715 newly issued Crown Energy shares, for which the issue price was set at SEK 8 per share. For recognition of acquisitions, see Note 26, Acquisition of Crown Iraq.

Recruitment of chief operating office

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

Conversions, KVI 2013/2016

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

FINANCIAL SUMMARY

Three-year summary

Note that in 2010 there was no group relationship. See Note 29 for definitions of key ratios.

Statement of financial position

Intangible assets

Total capitalized expenses for acquiring rights, prospecting costs, etc., which are recognized as intangible assets, totalled SEK 91,879 thousand (60,946) at 31 December 2013 (2012), a year-on-year net increase of SEK 30,933 thousand. The change since 31 December 2012 consists of recurring expenditures for the year of SEK 3,229 thousand (11,791) and translation dif-

	2013-01-01 2013-12-31	2012-01-01 2012-12-31	2011-01-01 2011-12-31	2010-04-14 2010-12-31
Group, SEK thousand				
Other operating income	–	–	342	–
Operating expenses	-9,271	-9,300	-3,501	–
Earnings	-9,271	-9,300	-3,158	–
Net financial items	-8,571	-410	116	–
Total assets	134,211	77,133	51,958	–
Earnings per share, SEK	-0.56	-0.46	-0.76	–
Equity per share, SEK	2.49	2.15	0.07	–
Equity/assets ratio	51.3%	71.9%	2.4%	–
Number of employees	3	2	0	–
Parent Company, SEK thousand				
Other operating income	–	–	–	–
Operating expenses	-9,230	-9,396	-1,496	-1
Earnings	-9,230	-9,396	-1,496	-1
Net financial items	-2,891	4,575	-2	–
Total assets	124,795	68,595	39,091	100
Number of employees	3	2	0	–

ferences of SEK -63 thousand (-362). Apart from these recurring expenditures, intangible assets increased due to the acquisition of Crown Iraq and its Iraqi licence. The increase resulting from the acquisition totalled SEK 27,767 thousand. See Note 14, Intangible assets, and Note 26, Acquisition of Crown Iraq, for more information. The recurring expenditures relate to capitalized exploration expenses for licences 3108 Manja on Madagascar and Block P in Equatorial Guinea, and in late 2013, also the Iraqi licence.

Property, plant, and equipment

Crown Energy moved offices in Stockholm on 1 October. Property, plant, and equipment increased by SEK 165 thousand following the purchase of equipment for the new offices. Depreciation for the year totalled SEK -33 thousand. The carrying amount as at 31 December 2013 totalled SEK 132 thousand.

Current assets

On 31 December 2013 (2012), current assets totalled SEK 42,200 thousand (16,185). Of this amount, SEK 36,584 thousand (11,762) is cash and cash equivalents. See the explanation of changes in cash and cash equivalents in the "Cash flow" section.

Other receivables increased between 2012 and 2013 as a result of preliminary tax paid and an outlay for the sellers of

Block 2B in South Africa. Prepaid expenses and accrued income increased from 31 December 2012 to 31 December 2013 from SEK 3,455 thousand to SEK 4,176 thousand, which is due to increased operations in 2013. Prepaid expenses consist primarily of prepaid licence fees.

Equity

At 31 December 2013 (2012), equity totalled SEK 68,843 thousand (55,433), corresponding to an equity/assets ratio of 51.3% (71.9). Share capital and other contributed capital during the year totalled SEK 27,846 thousand (net of issue expenses and deferred tax). The increase is due to the effects of the convertible debt instrument that was issued in 2013 and to the acquisition of Crown Iraq and the consideration paid, which was settled through a non-cash issue.

In the autumn of 2013, the Company acquired Crown Iraq. The consideration consisted of newly issued Crown Energy shares. On 18 November 2013, Crown Energy took over Crown Iraq for a consideration of 1,842,715 newly issued shares. The non-cash issue resulted in the number of shares increasing by 1,842,715 and the share capital increasing by SEK 54 thousand. Other contributed capital increased by SEK 18,557 thousand net as a result of the non-cash issue.

To finance the coming acquisition of Block 2B in South Africa, 6,438,757 convertibles (KV1 2013/2016) with preferential rights for shareholders were issued, which increased other contributed capital by SEK 7,746 thousand. Between 1 and 30 December 2013, holders of these convertibles had an opportunity to convert to shares. Holders exercised 246,934 convertibles, which meant that an equal amount of new shares were subscribed for during the period. The shares were registered at the Swedish Companies Registration Office on 8 January 2014. The conversion resulted in an increase in share capital of SEK 8 thousand. This part of the share capital is recognized as non-registered capital. Other contributed capital increased by SEK 1,837 thousand as a result of the conversion.

See Note 18, Share capital and other contributed capital, for gross accounting, and the "Shares, shareholders, and share capital" section on pages 14-15.

Non-current liabilities

As previously mentioned, a convertible debt instrument was issued in April 2013 to pay for the acquisition of shares in the company that owns a stake in Block 2B in South Africa. At 31 December 2013, the carrying amount of the convertible debt instrument totalled SEK 35,412 thousand. See Note 20, Interest-bearing loans and liabilities, for more information.

The loan from Varukungen AB, a company controlled by Ulrik Jansson (CEO and major shareholder of Crown Energy AB),

totalled SEK 2,854 thousand (2,854) at 31 December 2013, so it is unchanged from 31 December 2012. The loan carries no interest.

The deferred tax liability at 31 December 2013 (2012) totalled SEK 11,297 (11,310) and is attributable to the surplus value of intangible assets. The net change of SEK -13 thousand is attributable to translation differences.

Other provisions are partially attributable to the acquisition of the Madagascar licence, which totalled SEK 2,080 thousand (2,543) at 31 December 2013 (2012). In 2013, provisions also increased due to the buy-back option that arose from the acquisition of Crown Iraq. The value of the buy-back option at 31 December 2013 was SEK 6,204 thousand. After discounting and revaluation effects of SEK 143 thousand (106), provisions totalled SEK 8,890 thousand (2,543) as at 31 December 2013 (2012).

Current liabilities

Current liabilities consist of accounts payable, employee-related tax liabilities, and miscellaneous accrued expenses that total SEK 6,915 thousand. Current liabilities decreased compared to 2012 primarily due to the considerable accounts payable and accrued expenses items from late 2012 related to the initial public offering (IPO).

Of the accrued expenses at 31 December 2013, SEK 4,218 thousand were attributable to accrued interest on the convertible debt instrument.

Earnings

Operating income

No production of oil or gas occurred, so no revenue was recognized.

Operating expenses

Operating expenses for 2013 (2012) totalled SEK -9,271 thousand (-9,300), of which SEK -5,259 thousand (-4,811) consisted of employee expenses, SEK -3,948 thousand (-4,157) related to other external expenses, SEK -33 thousand (0) related to depreciation/amortization, and SEK -31 thousand (-331) related to other operating expenses. Employee benefit expenses increased overall by SEK 447 thousand compared to 2012 and are primarily attributable to the hiring of an additional person in 2013. Even though expenses increased in 2013 due to the new offices and more travel and promotional events, other external expenses decreased by SEK 209 thousand compared year-on-year. This can be explained by the high expenses that Crown Energy had in 2012 attributable to the IPO (prospectus, lawyers, stock exchange expenses, etc.) and the fact that much of the accounting and work on financial statements is now performed internally instead of by consultants.

At the end of Q3 2013 office equipment was purchased for the new offices. In Q4 2013, expenses totalling SEK -33 thousand arose from depreciation of this equipment. Other operating expenses of SEK -31 thousand (-331) were related to exchange rate effects on operating receivables and liabilities.

Earnings from financial items

Net financial items totalled SEK -8,571 thousand (-410). The large year-on-year increase is due to the convertible debt instrument that Crown Energy issued in April 2013. In 2013, the convertible debt instrument resulted in interest expense of SEK -8,450 thousand. See Note 9, Financial income and expenses, for more information. Net financial items were also affected by the discounting and translation effects of fair value valuation of the Company's provisions and exchange rate effects.

Tax

For 2013, the Company recognized deferred tax revenue in the statement of comprehensive income attributable to capitalization of tax losses. Revenue for the full year totalled SEK 3,443 thousand. See Note 5, Critical estimates and assessments for accounting purposes, for a detailed description of accounting for deferred tax.

Earnings after tax

Earnings after tax in 2013 (2012) totalled SEK -14,399 thousand (-9,710), corresponding to SEK -0.56 (-0.46) per share.

Cash flow

Cash flow from operating activities in 2013 (2012) totalled SEK -16,282 thousand (-9,545). The increase in outflow compared year-on-year is attributable to changes in working capital. These changes, in turn, are partly attributable to payment of preliminary tax and outlays for the sellers of Block 2B and partly to the fact that prepaid expenses increased as a result of a larger operation than last year. Current liabilities also decreased year-on-year primarily due to the considerable accounts payable and accrued expenses items from late 2012 related to the IPO.

Cash flow from investing activities in 2013 (2012) totalled SEK -2,644 thousand (-11,791). This outflow consisted of investments in intangible assets of SEK -3,229 thousand (-11,791), expenditures on equipment of SEK -165 thousand (0), and effects in cash and cash equivalents from the acquisition of Crown Iraq of SEK 730 thousand (0). Acquisition of the Iraqi license via Crown Iraq was financed through a non-cash issue, which is why this acquisition did not affect cash flow (see Note 26, Acquisition of Crown Iraq). Cash flows from investing activities in 2013 were somewhat lower than in 2012 due to a slight reduction in the rate of investment in existing projects during the past year. The positive cash flow of SEK 730 thousand, attributable to the acquisition of Crown Iraq, is further explained in Note 26, Acquisition of Crown Iraq.

Cash flow from financing activities for the full year totalled SEK 43,768 thousand (31,543). The positive effect in 2013 is explained by the convertible issue that was implemented during the year, which affected cash flow by SEK 44,124 thousand. See Note 20, Interest-bearing loans and liabilities, for more details and gross specifications. Issue expenses of SEK -356 thousand related to the non-cash issue offset the positive effect somewhat (see Note 26, Acquisition of Crown Iraq).

Disputes

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

EVENTS AFTER YEAR-END

Registration of new shares

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

Registration of new Crown Iraq board etc.

In 2014, several changes were registered with the Swedish Companies Registration Office concerning the Group company formerly known as Tigris Oil Sweden AB. Among other things, some board members changed, the articles of association were amended, and the company changed its name from Tigris Oil Sweden AB to Crown Energy Iraq AB.

Directed issue of convertibles

In April 2014, the Board resolved to conduct a directed issue of convertibles in the existing CRWN KV1 convertible series traded on NGM Equity. The issue comprises convertibles at a nominal amount of about SEK 20 million and an issue price that is fixed at 82%, which will inject about SEK 15 million into the Company. The issue amount may comprise convertibles for a nominal amount of up to SEK 25 million, which would provide the Company with up to SEK 20.5 million depending on the final subscription rate. Implementation of the issue is conditional upon shareholder approval at the AGM.

OUTLOOK

Operations

See a description of the business outlook in the CEO's statement on page 4.

Financing and going concern

Since the Group has not generated any revenue or profits, financing has historically been done through share issues. As mentioned earlier, a convertible issue was effected in Q2 2013 for the purpose of financing acquisition of the Block 2B licence in South Africa. Of the SEK 44,124 thousand Crown Energy received in cash, SEK 35,882 thousand was tied up for payment of Block 2B. In October 2013 a non-cash issue was also approved to

finance the acquisition of Crown Energy Iraq AB (formerly Tigris Oil Sweden AB). The non-cash issue will fully finance the acquisition through the issue of new Crown Energy shares.

As mentioned in the "Events after the end of the fiscal year" section, the Board resolved in April 2014 to implement a directed convertible issue, which will inject at least SEK 15 million into the Company. This contribution will be used to conduct operating activities for the next 12 months. Implementation of the issue is conditional upon shareholder approval at the AGM.

The Annual Report was prepared assuming a going concern as regards the Company's current operations, activities over the next 12 months, existing cash and cash equivalents and the above-mentioned direct issue of convertibles.

Regarding the Company's financing in general, see Note 5, Important estimates and assessments for accounting purposes.

RISKS AND UNCERTAINTY FACTORS

Following is a summary of some of the most significant risks Crown Energy currently faces. For a more detailed description of the Company's risks, see Note 3, Operational risks, and Note 4, Financial risk management.

Operational risks for Crown Energy are mainly linked to exploration licences. There are several risks associated with licence agreements, that is, agreements and permits that are prepared together with local authorities. Among other things, permits may be subject to restrictions and/or withdrawn, or they may be subject to interpretation and disputes. By maintaining a continuous, effective dialogue with local authorities, Crown Energy believes it has good control over any changes to or new requirements for its licences.

The main risks related to the market and industry are considered to be those related to political, social, and economic issues in each country and/or region. Given that Crown Energy is engaged in and may expand its activities in developing countries, it can be affected by factors such as political, social, economic, and religious instability, including terrorism, military coercion, war, and general and political unrest. This instability could have a very negative impact on operations as regards permits and partnerships. The countries in which Crown Energy operates may also have legal systems that differ greatly from Sweden's, which could affect the Company's ability to exercise its rights and obligations. These risks have become even more relevant due to the acquisition of a license in Iraq during the year. Another industry-related risk is the risk that the exploration work never leads to development and production and that the estimated volumes do not correspond with reality. To reduce the risk of misjudging a licence's potential, Crown Energy hires competent persons with good geological backgrounds and always follows

established procedures and models for estimating reserves and resources.

In terms of financial risks, Crown Energy estimates that the greatest risk is the fact that oil and gas exploration is a capital intensive business and that capital may have to be raised under less than favourable market conditions. Depending on operational developments in general, the Company may need additional capital to acquire assets, to further develop the assets under favourable conditions, or to continue its operating activities. If Crown Energy is unable to obtain sufficient financing, the scope of activities may be limited, which ultimately may mean that the Company can no longer execute its long-term exploration plan. Historically, financing has been primarily through new share issues. At present, there are no external loans and the Group's short-term financing plan has so far been based on loans from Parent Company shareholders. Crown Energy works continuously with its capital raising and refinancing.

THE SHARE AND OWNERSHIP STRUCTURE

Share capital

According to Crown Energy's articles of association, the issued share capital should be no less than SEK 500,000 and no more than SEK 2,000,000. Only one type of share may be issued and should 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 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 owner's 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 818,622 allocated over a total of 27,844,679 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 share, shareholders, and share capital" section on pages 14-15.

DIRECTED SHARE ISSUES IN ACCORDANCE WITH THE SWEDISH COMPANIES ACT, CHAPTER 16, SECTION 10

As mentioned in the "Significant events during the financial year" section, in 2013 a non-cash issue directed to the sellers of Crown Iraq was implemented, which was registered with the Swedish Companies Registration Office in November 2013.

For more information on this non-cash issue see Note 18, Share capital and other contributed capital, and Note 26, Acquisition of Crown Iraq.

OWNERSHIP STRUCTURE

For information on the ownership structure, see "The share, shareholders, and share capital" section on pages 14–15.

AGM

The AGM will be held on 14 May 2014 at 2 pm at company headquarters, Norrlandsgatan 18 in Stockholm.

PARENT COMPANY

The Parent Company's earnings before tax for 2013 (2012) totalled SEK -12,121 thousand (-4,820). The Parent Company's earnings before tax decreased compared to prior years due to interest expenses arising from the convertible debt instrument.

For 2013, the Company recognized deferred tax revenue in the statement of comprehensive income attributable to capitalization of tax losses of SEK 3,443 thousand.

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

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

Equity at the end of the period was SEK 81,268 thousand compared with SEK 62,100 thousand at 31 December 2012. Apart from net loss for the year of SEK -8,678 thousand, equity increased by SEK 27,846 thousand. The increase is attributable to recognition of the option component of the convertible debt instrument, conversions in December 2013 of the same, and the implemented non-cash issue related to the acquisition of Crown Iraq. See the Parent Company's statement of changes in equity for specifics on the changes mentioned above. As the conversion was registered with the Swedish Companies Registration Office in January 2014, the increase in share capital was recognized on a separate line entitled non-registered share capital.

The convertible debt instrument was issued in April 2013 to pay for the acquisition of shares in the company that owns a stake in Block 2B in South Africa. At 31 December 2013, the carrying amount of the convertible debt instrument totalled SEK 35,412 thousand. For more information on the convertible debt instrument, see Note 20, Interest-bearing loans and liabilities. As a result of the convertible debt instrument, accrued interest expenses of SEK 4,218 thousand were also recognized.

PROPOSED APPROPRIATION OF PROFITS

The following profit is at the disposal of the AGM:

SEK	
Share premium reserve	91,446,370
Accumulated earnings	-2,319,785
Net loss for the year	-8,677,971
Total	80,448,614

The Board proposes that SEK 80,448,614 be carried forward.

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 (Crown Energy) is a Swedish public company with its headquarters 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. Governance is regulated mainly by the articles of association, the Swedish Companies Act, NGM's rules for companies whose shares are traded on NGM Equity, the Code, good practice on the stock market, and internal guidelines and policies.

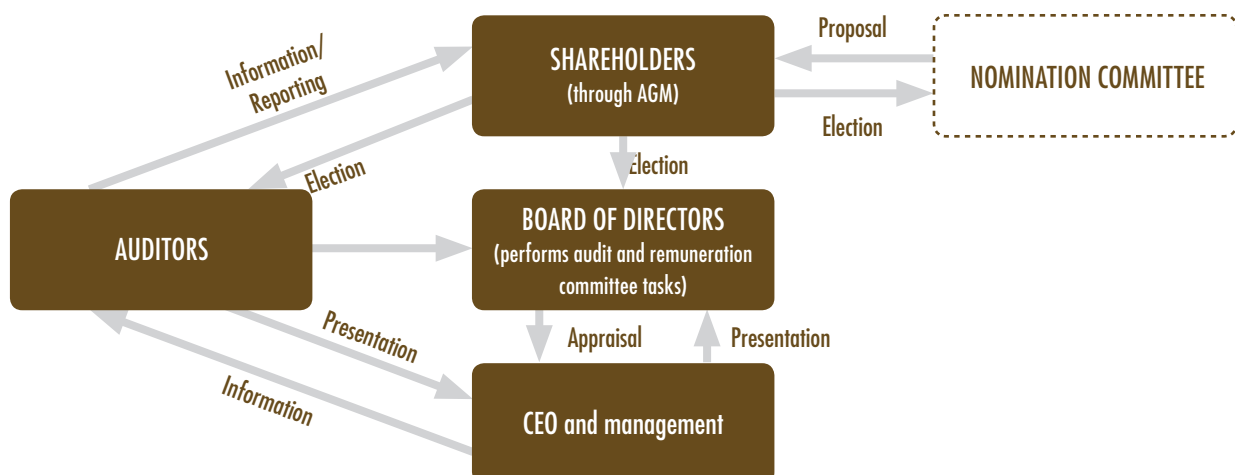
Companies whose shares are traded on a regulated market are required to implement the Code. The Code is part of self-regulation in the Swedish business community and is based on the principle of comply or explain. This means that a company applying the Code may deviate from individual rules but must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

Energy's 2013 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 did not apply the Code in full until the 2013 AGM, which was held on 23 May 2013. Rules of the Code from which Crown Energy deviated in 2013 are indicated in this report. Explanations and solutions that were used instead are described in each respective section of the corporate governance report.

The Company did not violate NGM's rules for companies whose shares are traded on NGM Equity nor did it violate good practice on the stock market during the year.

GOVERNANCE STRUCTURE AND ACCOUNTABILITY

Crown Energy shareholders exert their influence at the AGM, which is the Company's highest decision-making body, while responsibility for organization 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. Crown Energy's governance structure is described in the following organizational chart of the various governing bodies. A description of each governing body follows.



SHAREHOLDERS

As at 31 December 2013, Crown Energy had about 1,900 shareholders. The Company's three major shareholders are Ulrik Jansson, privately and via the Company, with about 55.7% of the capital and votes, Comtrack Ventures Ltd with about 7.8%, and T Intressenter AB with 5.7%. The five largest shareholders had combined holdings of 77.9% of the shares and votes at the end of 2013.

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 2013, there was only one such holding, which was represented by Ulrik Jansson, privately and via the Company (55.7%). Additional information about the share and shareholders can be found on pages 14-15 of this report.

AGM

The AGM is Crown Energy's highest decision-making body. By law, the AGM shall be held within six months of year-end. Decisions are made at the AGM on such issues as adoption of the statement of comprehensive income and the statement of financial position, allocation of profits, discharge of liability, and election of board members and auditors. Decisions are also made at the AGM on the articles of association, dividends, and any changes to the share capital.

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

AGM

Crown Energy's 2013 AGM was held on 23 May in Stockholm. At the meeting, 59.9% of the votes and share capital were represented. These items and others were resolved at the meeting:

- *Adoption of the statement of comprehensive income and the statement of financial position for the Parent Company and the Group*
- *Discharge of the Board and CEO*
- *Adoption of appropriation of profits, entailing that the Company's accumulated earnings of SEK 61,342,654 be 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*
- *Adoption of guidelines for remuneration of Group senior executives*

The 2014 AGM will be held on 14 May 2014 at 2 pm at company headquarters, Norrlandsgatan 18 in Stockholm. For information on the AGM, see the Company's website at www.crownenergy.se.

Other general meetings

On 25 March 2013, an EGM 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% of the votes and share capital were represented.

On 31 October 2013, an EGM was held at which it was resolved to adopt the Board's proposal on acquisition of Crown Energy Iraq AB (Crown Iraq), previously Tigris Oil Sweden AB, and on the directed non-cash issue. At the meeting, 55.7% 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.

Historically, Crown Energy has not had a nomination committee, which is a deviation from the Code of Corporate Governance. Before the 2013 AGM, the Board consulted with the principal shareholders and decided that a nomination committee is currently not necessary in view of the composition of shareholders. If this composition changes in the future, the question of a nomination committee may need to be revived, and Crown Energy intends to maintain a continuous dialogue with the principal shareholders on this matter.

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 organization.

According to the articles of association, Crown Energy's board is to consist of at least 3 and no more than 10 members, with no more than 5 alternates. The Board consists of three members:

- Alan Simonian (chairman)
- Andrew Harriman (member)
- Ulrik Jansson (member and CEO)

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 AGM. Besides regular meetings, the Board gathers for additional meetings as required.

The work is led by the Chairman of the Board, who has a particular responsibility for ensuring that it is well organized 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 2013 AGM.

The Board may establish committees to delegate certain tasks. Normally these committees consist of audit and remuneration committees. Board committees deal with issues that fall within their respective areas and submit reports and recommendations that form the basis of decisions made by the Board. The Board decides whether or not a committee should be established. The Board may, in accordance with the Swedish Companies Act, decide to perform the duties of a committee themselves, that is, address the issues within the regular Board. In 2013, Crown Energy did not have an audit committee or remuneration committee

since the Board found it to be more appropriate to handle these types of issues within the ordinary Board. Accordingly, the Board performs the duties of each committee.

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 10% or more of the Company's shares or voting rights. In 2013, the Board consisted of three members. Two of them were independent of the Company, its management, and major shareholders.

The work of the Board in 2013

Under the Board's rules of procedure, the Board is to convene at least four times per year in addition to the statutory meeting. The Board had 14 meetings in 2013, including one statutory meeting. In 2013, the Board paid special attention to financing, that is, the issuance of a convertible, of the company that owns a stake in the Block 2B licence in South Africa and the acquisition and takeover of Crown Iraq. The acquisition of Crown Iraq also gave rise to strategic issues within the Group. The Board has also spent time discussing plans for finding partners for the projects. Internal frameworks and policies that apply to the governance of the Company were determined, such as the Board's rules of procedure, CEO instructions, budget, etc.

Of meetings held in 2014, one concerned the adoption of the 2013 year-end report and one a debriefing from the Company's auditors concerning the 2013 financial year.

The Company's auditor participated in one of the Board's meetings, which, as mentioned above, was held in February 2014.

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

Authorization

Neither the AGM nor the EGM has given the Board any specific authorization.

SHAREHOLDERS		NATIONALITY	YEAR ELECTED	REMUNERATION, SEK	INDEPENDENT OF COMPANY AND MANAGEMENT	INDEPENDENT OF MAJOR SHAREHOLDERS	BOARD MEETINGS ATTENDED 2013
Alan Simonian	Chairman	British	2011	150,000	Yes	Yes	14/14
Ulrik Jansson	Board member and CEO	Swedish	2011	-	No	No	14/14
Andrew Harriman	Board member	British	2011	75,000	Yes	Yes	14/14

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 were through the Company on publication of the annual report and totalled 15,529,726 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, Surinder Rai, COO, Peter Mikkelsen, chief geologist and exploration manager, and David Jones, legal adviser. Surinder Rai, 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 11-15 of the annual report.

INTERNAL AUDITING

The Company has a simple legal and operational structure along with established governance and internal control systems. In 2013, the Company did not have a separate internal audit function. The Board regularly monitors the Company's assessment of internal control through contact with the Company's auditors and by other means.

AUDITOR

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

At an EGM in 2010, the firm Öhrlings PricewaterhouseCoopers AB was elected as Crown Energy's auditor through the end of the 2015 AGM. As chief auditor, authorized public accountant Peter Burholm was appointed to sign the auditor's report together with authorized public accountant Michael Winkvist.

In 2013, the audit team had regular contact with the Company in addition to the audit procedures performed. In 2013, the Company's auditors reviewed the annual accounts, conducted a review of the interim accounts of 30 September, and reviewed the Company's internal controls. Apart from this, the auditor also performed statutory reviews in conjunction with the year's share issues.

REMUNERATIONS

Remuneration guidelines

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

Recently approved remuneration guidelines - 2013 AGM

For the 2013 AGM, the Board proposed the following guidelines, which were later adopted at the AGM on 23 May 2013:

- *The Board shall be entitled to deviate from the guidelines in individual cases if there are specific reasons for doing so. If such a deviation occurs, information thereon and the reason for the deviation shall be reported at the next AGM.*
- *Remuneration of the CEO and other senior executives shall consist of a fixed, market-based salary. Any potential benefits shall constitute only a limited portion of the remuneration.*
- *Pensions for the CEO and other senior executives are to be defined contribution plans, which means that vesting occurs through the Parent Company's annual payments of premiums. The CEO's pension provision shall be 35% of salary per year. Pensions for other senior executives shall follow the ITP plan. Upon termination by the company, severance pay for senior executives can be paid to a maximum of 24 months' salary, including fixed salary, during the notice period.*
- *Decisions on share and share price related incentive schemes for senior executives shall be taken at the AGM. Share and share price related incentive programs shall be designed with the aim of achieving greater alignment of interests between the participating executives and the Company's shareholders. Programs that involve the acquisition of shares shall be designed so that a personal shareholding in the company is promoted. The vesting period, or the period from the conclusion of the agreement until shares may be acquired shall not be less than three years. Board members who are not also employees of the Company shall not participate in programs directed to management or other employees. Share options shall not be included in programs directed to the Board. (At an EGM in November 2011, it was resolved to issue 450,000 warrants directed to key persons within the Group. The warrants entitle each holder to subscribe for one share in the Company for each warrant held during the period up to and including 28 November 2014. The issue price is SEK 30 per share.)*

The Board's proposed remuneration guidelines for the 2014 AGM

The Board's proposed remuneration guidelines for the 2014 AGM are the same as the most recently adopted guidelines (see above) with the following additions:

- *In special cases, the Company's board members may be remunerated for services within their respective area of expertise that are not related to their work on the Board. A market-based fee shall be paid for these services, which shall be approved by the Board and reported on at the AGM.*

Remuneration of the Board of Directors

Resolutions on remuneration of the Board are made at the AGM. At the AGM on 23 May 2013, it was decided that the Chairman of the Board's remuneration would be SEK 150,000 and that remuneration for other board members not employed by the Company would be SEK 75,000 each.

Chairmen and board members who are not also employees of the company do not receive a salary from the Company and are not eligible to participate in any of the Company's future incentive 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 in 2013

Decisions on remuneration of the CEO are made by the Board. Ulrik Jansson receives a monthly remuneration of SEK 125,000. Between the Company and Ulrik Jansson, there is a notice period of 12 months on the Company's side and 6 months on the CEO's side. 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, Surinder Rai, COO, Peter Mikkelsen, exploration manager, and David Jones, company lawyer. Decisions regarding remuneration of other senior executives are made by the CEO.

Andreas Forssell receives 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 equivalent roles in companies 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.

Surinder Rai, Peter Mikkelsen, and David Jones fulfil their management obligations to the Company on a consulting basis. In 2013, Surinder Rai invoiced for about GBP 107 thousand, Peter Mikkelsen for about GBP 18 thousand, and David Jones for about GBP 4 thousand.

Remuneration of auditors

At the 2010 EGM, Öhrlings PricewaterhouseCoopers AB was appointed as auditor with Peter Burholm acting as the chief auditor for Crown Energy ever since. Mr Burholm has been an authorized public accountant since 1995 and is a member of FAR SRS, Sweden's association for accountancy professionals. Remuneration of the auditor is paid on open account. Total remuneration paid to the auditor by the Group for fiscal year 2013 (2012) totalled SEK 805 (540), of which SEK 604 (265) pertained to audit engagements and SEK 201 (275) was for other assignments. An audit involves reviewing the annual report and bookkeeping along with the administration of the Board of Directors and CEO, other tasks incumbent upon the auditor to perform, and advice or other assistance prompted by observations made during the audit or the performance of other tasks. Everything else is considered other assignments.

INTERNAL CONTROL AND RISK MANAGEMENT OF FINANCIAL REPORTING FOR THE 2013 FISCAL YEAR

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

Control environment

The control environment forms the basis of internal control of the financial 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, updated instructions for the Board and CEO were adopted as well as a new disclosure policy and financial reporting policy. 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 organization and are available and known to the personnel concerned.

Risk assessment

The Company identifies, analyses, and makes decisions on managing the risk of errors in 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 financial position 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 recognized 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.

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 2013, 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.

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

Consolidated statement of comprehensive income

ALL AMOUNTS IN SEK THOUSAND	NOTE	2013-01-01 2013-12-31	2012-01-01 2012-12-31
Revenue		–	–
Other operating income		–	–
Total operating income		–	–
Operating expenses			
Other external costs	7	-3,948	-4,157
Employee benefit expenses	8	-5,259	-4,812
Depreciation/amortization and impairment of property, plant, and equipment and intangible assets	13	-33	–
Other operating expenses	10	-31	-331
Total operating expenses		-9,271	-9,300
Earnings		-9,271	-9,300
Financial income	9, 10	19	26
Financial expenses	9, 10	-8,590	-436
Earnings from financial items		-8,571	-410
Earnings before taxes		-17,842	-9,710
Deferred tax revenue	11, 21	3,443	–
Net loss for the year		-14,399	-9,710
Net loss for the year attributable to:			
Parent Company shareholders		-14,399	-9,710
Proposed dividend per share, SEK		None	None
Average number of shares	12	25,916,583	20,928,849
Basic earnings per share, SEK	12	-0.56	-0.46
Diluted earnings per share, SEK	12	-0.56	-0.46

Consolidated statement of comprehensive income

ALL AMOUNTS IN SEK THOUSAND	2013-01-01 2013-12-31	2012-01-01 2012-12-31
Net loss for the year	-14,399	-9,710
Other comprehensive income for the year:		
Items that can be reclassified to profit or loss:		
Exchange differences	-37	-23
Total items that can be reclassified to profit or loss:	-37	-23
Other comprehensive income for the year, net of tax	-37	-23
Total comprehensive income for the year	-14,436	-9,733
Comprehensive income attributable to:		
Parent Company shareholders	-14,436	-9,733
Total comprehensive income for the year	-14,436	-9,733

Consolidated statement of financial position

ALL AMOUNTS IN SEK THOUSAND	NOTE	2013-12-31	2012-12-31
ASSETS			
Non-current assets			
Property, plant, and equipment	13	132	–
Intangible assets	14	91,879	60,946
Total non-current assets		92,011	60,946
Current assets			
Other receivables	15, 28	1,440	968
Prepaid expenses and accrued income	16	4,176	3,455
Cash and cash equivalents	17, 28	36,584	11,762
Total current assets		42,200	16,185
TOTAL ASSETS		134,211	77,131
EQUITY			
Equity attributable to Parent Company shareholders			
Share capital, 27,597,745 shares	18	811	757
Non-registered share capital, 246,934 shares	18	8	–
Other contributed capital	18	95,446	67,662
Reserves		-270	-233
Earned income, including profit/loss for the year		-27,152	-12,753
Total equity		68,843	55,433
LIABILITIES			
Non-current liabilities			
Convertible debt instruments	20, 28	35,412	–
Loans from related parties	27, 28	2,854	2,854
Deferred tax liabilities	21	11,297	11,310
Other provisions	22, 28	8,890	2,543
Total non-current liabilities		58,453	16,707
Current liabilities			
Accounts payable	28	1,400	2,103
Other liabilities	23, 28	233	208
Accrued expenses and deferred income	24	5,282	2,680
Total current liabilities		6,915	4,991
TOTAL EQUITY AND LIABILITIES		134,211	77,131
Pledged assets and contingent liabilities	30	35,932	50

Consolidated statement of changes in equity

ALL AMOUNTS IN SEK THOUSAND	NOTE	ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS					TOTAL EQUITY
		SHARE CAPITAL	OTHER CONTRIBUTED CAPITAL	RESERVES	ACCUMULATED EARNINGS INCLUDING NET PROFIT/LOSS FOR THE YEAR		
Opening balance at 1 Jan 2012		500	4,000	-210	-3,043	1,247	
Comprehensive income							
Net loss for the year		-	-	-	-9,710	-9,710	
Other comprehensive income							
Exchange differences		-	-	-23	-	-23	
Total comprehensive income		-	-	-23	-9,710	-9,733	
Transactions with shareholders							
Share issue		257	71,924	-	-	72,181	
Issue expenses ¹		-	-8,262	-	-	-8,262	
Total transactions with shareholders		257	63,662	-	-	63,919	
Closing balance at 31 Dec 2012		757	67,662	-233	-12,753	55,433	
Opening balance at 1 Jan 2013		757	67,662	-234	-12,753	55,432	
Comprehensive income							
Net loss for the year		-	-	-	-14,399	-14,399	
Other comprehensive income							
Exchange differences		-	-	-37	-	-37	
Total comprehensive income		-	-	-37	-14,399	-14,436	
Transactions with shareholders							
Convertible debt instrument	20	-	7,745	-	-	7,745	
<i>Option component</i>		-	13,056	-	-	13,056	
<i>Issue expenses</i>		-	-1,868	-	-	-1,868	
<i>Deferred tax</i>		-	-3,443	-	-	-3,443	
Conversions KV1 2013/2016 ²	20	8	1,838	-	-	1,846	
Non-cash issue – issue of ordinary shares due to acquisition of assets	26	54	18,557	-	-	18,611	
Non-cash issue expenses ¹	26	-	-356	-	-	-356	
Total transactions with shareholders		62	27,784	-	-	27,846	
Closing balance at 31 Dec 2013		819	95,446	-270	-27,152	68,843	

¹Deferred tax on issue expenses were not accounted for.

²Non-registered share capital attributable to conversion. Shares were registered with Swedish Companies Registration Office on 8 January 2014.

Consolidated statement of cash flows

ALL AMOUNTS IN SEK THOUSAND	NOTE	2013-01-01 2013-12-31	2012-01-01 2012-12-31
Cash flow from operating activities			
Earnings		-9,271	-9,300
Adjustments for items not included in cash flow:			
- Other non-cash items		66	-401
Interest received		0	0
Interest paid		0	-3
Cash flow from operating activities before change in working capital		-9,205	-9,704
Changes in working capital			
Increase/decrease in other current receivables		-1,094	-3,864
Increase/decrease in other current liabilities		-5,984	4,023
Total changes in working capital		-7,078	159
Cash flow from operating activities		-16,283	-9,545
Cash flow from investing activities			
Acquisition of subsidiaries, after adjusting for acquired cash and cash equivalents	26	730	-
Expenditures on property, plant, and equipment	13	-165	-
Expenditures on intangible assets	14	-3,229	-11,791
Cash flow from investing activities		-2,664	-11,791
Cash flow from financing activities			
Share issue from non-controlling interests		-	28,543
Convertible issue	20	44,124	-
Non-cash issue	26	-356	-
Loans raised		-	3,000
Cash flow from financing activities		43,768	31,543
Cash flow for the period		24,821	10,207
Cash and cash equivalents at start of period		11,762	1,563
Exchange gains/losses on cash and cash equivalents		1	-8
Cash and cash equivalents at end of period	17	36,584	11,762

Consolidated statement of cash flows, continued

ALL AMOUNTS IN SEK THOUSAND	NOTE	2013-01-01 2013-12-31	2012-01-01 2012-12-31
Supplementary disclosures related to cash flow			
Other non-cash items:			
Impairment of receivables		–	317
Remission of liabilities (revenue)		–	-661
Revaluation of warrants		2	9
Unrealized exchange rate effects		31	-67
Amortization		33	–
Total other non-cash items		66	-402
Components included in cash and cash equivalents:			
Cash and bank balances		702	11,762
Cash and cash equivalents in escrow		35,882	–
Total cash and cash equivalents		36,584	11,762

Statement of comprehensive income – Parent Company

ALL AMOUNTS IN SEK THOUSAND	NOTE	2013-01-01 2013-12-31	2012-01-01 2012-12-31
Revenue		–	–
Other operating income		–	–
Total operating income		–	–
Other external costs	7	-3,933	-4,266
Employee benefit expenses	8	-5,258	-4,812
Depreciation/amortization of property, plant, and equipment and intangible assets	13, 14	-33	–
Other operating expenses		-6	-318
Total operating expenses		-9,230	-9,396
Earnings	10	-9,230	-9,396
Other interest income and similar items	9, 10	5,559	4,641
Interest expenses and similar items	9, 10	-8,450	-65
Earnings from financial items		-2,891	4,576
Earnings before taxes		-12,121	-4,820
Tax on earnings for the year	11, 21	3,443	–
Net loss for the year		-8,678	-4,820

Comprehensive income – Parent Company

ALL AMOUNTS IN SEK THOUSAND	NOTE	2013-01-01 2013-12-31	2012-01-01 2012-12-31
Net loss for the year		-8,678	-4,820
Other comprehensive income:			
Total items that can be reclassified as profit or loss		–	–
Total comprehensive income		-8,678	-4,820

Statement of financial position – Parent Company

ALL AMOUNTS IN SEK THOUSAND	NOTE	2013-12-31	2012-12-31
ASSETS			
Non-current assets			
<i>Property, plant, and equipment</i>			
Equipment, tools, and installations	13	132	–
Total property, plant, and equipment		132	–
<i>Financial assets</i>			
Participations in Group companies	25	19,704	500
Receivables from Group companies		21,244	21,244
Total financial assets		40,948	21,744
Total non-current assets		41,080	21,744
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		46,848	34,241
Other current receivables	15	668	933
Prepaid expenses and accrued income	16	242	114
Total current receivables		47,758	35,288
Cash and bank balances	17	35,957	11,563
Total current assets		83,715	46,851
TOTAL ASSETS		124,795	68,595

Statement of financial position – Parent Company, continued

ALL AMOUNTS IN SEK THOUSAND	NOTE	2013-12-31	2012-12-31
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital, 27,597,745 shares	18	811	757
Non-registered capital, 246,934 shares	18	8	–
Total restricted equity		819	757
Non-restricted equity			
Share premium reserve	18	91,446	63,662
Accumulated earnings		-2,319	2,501
Net loss for the year		-8,678	-4,820
Total non-restricted equity		80,449	61,343
Total equity		81,268	62,100
Non-current liabilities			
Convertible debt instruments	20	35,412	–
Loans from related parties	27	2,854	2,854
Total non-current liabilities		38,266	2,854
Current liabilities			
Accounts payable		89	767
Other liabilities	23	233	208
Accrued expenses and deferred income	24	4,939	2,666
Total current liabilities		5,261	3,641
TOTAL EQUITY AND LIABILITIES		124,795	68,595
Pledged assets	30	35,932	50
Contingent liabilities	30	None	None

Statement of changes in equity – Parent Company

ALL AMOUNTS IN SEK THOUSAND	NOTE	SHARE CAPITAL	SHARE PREMIUM RESERVE	ACCUMULATED EARNINGS	NET LOSS FOR THE YEAR	TOTAL EQUITY
Equity at 1 Jan 2012		500	0	3,999	-1,498	3,001
Unappropriated net income as per AGM resolution		–	–	-1,498	1,498	–
Comprehensive income						
Net loss for the year		–	–	–	-4,820	-4,820
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	–	-4,820	-4,820
Transactions with shareholders						
Share issue		257	71,924	–	–	72,181
Issue expenses ¹		–	-8,262	–	–	-8,262
Total transactions with shareholders		257	63,662	–	–	63,919
Equity at 31 Dec 2012		757	63,662	2,501	-4,820	62,100
Equity at 1 Jan 2013		757	63,662	2,501	-4,820	62,100
Unappropriated net income as per AGM resolution		–	–	-4,820	4,820	–
Comprehensive income						
Net loss for the year		–	–	–	-8,678	-8,678
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	–	-8,678	-8,678
Transactions with shareholders						
Convertible issue	20	–	7,745	–	–	7,745
<i>Option component</i>		–	13,056	–	–	13,056
<i>Issue expenses</i>		–	-1,868	–	–	-1,868
<i>Deferred tax</i>		–	-3,443	–	–	-3,443
Conversions KV1 2013/2016 ²	20	8	1,838	–	–	1,846
Non-cash issue – issue of ordinary shares due to acquisition of assets	26	54	18,557	–	–	18,611
Non-cash issue expenses ¹	26	–	-356	–	–	-356
Total transactions with shareholders		62	27,784	–	–	27,846
Equity at 31 Dec 2013		819	91,446	-2,319	-8,678	81,268

¹Deferred tax on issue expenses were not accounted for.

²Non-registered share capital attributable to conversion. The shares were registered at the Swedish Companies Registration Office on 8 January 2014.

Statement of cash flows – Parent Company

ALL AMOUNTS IN SEK THOUSAND	NOTE	2013-01-01 2013-12-31	2012-01-01 2012-12-31
Cash flow from operating activities			
Earnings		-9,230	-9,396
Adjustments for items not included in cash flow:			
- Other non-cash items		38	199
Interest received		0	0
Interest paid		0	-2
Cash flow from operating activities before change in working capital		-9,192	-9,199
Changes in working capital			
Increase/decrease in other current receivables		-6,916	-14,713
Increase/decrease in other current liabilities		-2,507	2,837
Total changes in working capital		-9,423	-11,876
Cash flow from operating activities		-18,615	-21,075
Cash flow from investing activities			
Acquisition of subsidiaries	26	-593	-
Expenditures on property, plant, and equipment	13	-165	-
Cash flow from investing activities		-758	-
Cash flow from financing activities			
Share issue		-	28,543
Convertible issue	20	44,124	-
Non-cash issue	26	-357	-
Loans raised		-	3,000
Cash flow from financing activities		43,767	31,543
Cash flow for the period		24,394	10,468
Cash and cash equivalents at start of period		11,563	1,095
Cash and cash equivalents at end of period	17	35,957	11,563

Statement of cash flows – Parent Company, continued

ALL AMOUNTS IN SEK THOUSAND	NOTE	2013-01-01 2013-12-31	2012-01-01 2012-12-31
Supplementary disclosures related to cash flow			
Other non-cash items:			
Impairment of receivables		–	317
Unrealized exchange rate effects		5	-118
Amortization		33	–
Total other non-cash items		38	199
Components included in cash and cash equivalents:			
Cash and bank balances		75	11,563
Cash and cash equivalents in escrow		35,882	–
Total cash and cash equivalents		35,957	11,563

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. The Group currently focuses on Equatorial Guinea (Block P), South Africa (Block 2B), Madagascar (3108 Manja), and Iraq (Salah ad-Din).

The Parent Company is a limited company registered in Sweden and domiciled in Stockholm. The Parent Company is listed on NGM Equity. The street address of the main office is Norrlandsgatan 18, Stockholm.

On 16 April 2014, the Board of Directors approved these consolidated accounts for publication.

All amounts are recognized in thousands of Swedish krona unless otherwise stated. Figures in parentheses refer to the previous year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of the reports

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

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.

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

2.2 Changes in accounting policies and disclosures

New and amended standards adopted by the Group

Following an amendment to IAS 1, Presentation of Financial Statements, which took effect on 1 January 2013, other comprehensive income is now allocated to two groups: items that may be reclassified to profit or loss in subsequent periods and items that will not be reclassified to profit or loss in subsequent periods.

The aim of IFRS 13, Fair Value Measurement, is for fair value measurements to be more consistent and less complex by providing a precise definition and a common source of IFRS fair value measurements and related disclosures. The requirements do not extend the scope for when fair value should be applied but provides guidance on how it should be applied when other IFRSs already require or permit fair value measurements. The standard has primarily affected the disclosure requirements of Crown Energy's interim reports.

None of the other IFRS or IFRIC interpretations that are mandatory for the first time for the fiscal year beginning 1 January 2013 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 fiscal years beginning after 1 January 2014 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 requires financial assets to be classified into two categories: measurement at fair value or at amortized 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 most significant change relates to liabilities in cases where they are measured at fair value as per the alternative contained in the standard. For these, the portion of the fair value change that is attributable to own credit risk must be recognized 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. The Group will apply IFRS 10 from 1 January 2014 but it is not expected to affect the Group's or Parent Company's financial statements.

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. The recommendation regulates accounting in a company that is a party to a joint arrangement. A joint arrangement is an arrangement over which two or more parties have joint control. There are two types of joint arrangements: joint operations and joint ventures. A joint operation arises when the parties that have joint control over the arrangement have direct rights to the assets and responsibility for the liabilities in an arrangement. In such an arrangement, assets, liabilities, income, and expenses are recognized based on the holders' share of these, that is, as per proportionate consolidation. A joint venture arises when the parties that have joint control have rights to the net assets in an arrangement. In such an arrangement, the holder recognizes its share as per the equity method. The proportional method is no longer permitted. Crown Energy has evaluated the arrangements to which the Company is party. At present, Crown Energy is only involved in a joint arrangement. However, based on the joint agreement's terms and Crown Energy's share, Crown Energy does not have joint control over the arrangement and is thus not a party to a joint operation based on IFRS 11. Crown Energy is however party to a joint arrangement. This means that the new standard will not affect the accounting of currently existing arrangements. The Group will apply IFRS 11 as of 1 January 2014 and estimates that it will not have an effect on the financial statements.

IFRS 12, Disclosures of Interests in Other Entities, includes disclosure requirements for subsidiaries, joint arrangements, associated companies, and unconsolidated structured entities. The disclosure requirements are now more extensive, and the aim is to provide more information to users of the financial statements so they can evaluate the nature of and risks associated with holdings in other entities along with the impact that these holdings have on a company's financial statements. The Group will apply IFRS 12 as of 1 January 2014. The standard could affect Crown Energy's disclosures in the annual report.

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% of the shares or the participations' voting power, or where by agreement the Group solely exercises a controlling influence. Subsidiaries or businesses 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. On acquisition of a subsidiary, the Group determines whether the acquisition is a business combination, that is, the assets acquired and liabilities assumed constitute an operation/business. If the acquired subsidiary cannot be defined as an operation/business, the transaction is recognized as an acquisition of assets.

Acquisition of operations

The acquisition method is used to recognize 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 recognized 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 recognized in profit/loss.

Each contingent consideration to be transferred by the Group is recognized 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 recognized in accordance with IAS 39 either in the statement of comprehensive income 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 recognized 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 recognized directly in the statement of comprehensive income.

Acquisition of subsidiaries that are not operations/businesses

In cases where the acquired subsidiary is not deemed to meet the criteria for an operation/business, the transaction is accounted for as

an acquisition of assets and will then follow the accounting for each asset's accounting standard. The cost is then distributed to the individual identifiable assets and liabilities on the basis of their relative fair values at the acquisition date. Such an acquisition does not give rise to goodwill. Expenditures that are directly attributable to the acquisition are capitalized as part of the cost.

Other

Intra-Group transactions, financial position items, and unrealized gains on transactions between Group companies are eliminated. Unrealized 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 deemed to have only one segment, which means that the disclosures will be limited. Since the Group does not have any income either, this means that the Group only provides information on non-current assets distributed across geographic areas.

2.5 Translation of foreign currencies

Functional and presentation currencies

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Company's 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 statements of financial position and statements of comprehensive income for foreign Group companies are translated using the current rate method. All assets and liabilities of subsidiaries are translated at the closing rate, while the statement of comprehensive income 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 recognized directly in the currency translation reserve in other comprehensive income.

Transactions and financial position 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 recognized in the statement of comprehensive income. Exchange differences on lending and borrowing

are recognized in net financial items, while other exchange differences are included in operating profit/loss.

Exchange rates

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

CUR- RENCY	CLOSING RATE, 2013	AVERAGE RATE, 2013	CLOSING RATE, 2012	AVERAGE RATE, 2012
SEK/USD	6.5084	6.5120	6.5156	6.7195
SEK/GBP	10.7329	10.6327	10.5324	10.5984

2.6 Property, plant, and equipment

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

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

At 31 December 2013, property, plant, and equipment consisted solely of office equipment. This equipment is deemed to have a useful life of five years. Depreciation occurs lineally over its useful life.

In the statement of comprehensive income, earnings are encumbered by depreciation according to plan. Depreciation according to plan was taken at 20% of the cost of equipment.

2.7 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 recognized at cost, provided that it is probable that they will generate future economic benefits. All costs for acquiring concessions, licences, or interests in production sharing contracts and for technical surveys, drilling, and development of such interests are capitalized. This includes capitalization of future decommissioning and restoration costs.

Oil and gas assets are recognized after initial recognition at cost less accumulated amortization and impairment losses.

Proceeds from the sale or farming out of oil and gas licences in the exploration phase are offset against the capitalized costs in the statement of financial position. Any surplus or deficit is recognized in the statement of comprehensive income.

Oil and gas assets are categorized as either producing or non-producing. The Group currently has only non-producing oil assets.

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

Amortization

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

Impairment

Exploration and appraisal 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 appraisal 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 recognized in accordance with IAS 36 when an asset or cash-generating entity's carrying amount exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

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 amortization

When the technical feasibility and commercial viability of extracting oil and gas can be proven, assets are no longer classified as exploration and appraisal assets. They are then reclassified, after which they are recognized 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.

At 31 December 2013, the Group had a jointly owned asset, namely Block P in Equatorial Guinea. Crown Energy holds a 5% working interest in this licence and is not the so-called operator. Exploration and appraisal 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 capitalizes these expenditures as exploration and appraisal assets.

2.8 Financial instruments

General principles

Purchases and sales of financial assets and liabilities are recognized 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 recognized at fair value plus transaction costs for all financial assets and liabilities not carried at fair value through the statement of comprehensive income. Financial assets and liabilities measured at fair value via the statement of comprehensive income are initially recognized at fair value, while classifiable transaction costs are recognized in the statement of comprehensive income. Financial assets are removed from the statement of financial position 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 statement of financial position when contractual obligations have been fulfilled or are otherwise extinguished.

Loans and accounts receivable and other financial liabilities are subsequently recognized at amortized 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 recognized at a net amount in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and an intention to settle them on a net basis or to capitalize the asset and settle the liability.

Loans receivable

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

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

Other financial liabilities

This category includes loans and other financial liabilities, such as accounts payable. The Group's borrowings include loans from related parties and a convertible loan incurred in 2013.

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

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

2.9 Cash and cash equivalents

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

2.10 Share capital

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

2.11 Accounts payable

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

2.12 Borrowings

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

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

Borrowings are generally classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Loans from related parties are classified as long-term debt. Any borrowing costs are recognized in the statement of comprehensive income in the period to which they relate.

2.13 Combined financial instruments

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

The liability component of a combined financial instrument is recognized initially at the fair value of a similar liability that does not entail the right of conversion into shares. The equity component is recognized initially at the difference between the fair value of the entire combined financial instrument and the liability component's fair value. The liability's fair value at the issue date is calculated by discounting future cash flows at the current market rate for a similar liability without conversion rights. Any deferred tax attributable to the liability at issuance is deducted from the carrying amount of the equity instrument. Any directly attributable transac-

tion costs are allocated to the respective liability and equity components in proportion to their initial carrying amounts.

After the acquisition date, the liability component of a combined financial instrument is measured at amortized cost using the effective interest method. The equity component of a combined financial instrument is not remeasured subsequent to initial recognition. Interest expense is recognized in net income for the period and is calculated using the effective interest method.

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

2.14 Current and deferred tax

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

Deferred tax is recognized in full using the financial position method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. Deferred tax is not recognized 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 recognized nor taxable earnings. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred tax liability is settled. Deferred tax assets are recognized 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.

2.15 Employee benefits

Personnel 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 termination in exchange for such benefits. A provision is recognized in connection with termination of employment only if the

Group is demonstrably committed to terminate employment before the normal retirement date, or when benefits are offered to encourage voluntary termination. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.16 Provisions, guarantees, and contingent liabilities

Provisions are recognized 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 recognized 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 recognized 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.

2.17 Revenue recognition

Revenue comprises the fair value of the consideration that is received or is receivable for goods and services sold in the ordinary course of business. Revenue is recognized net of VAT, returns, and discounts, and after eliminating sales within the Group. Crown Energy recognizes 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. Any technical services performed by outside consultants on Crown Energy's behalf, but which will be shared with third parties, is recognized as other income in the accounting period in which the services were rendered.

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

2.18 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.

2.19 Dividends

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

2.20 Earnings per share

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

2.21 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 than the Group in the following cases.

Presentation of statement of comprehensive income and statement of financial position

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 recognized under a separate heading in the statement of financial position.

Shares in subsidiaries

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

Shareholder contributions

Shareholder contributions are recognized 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

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.

This risk is not yet considered to be significant given that drilling has not been performed in Crown Energy's assets.

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.

Crown Energy currently has a good dialogue with the relevant authorities. Clear communication occurs regularly through meetings with the authorities and other potential licence partners. In 2013, Crown Energy applied for and received approval for an extension of the exploration period for the Madagascar license.

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.

Crown Energy complies with the laws and regulations of the countries in which it operates and with the license agreements into which it has entered. However, there is always a risk that agreements may be subject to differing interpretations and/or disputes. Today there are no known uncertainties or disputes regarding Crown Energy's licenses. No licenses were revoked in 2013.

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, nationalization 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 nationalization

or expropriation of property, changes in policies or legislation relating to foreign ownership and the operations of foreign companies.

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 minimize 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.

Crown Energy has engaged employees that are highly competent in geology to reduce the risk of possible miscalculations. Additionally, Crown Energy's measurements are always made according to established procedures and standards.

NOTE 4 FINANCIAL RISK MANAGEMENT

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

Financial risk factors

Market risk

Currency risk

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

Crown Energy conducts transactions in SEK, USD, and also (if less significantly) in the Malagasy currency 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 recognized 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.

There are currently no significant exposures in foreign currencies, which is why the Company has not found it necessary to safeguard its currency transactions, assets, liabilities, and net investments. Because of this, a sensitivity analysis was not prepared either. Depending on how the business develops in the future, management may need to review the need for hedging.

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 has no interest bearing liabilities with variable interest rates, so there is no interest rate risk relating to cash flows. Borrowings issued at fixed rates expose the Group to interest rate risk only when it comes to fair value. As the Group has no borrowings at variable interest rates, interest rate risk is not expected to be significant. Because of this, a sensitivity analysis was not prepared either.

Price risk

Although the Company is not involved in production, it is indirectly affected by oil price trends. Oil price trends, in turn, 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 practised 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.

As the Company is not currently involved in production, no oil price hedges have been made. Furthermore, the Company does not consider current oil price trends to have had a material effect on transactions undertaken nor on discussions of farm-out projects etc. The Company believes that it is not currently possible to estimate the quantitative price risk exposure, so a sensitivity analysis was not conducted.

Credit risk

Exposure to credit risk arises both from investment of cash and cash equivalents and trading in derivatives. Credit risk also includes the risk of not being paid for accounts receivable and other receivables. As the Group does not presently have any sales or customers nor trades in derivatives, there is no significant credit risk.

Liquidity risk

Oil and gas exploration is a capital intensive business. Depending on operational developments in general, the Group may need additional capital to acquire assets, to further develop the assets under favourable conditions for the Group, or to continue its operating activities. 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 plan. Historically, financing has been primarily through new share issues. At present, there is a long-term interest-free loan from Varukungen AB (which is controlled by Ulrik Jansson, the Company's biggest shareholder) and a debt instrument with convertibles that are listed on NGM Equity. The main risk associated with financing is that new shares may be issued under less favourable market conditions where interest is low and/or the cost of implementing the share issue is too high. Crown Energy works continuously with the Company's capital raising and refinancing. For example, a convertible debt instrument was issued in 2013.

The Company's liquidity risk is defined as the risk of not being able to fulfil commitments and pay debts on time or at a reasonable cost. Management closely monitors rolling forecasts of consolidated cash and cash equivalents. In the short term, liquidity is dependent on borrowings from related parties.

Liability terms

The following table presents the non-discounted cash flows of consolidated liabilities in the form of financial instruments based on the remaining contractual periods at the end of the reporting period. Therefore, sums may not always agree with the amounts shown in the statement of financial position. 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 at the end of the reporting period.

GROUP ALL AMOUNTS IN SEK THOUSAND	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	MORE THAN 5 YEARS
At 31 December 2013				
Borrowings	6,192	9,046	55,235	–
Other provisions	–	–	8,977	–
Accounts payable	1,400	–	–	–
Other liabilities	233	–	–	–
Total	7,825	9,046	64,212	–
At 31 December 2012				
Borrowings	–	2,854	–	–
Other provisions	–	–	2,543	–
Accounts payable	2,103	–	–	–
Other liabilities	208	–	–	–
Total	2,311	2,854	2,543	–
PARENT COMPANY ALL AMOUNTS IN SEK THOUSAND	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	MORE THAN 5 YEARS
At 31 December 2013				
Borrowings	6,192	9,046	55,235	–
Accounts payable	89	–	–	–
Other liabilities	233	–	–	–
Total	6,514	9,046	55,235	–
At 31 December 2012				
Borrowings	–	2,854	–	–
Accounts payable	767	–	–	–
Other liabilities	208	–	–	–
Total	975	2,854	–	–

Net debt/equity ratio

The debt/equity ratio is defined as the Group's net debt (interest-bearing liabilities less cash and cash equivalents) relative to adjusted equity. In 2013 a debt instrument was issued, which carries an interest rate of 10%. The loan is classified as a long-term loan. As indicated in Note 25, Transactions with related parties, the long-term loans from related parties are interest-free, so this loan is not measured in net debt. Net indebtedness is as follows:

GROUP, ALL AMOUNTS IN SEK THOUSAND		
NET DEBT/EQUITY RATIO	2013-12-31	2012-12-31
Interest-bearing liabilities	35,412	–
Less: Cash and cash equivalents	-36,584	-11,762
Net debt	-1,172	-11,762
Total equity	68,843	55,433
Net debt/equity ratio	-2%	-21%

Cash and cash equivalents at 31 December 2013 includes SEK 35,882 thousand placed in an escrow account. These funds are intended for payment of the Block 2B licence in South Africa. Upon completion of the acquisition, these funds will be used to settle the purchase price. See a more detailed explanation in Note 17, Cash and cash equivalents. If one were to ignore these funds, net indebtedness would be 50% at 31 December 2013.

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.

In conjunction with the acquisition of Amicoh Resources Ltd, the Group made a provision for an additional consideration that will fall due if any commercial reservoirs are found in Madagascar and a portion of the purchase price in the form of warrants. The provision at 31 December 2013 attributable to the acquisition of the subsidiary relates to the potential additional consideration, which is calculated at present value and totals SEK 2,516 thousand. The remainder relates to the provision for the warrants, which are valued at SEK 170 thousand 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.

ALL AMOUNTS IN SEK THOUSAND

CLOSING BALANCE AT 31 DEC 2013	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Total assets	–	–	–	–
Liabilities				
Financial liabilities measured at fair value via the statement of comprehensive income:				
- Provision for additional consideration	–	–	2,516	2,516
- Provision for warrants	–	170	–	170
Total liabilities	–	170	2,516	2,686

ALL AMOUNTS IN SEK THOUSAND

CLOSING BALANCE AT 31 DEC 2012	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Total assets	–	–	–	–
Liabilities				
Financial liabilities measured at fair value via statement of comprehensive income:				
- Provision for additional consideration	–	–	2,377	2,377
- Provision for warrants	–	166	–	166
Total liabilities	–	166	2,377	2,543

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 recognizes 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 recognizes a fiscal deficit of SEK 25,195 thousand (4,369). An exact figure for the Group's total tax loss is not possible to calculate since recognized tax loss that can be utilized in the future from existing licences depends on exploration investment costs being approved by the tax authorities in each country. The investment costs are examined by the tax authorities in each country no earlier than at production start-up. That is, 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 have historically not been recognized in the Parent Company or the Group. In 2013 however, Crown Energy chose to offset some of the loss against the deferred tax liability related to measurement of the convertible debt instrument. A deferred tax asset is recognized at the same amount as the deferred tax liability. The deferred tax liability and asset were offset in the statement of financial position. Deferred tax revenue of SEK 3,443 thousand was recognized in the statement of comprehensive income during the fiscal year due to capitalization of the tax loss. See Note 21, Deferred tax, for detailed information on amounts.

Classification on acquisition of subsidiaries

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

Crown Energy investigates the intention of acquisitions, that is, whether it is a business being acquired or merely an asset. Companies containing

only one or several prospecting licences with no associated administration involved are normally classified as asset acquisitions.

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

DATE OF ACQUISITION	TYPE OF ASSET	CLASSIFICATION
2011	100% of shares in Crown Energy Ventures Corporation BVI	Asset acquisition
2011	100% of shares in Amicoh Resources Ltd	Business combination
2013	100% of shares in Crown Energy Iraq AB	Asset acquisition

In November 2013, all shares in Crown Energy Iraq AB were acquired. Crown Energy recognized this acquisition as an asset acquisition, since the assessment is that the transaction does not meet the requirements for a business combination. This was partly due to the fact that the company had no employees nor any established organization at the time of acquisition. Also, only small-scale efforts to develop the Iraqi licence had been made.

Provisions related to the acquisition of licences and subsidiaries

In the exploration industry, it is common for the parties negotiating acquisition of a licence to agree on future additional considerations that are dependent on future events. Typically, additional considerations involve payments to the seller in the event a commercial reservoir is discovered. A probability assessment must be done every year-end for each potential future additional consideration. Following is a description of the potential future additional considerations that existed at 31 December 2013.

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 thousand 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% (6.0) was used. At 31 December 2013 (2012) the estimated amount totalled USD 400 thousand (400) corresponding to SEK 2,603 thousand (2,606) at the closing day rate. The portion paid at discovery of a commercial reservoir is recognized at a value of SEK 2,516 thousand (2,377) after

present value calculations. This year's discounting effect on the provision totals SEK 139 thousand (122).

As part of the consideration for Amicoh Resources Limited, it was resolved at the EGM in November 2011 to also issue 364,954 warrants directed to the seller of Amicoh Resources Limited. 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) of the issued options at 31 December 2013 were determined in accordance with an established option pricing model (Black & Scholes). These parameters were used in the calculation:

ASSUMPTIONS

Exercise price, SEK	27.50
Maturity	2011-08-05- 2015-11-30
Number of shares at 31 Dec 2012	364,954
Translated exercise price, SEK ¹	26.91
Translated number of shares ¹	372,983
Share price at 31 Dec 2013, SEK	10.40
Market value at 31 Dec 2013, SEK thousand	3,879
Expected volatility	55%
Expected dividend	-
Risk-free interest	1%
Fair value per share option at 31 Dec 2013, SEK	0.46
Fair value (total) at 31 Dec 2013, SEK	170

¹In accordance with the terms of the share option agreement, consideration was given to the potential dilution effects with respect to the exercise price and number of shares. The translation is thus theoretical, that is, it is based on what the exercise price would have been if the holders had chosen to subscribe for the shares at 31 December 2013.

The fair value of the provision for the warrants at 31 December 2013 (2012) totalled SEK 170 thousand (166). The year's translation effect due to revaluation as per the option valuation model is SEK 3 thousand (-16).

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.

Salah ad-Din (Iraq)

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

As the provision is based on Crown Iraq shares, it is linked to an equity instrument. Under IAS 39, an entity shall measure financial liabilities related to equity instruments at fair value except when the underlying instrument does not have a quoted price in an active market. Crown Iraq is an unlisted company in its early stages so it is deemed not possible nor practical to establish a fair value measurement of its shares. In subsequent accounting, therefore, the provision will be carried at historic cost.

Going concern

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

Both a convertible issue and a non-cash issue were implemented in 2013. Both issues were intended to finance acquisition of the Block 2B licence in South Africa and the Iraqi licence in Salah ad-Din. As mentioned in the "Events after the end of the fiscal year" section of the Directors' Report, the Board resolved in April 2014 to also implement a directed convertible issue, which will inject at least SEK 15 million into the Company. This contribution will be used to conduct operating activities as they currently exist for the next 12 months. Implementation of the issue is conditional upon shareholder approval at the AGM.

The Board regularly assesses the Group's capital requirements based on current operations and activities planned for the near future. Focus going forward will be on finding farm-in partners for the licences in Madagascar and Iraq.

As mentioned in the "Outlook" section of the Directors' Report, the Board assesses on publication of this annual report that the Company is a going concern, taking into account the Company's current operations, activities in 2014, existing cash and cash equivalents, and the convertible issue approved by the Board in April 2014.

NOTE 6 INFORMATION ON SEGMENTS

As mentioned in Note 2.4, Accounting policies, the Group is currently deemed to have only one segment, which means that the disclosures will be limited. Since the Group does not have any income either, only

information on non-current assets distributed across geographic areas is provided. Following is a summary of the Group's carrying amounts on non-current assets distributed across geographic areas.

GEOGRAPHIC AREAS GROUP, ALL AMOUNTS IN SEK THOUSAND	SWEDEN	EQUATORIAL GUINEA	MADAGASCAR	IRAQ	TOTAL
Total non-current assets include at 31 December 2013:					
Intangible assets	–	4,667	57,703	29,509	91,879
Property, plant, and equipment	132	–	–	–	132
Total non-current assets at 31 December 2013	132	4,667	57,703	29,509	92,011
Total non-current assets include at 31 December 2012:					
Intangible assets	–	4,231	56,715	–	60,946
Property, plant, and equipment	–	–	–	–	–
Total non-current assets at 31 December 2012	–	4,231	56,715	–	60,946

NOTE 7 REMUNERATION OF AUDITORS

GROUP, ALL AMOUNTS IN SEK THOUSAND	2013-01-01 2013-12-31	2012-01-01 2012-12-31	PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2013-01-01 2013-12-31	2012-01-01 2012-12-31
Öhrlings PricewaterhouseCoopers AB			Öhrlings PricewaterhouseCoopers AB		
Audit engagements	604	265	Audit engagements	554	265
Auditing aside from audit engagements	201	275	Auditing aside from audit engagements	201	275
Tax consulting	–	–	Tax consulting	–	–
Other services	–	–	Other consulting services	–	–
Group total	805	540	Parent Company total	755	540

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

NOTE 8 SALARIES, FEES, OTHER REMUNERATIONS, AND SOCIAL CHARGES**Remunerations and terms for senior executives and the Board***Remunerations in 2013*

ALL AMOUNTS IN SEK THOUSAND	BASE SALARY/ BOARD FEE	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION EXPENSES	TOTAL
Alan Simonian, Chairman of the Board	150	–	–	–	150
Andrew Harriman	75	–	–	–	75
Ulrik Jansson, CEO	1,500	–	–	525	2,025
Other senior executives, 1 person	1,020	–	–	246	1,266
Total board and senior management	2,745	–	–	771	3,516

Remunerations in 2012

ALL AMOUNTS IN SEK THOUSAND	BASE SALARY/ BOARD FEE	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION EXPENSES	TOTAL
Alan Simonian, Chairman of the Board	150	–	–	–	150
Andrew Harriman	75	–	–	–	75
Ulrik Jansson, CEO	1,500	–	–	525	2,025
Other senior executives, 1 person	1,020	–	–	232	1,252
Total board and senior management	2,745	–	–	757	3,502

Terms and guidelines relating to remunerations and benefits for senior executives

See the Corporate Governance Report

Salaries, remunerations, and social charges

	GROUP		PARENT COMPANY	
	2013-01-01 2013-12-31	2012-01-01 2012-12-31	2013-01-01 2013-12-31	2012-01-01 2012-12-31
SALARIES, REMUNERATIONS, AND SOCIAL CHARGES, ALL AMOUNTS IN SEK THOUSAND				
Salaries, fees, and benefits¹				
Board members				
Fee	225	225	225	225
CEO	1,500	1,500	1,500	1,500
Other senior executives	1,020	1,020	1,020	1,020
Other employees	780	16	780	16
Total salaries, fees, and benefits	3,525	2,761	3,525	2,761
Contractual pension expenses				
CEO	525	525	525	525
Other senior executives	246	232	246	232
Other employees	133	–	133	–
Total pension expenses	904	757	904	757
Social charges incl. special employer's contribution				
Board members	73	73	73	73
CEO	614	616	614	616
Other senior executives	390	377	390	377
Other employees	285	3	285	3
Total social charges incl. special employer's contribution	1,362	1,069	1,362	1,069

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

Average number of employees

	2013		2012	
	AVERAGE NUMBER OF EMPLOYEES	OF WHICH MEN	AVERAGE NUMBER OF EMPLOYEES	OF WHICH MEN
AVERAGE NUMBER OF EMPLOYEES				
Group				
Sweden	3	2	2	2
Group total	3	2	2	2
Parent Company				
Sweden	3	2	2	2
Parent Company total	3	2	2	2

Gender breakdown of board members and other senior executives

GENDER BREAKDOWN OF BOARD MEMBERS AND OTHER SENIOR EXECUTIVES	2013		2012	
	NUMBER AT END OF REPORTING PERIOD	OF WHICH MEN	NUMBER AT END OF REPORTING PERIOD	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, ALL AMOUNTS IN SEK THOUSAND	2013-01-01	2012-01-01	PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2013-01-01	2012-01-01
	2013-12-31	2012-12-31		2013-12-31	2012-12-31
Financial income			Interest income and similar profit/loss items		
Exchange gains	19	–	Exchange differences	85	–
Interest income	0	26	Interest income, Group companies	5,474	4,641
Total financial income	19	26	Other interest income	0	0
Financial expenses			Total interest income and similar profit/loss items	5,559	4,641
Exchange losses	–	-311	Interest expenses and similar profit/loss items		
Interest expenses:			Exchange differences	–	-62
- Effective interest on convertible debt instrument	-8,450	–	Interest expenses		
- Other interest expenses	–	-4	- Effective interest on convertible debt instrument	-8,450	–
- Provisions, dissolution of discount effect	-140	-121	- Other interest expenses	0	-3
Total financial expenses	-8,590	-436	Total interest expenses and similar items	-8,450	-65
Earnings from financial items, net	-8,571	-410	Earnings from financial items, net	-2,891	4,576

NOTE 10 NET EXCHANGE DIFFERENCES

Exchange differences are recognized in the statement of comprehensive income as follows:

	2013-01-01	2012-01-01
GROUP, ALL AMOUNTS IN SEK THOUSAND	2013-12-31	2012-12-31
Exchange losses on operational receivables and liabilities	-31	-3
Financial items, net	19	-311
Total exchange differences	-12	-314
PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND		
	2013-01-01	2012-01-01
	2013-12-31	2012-12-31
Exchange losses on operational receivables and liabilities	-6	0
Financial items, net	85	-62
Total exchange differences	79	-62

NOTE 11 TAX

	2013-01-01	2012-01-01
GROUP, ALL AMOUNTS IN SEK THOUSAND	2013-12-31	2012-12-31
Deferred tax revenue relating to the utilization of loss carry-forwards previously not recognized (see Note 21)	3,443	-
Total deferred tax	3,443	-
PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND		
	2013-01-01	2012-01-01
	2013-12-31	2012-12-31
Deferred tax revenue relating to the utilization of loss carry-forwards previously not recognized (see Note 21)	3,443	-
Total tax on profit/loss for the year	3,443	-

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

	2013-01-01	2012-01-01
GROUP, ALL AMOUNTS IN SEK THOUSAND	2013-12-31	2012-12-31
Earnings before taxes	-17,842	-9,710
Income tax calculated per the Group's current tax rate	3,925	2,554
Tax effects of:		
Non-taxable income	102	4
Non-deductible expenses	-751	-274
Costs to be deducted but not included in recognized earnings	489	-
Tax losses for which no deferred tax asset was recognized	-3,765	-2,284
Utilization of loss carry-forwards previously not recognized	3,443	-
Recognized tax	3,443	-
PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND		
	2013-01-01	2012-01-01
	2013-12-31	2012-12-31
Earnings before taxes	-12,121	-4,820
Income tax calculated per current tax rate	2,667	1,268
Tax effects of:		
Non-taxable income	102	0
Non-deductible expenses	-714	-242
Costs to be deducted but not included in recognized earnings	489	-
Tax losses for which no deferred tax asset was recognized	-2,544	-1,026
Utilization of loss carry-forwards previously not recognized	3,443	-
Recognized tax	3,443	-

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.

Crown Energy previously issued 814,954 warrants that could be converted into an equivalent number of ordinary shares. Their issue prices are SEK 27.50 per share (364,954 warrants) and SEK 30 per share (450,000 warrants), respectively. In May 2013, 6,438,757 convertibles were issued that could also be converted into an equivalent number of ordinary shares. As the issue prices for the share options

exceeded the average market price of ordinary shares during the recognized periods, there is no dilutive effect. Nor are convertibles and options considered dilutive if they cause earnings per share to improve more (larger gain or smaller loss) after dilution than before dilution. Neither warrants nor outstanding convertibles are dilutive.

The Board proposed to the AGM that no dividend be paid for the 2013 fiscal year.

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

Presently, property, plant, and equipment relates only to office equipment. In conjunction with the Company's change of offices on 1 October 2013, equipment worth SEK 165 thousand was acquired. Depreciation of these assets began in Q3 and will continue for five years. No equipment was owned in 2012.

Equipment, installations, and fittings

GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND		
	2013-12-31	2012-12-31
Opening carrying amount	–	–
Purchases for the year	165	–
Amortization for the year	-33	–
Closing carrying amount	132	–
AT 31 DECEMBER		
Cost of acquisition	165	–
Accumulated amortization and impairment	-33	–
Carrying amount	132	–

NOTE 14 INTANGIBLE ASSETS

Intangible assets consist of acquisition of rights, planning costs, etc. No amortization 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 surveys, etc. In addition to such costs, expenditures totalling SEK 27,767 thousand were also made as a result of the acquisition of subsidiary Crown Iraq. For more information on the acquisition, see Note 26, Acquisition of Crown Iraq.

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. This is the case for the assets in Madagascar. The translation difference

that arises is recognized directly in the currency translation reserve in other comprehensive income.

Capitalized exploration and appraisal expenditures

GROUP, ALL AMOUNTS IN SEK THOUSAND		
	2013-12-31	2012-12-31
Opening carrying amount	60,946	49,517
Investments for the year	3,229	11,791
Increase through acquisition of assets (Note 26)	27,767	–
Translation differences	-63	-362
Closing carrying amount	91,879	60,946
AT 31 DECEMBER		
Cost of acquisition	91,879	60,946
Accumulated amortization and impairment	–	–
Carrying amount	91,879	60,946

NOTE 15 OTHER RECEIVABLES

GROUP, ALL AMOUNTS IN SEK THOUSAND		
	2013-12-31	2012-12-31
Preliminary tax paid	178	–
Outlay to sellers of Block 2B in South Africa	580	–
VAT recoverable	631	933
Receivables from suppliers	39	35
Other current receivables	12	–
Total other receivables	1,440	968
PARENT COMPANY,		
ALL AMOUNTS IN SEK THOUSAND		
	2013-12-31	2012-12-31
Preliminary tax paid	178	–
VAT recoverable	480	933
Other current receivables	10	–
Total other receivables	668	933

The outlays to sellers of Block 2B in South Africa item comprises outlays for so-called cash calls to the operator in favour of the sellers of Block 2B in South Africa. The amount will be deducted from the acquisition payment at closing.

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

NOTE 16 PREPAID EXPENSES AND ACCRUED INCOME

GROUP, ALL AMOUNTS IN SEK THOUSAND	2013-12-31	2012-12-31
Prepaid expenses		
Licence fees	3,643	3,305
Administrative expenses	49	114
Rent	134	–
Insurance expenses	4	–
Trading fees	55	–
Advances to suppliers	291	36
Total prepaid expenses and accrued income	4,176	3,455
PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2013-12-31	2012-12-31
Prepaid expenses		
Administrative expenses	49	114
Rent	134	–
Insurance expenses	4	–
Trading fees	55	–
Total prepaid expenses and accrued income	242	114

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

NOTE 17 CASH AND CASH EQUIVALENTS

GROUP, ALL AMOUNTS IN SEK THOUSAND	2013-12-31	2012-12-31
Statement of financial position and statement of cash flows		
Cash and bank balances	702	11,762
Cash and cash equivalents in escrow account	35,882	–
Total cash and cash equivalents in statement of financial position and statement of cash flows	36,584	11,762
PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2013-12-31	2012-12-31
Statement of financial position and statement of cash flows		
Cash and bank balances	75	11,563
Cash and cash equivalents in escrow account	35,882	–
Total cash and cash equivalents in statement of financial position and statement of cash flows	35,957	11,563

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

NOTE 18 SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

	NUMBER OF SHARES	SHARE CAPITAL, ALL AMOUNTS IN SEK THOUSAND	OTHER CONTRIBU- TED CAPITAL, ALL AMOUNTS IN SEK THOUSAND	TOTAL, ALL AMOUNTS IN SEK THOUSAND
Opening balance at 1 January 2012	17,031,168	500	4,000	4,500
Changes, 2012				
Directed share issue	181,666	5	3,342	3,347
Non-cash issue ¹	1,135,411	33	16,953	16,986
Preferential rights issue ²	1,529,020	45	10,658	10,703
Directed share issue	4,285,714	126	29,874	30,000
Offset issue ³	1,592,051	48	11,097	11,145
Issue expenses ⁴	–	–	-8,262	-8,262
Closing balance at 31 December 2012	25,755,030	757	67,662	68,419
Changes, 2013				
Convertible issue:				–
Option component	–	–	13,056	13,056
Issue expenses	–	–	-1,867	-1,867
Deferred tax	–	–	-3,443	-3,443
Conversions KV1 2013/2016 ⁵	246,934	8	1,837	1,845
Non-cash issue – issue of ordinary shares due to acquisition of assets	1,842,715	54	18,557	18,611
Issue expenses, non-cash issue	–	–	-356	-356
Closing balance at 31 December 2013	27,844,679	819	95,446	96,265

The share capital consists of 27,844,679 shares with a quotient value of SEK 0.029.

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

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

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

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

⁵Share capital of SEK 8 thousand refers to non-registered share capital attributable to conversion. The shares were registered at the Swedish Companies Registration Office on 8 January 2014.

Parent Company

The above illustrates recognized share capital and other contributed capital in the Group, that is, 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 19 EQUITY COMPENSATION BENEFITS

At an EGM in November 2011, it was resolved to issue up to 450,000 warrants directed to 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.

As part of the consideration for Amicoh Resources Limited, it was resolved at the same EGM 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 issue price is SEK 27.50 per share.

Because the fair value at allocation was not a significant amount, the options were not recognized in the statement of comprehensive income or the statement of financial position.

In 2013, no additional warrants were allocated, nor have any been exercised or forfeited.

	2013		2012	
	AVERAGE EXERCISE PRICE PER OPTION (SEK)	NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE PER OPTION (SEK)	NUMBER OF OPTIONS
Series 2011:1				
At 1 January	30.00	450,000	30.00	450,000
Allocated	–	–	–	–
Exercised	–	–	–	–
Forfeited	–	–	–	–
At 31 December	–	450,000	–	450,000

NOTE 20 INTEREST-BEARING LOANS AND LIABILITIES**Convertible debt instrument KV1 2013/2016***Background and conditions in brief*

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

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

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

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

Other information

The convertibles are traded on NGM Equity under the designation KV1. Crown Energy calls the convertibles KV1 2013/2016 in this annual report.

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

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

Conversions in 2013

Between 1 and 30 December 2013, holders of Crown Energy's KV1 2013/2016 convertible had an opportunity to convert to shares. Holders exercised 246,934 convertibles, which meant that an equal amount of new shares were subscribed for during the period. The nominal value of the convertibles exercised during the conversion period in December 2013 totalled SEK 2,470 thousand. At 31 December 2013, 6,191,823 convertibles were thereby outstanding.

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

Nominal value of convertible debt instrument

Since the nominal value of the convertible debt instrument has changed since it was issued, a specification of the changes follows.

GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2013-12-31	2012-12-31
Nominal value of convertible debt instrument, KV1 2013/2016		
Nominal value of convertible debt instruments issued 2 May 2013	64,388	–
Adjustment for convertibles in the custody of a third party	-12,875	–
Adjusted nominal value of convertible debt instruments issued 2 May 2013	51,513	–
Conversion in December 2013	-2,470	–
Nominal value at 31 December 2013	49,043	–

Carrying amounts

The convertible debt instrument is defined as a compound financial instrument, which is a split classification between non-current interest-bearing liabilities (the liability component) and equity (the option component).

Direct transaction costs attributable to the liability component are accrued over the life of the loan. Direct transaction costs attributable to the option component are recognized in equity at issuance.

Financial expenses in the statement of comprehensive income for 2013 totalled SEK -8,450 thousand and relate to the effective rate resulting from the convertible debt instrument.

The convertible debt instrument is recognized in the statement of financial position as follows:

GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2013-12-31	2012-12-31
Adjusted nominal value of convertible debt instruments issued 2 May 2013	51,513	–
Option component in equity (see Note 18)	-13,056	–
Transaction costs, liability component	-5,521	–
Liability component at issuance, 2 May 2013	32,936	–

Changes in 2013 after issuance

Adjustment to equity due to conversion in December 2013 (see Note 18)	-1,846	–
Interest expenses	8,450	–
Interest paid	–	–
Liability component at 31 December 2013	39,540	–

The debt instrument consists of short-term and long-term components. The short-term component relates to accrued interest expenses for 2013, which will fall due in May 2014.

GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2013-12-31	2012-12-31
Short-term component of convertible loan		
6 months or less	4,128	–
Long-term component of convertible loan		
1-5 years	35,412	–
Total	39,540	–

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

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

GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	CARRYING AMOUNT	FAIR VALUE
Convertible debt instruments, excluding accrued interest	35,412	35,412
Accrued interest	4,128	4,128
Total	39,540	39,540

Cash flow attributable to the convertible debt instrument

Cash flow that affected financing activities:

CONVERTIBLE ISSUE, ALL AMOUNTS IN SEK THOUSAND	2013-01-01	2013-12-31
Convertible debt instruments issued		64,388
Component of consideration settled with convertibles		-12,875
Proceeds of issue		51,513
Total transaction expenses attributable to convertible issue		-7,388
Cash flow attributable to issued convertible debt instrument		44,124

NOTE 21 DEFERRED TAX

GROUP, ALL AMOUNTS IN SEK THOUSAND	2013-01-01	2012-01-01	PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2013-01-01	2012-01-01
	2013-12-31	2012-12-31		2013-12-31	2012-12-31
Deferred tax liabilities			Deferred tax liabilities		
Deferred tax on surplus value in intangible assets	11,297	11,310	Convertible debt instruments	3,443	–
Convertible debt instruments	3,443	–	Total deferred tax liabilities	3,443	–
Total deferred tax liabilities	14,740	11,310	Deferred tax assets		
Deferred tax assets			Tax loss	3,443	–
Tax loss	3,443	–	Total deferred tax assets	3,443	–
Total deferred tax assets	3,443	–	Deferred tax liabilities, net	–	–
Deferred tax liabilities, net	11,297	11,310			

Recognized deferred tax liability is expected to be settled after twelve months. Changes in deferred tax assets and liabilities for the year:

DEFERRED TAXES IN 2013, ALL AMOUNTS IN SEK THOUSAND	RECOGNIZED IN STATEMENT OF				
	OPENING BALANCE	COMPREHENSIVE INCOME	EXCHANGE RATE DIFFERENCES	RECOGNIZED IN EQUITY	CLOSING BALANCE
Surplus value of intangible assets ¹	11,310	–	-13	–	11,297
Convertible loan	–	–	–	3,443	3,443
Tax loss	–	-3,443	–	–	-3,443
At 31 December 2013	11,310	-3,443	-13	3,443	11,297

DEFERRED TAXES IN 2012, ALL AMOUNTS IN SEK THOUSAND	RECOGNIZED IN STATEMENT OF				
	OPENING BALANCE	COMPREHENSIVE INCOME	EXCHANGE RATE DIFFERENCES	RECOGNIZED IN EQUITY	CLOSING BALANCE
Surplus value of intangible assets ¹	11,340	–	-30	–	11,310
At 31 December 2012	11,340	–	-30	–	11,310

¹As stated in Note 14, Intangible assets, 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. This is also done with the deferred tax liability related to these intangible assets. The translation difference for the intangible assets as well as the tax liability is recognized directly in the currency translation reserve in other comprehensive income.

DEFERRED TAXES IN 2013, PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	RECOGNIZED IN STATEMENT OF			RECOGNIZED IN OTHER	
	OPENING BALANCE	COMPREHENSIVE INCOME	COMPREHENSIVE INCOME	RECOGNIZED IN EQUITY	CLOSING BALANCE
Convertible loan	–	–	–	3,443	3,443
Tax loss	–	-3,443	–	–	-3,443
At 31 December 2013	–	-3,443	–	3,443	0

The Parent Company did not recognize any deferred taxes in 2012.

The Parent Company recognizes a fiscal deficit of SEK 25,195 thousand (4,369). An exact figure for the Group's total tax loss is not possible to calculate since recognized tax loss that can be utilized in the future from existing licences depends on exploration investment costs being approved by the tax authorities in each country. The investment costs are examined by the tax authorities in each country no earlier than at production start-up. That is, an assessment is made only when produc-

tion 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 have historically not been recognized in the Parent Company or the Group. In 2013 however, Crown Energy chose to offset some of the loss against the deferred tax liability related to measurement of the convertible debt instrument. A deferred tax asset is recognized at the same amount as the deferred tax liability. The deferred tax liability and asset were offset in the statement of financial position.

NOTE 22 PROVISIONS

GROUP, ALL AMOUNTS IN SEK THOUSAND	ACQUISITION OF AMICOH RESOURCES LTD ADDITIONAL CONSIDERATIONS		ACQUISITION OF CROWN IRAQ	TOTAL PROVISIONS
	COMMERCIAL RESERVOIR	WARRANTS	BUY-BACK OPTION	
At 1 January 2012	2,255	182		2,437
Recognized in statement of comprehensive income:				
Discount effect	122	–	–	122
Revaluation effect	–	-16	–	-16
At 31 December 2012	2,377	166	–	2,543
At 1 January 2013	2,377	166	–	2,543
Recognized in statement of comprehensive income:				
Discount effect	139	–	–	139
Revaluation effect	–	3	–	3
Exchange differences	–	1	–	1
Provision at acquisition of Crown Iraq	–		6,204	6,204
At 31 December 2013	2,516	170	6,204	8,890

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

GROUP, ALL AMOUNTS IN SEK THOUSAND	2013-12-31	2012-12-31
Long-term component	8,890	2,543
Total provisions	8,890	2,543

NOTE 23 OTHER LIABILITIES

GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2013-12-31	2012-12-31
Employee-related liabilities	233	208
Total other liabilities	233	208

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 24 ACCRUED EXPENSES AND DEFERRED INCOME

GROUP, ALL AMOUNTS IN SEK THOUSAND	2013-12-31	2012-12-31
Accrued expenses		
Social charges	72	73
Other personnel-related items	241	1,407
Consulting fees	418	750
Board fees	225	225
Interest expenses, convertible debt instruments	4,128	–
Other accrued expenses	48	54
Total accrued expenses and deferred income	5,282	2,680
PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND		
Accrued expenses		
Social charges	72	73
Other personnel-related items	241	1,407
Consulting fees	125	736
Audit fees	100	171
Board fees	225	225
Interest expenses, convertible debt instruments	4,128	–
Other accrued expenses	48	54
Total accrued expenses and deferred income	4,939	2,666

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

NOTE 25 PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND

	2013-12-31	2012-12-31
Opening cost	500	500
Investment in Crown Iraq	19,204	–
Closing carrying amount	19,704	500

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

	CORPORATE IDENTITY NUMBER	PRINCIPLE PLACE OF BUSINESS	SHARE OF EQUITY	NO. OF SHARES	CARRYING AMOUNT, ALL AMOUNTS IN SEK THOUSAND	
					2013-12-31	2012-12-31
Crown Energy Ventures Corporation	79456	British Virgin Islands	100%	100	500	500
Crown Energy Iraq AB	556673-5329	Stockholm	100%	100	19,204	–
Total					19,704	500

Indirectly owned Group companies

Amicoh Resources Ltd 667642 British Virgin Islands

NOTE 26 ACQUISITION OF CROWN IRAQ

On 18 November 2013, Crown Energy took over Crown Energy Iraq AB (Crown Iraq), previously Tigris Oil Sweden AB.

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

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

Crown Energy recognized the acquisition of Crown Iraq as an asset acquisition, since the assessment is that the transaction does not meet the requirements for a business combination. Among other things, this means that no goodwill arises.

Calculating the consideration

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

CONSIDERATION, CROWN IRAQ, ALL AMOUNTS IN SEK THOUSAND	2013
Number of shares under the agreement	1,842,715
Share price on date of takeover (18 Nov 2013), SEK	10.10
Total consideration, Crown Iraq	18,611
Component of consideration settled with Crown Energy shares	18,611

The consideration is broken down as follows:

ACQUIRED ASSETS (INCLUDING SURPLUS VALUE) AND ASSUMED LIABILITIES, ALL AMOUNTS IN SEK THOUSAND	2013
Cash and cash equivalents	1,323
Intangible assets (licences)	20,970
Other receivables	313
Assumed liabilities	-3,995
Total identifiable net assets, Crown Iraq	18,611

Accounting in Parent Company

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

PARTICIPATIONS IN GROUP COMPANIES, ALL AMOUNTS IN SEK THOUSAND		2013
Cost of acquiring subsidiaries		18,611
Directly attributable acquisition costs		593
Total acquisition costs, Crown Iraq shares		19,204

Accounting in Group

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

A provision of SEK 6,204 thousand was therefore made for the buy-back option under the assumption that the entire option will be exercised. The provision was calculated based on the final consideration. A corresponding amount was also recognized as an acquisition cost in intangible assets. Intangible assets increased by SEK 27,767 thousand as a result of the acquisition.

INTANGIBLE ASSETS, ALL AMOUNTS IN SEK THOUSAND		2013
Increase through acquisition of subsidiaries:		
Acquired assets (licences)		20,970
Buy-back option		6,204
Directly attributable acquisition costs		593
Total increase in intangible assets resulting from acquisition of Crown Iraq		27,767

PROVISIONS, ALL AMOUNTS IN SEK THOUSAND		2013
Buy-back option, Crown Iraq		6,204
Total provisions related to acquisition of Crown Iraq		6,204

The option is carried at cost. See Note 5, Critical estimates and assessments for accounting purposes

Accounting of non-cash issue, Parent Company and Group

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

EQUITY, ALL AMOUNTS IN SEK THOUSAND		2013
Share capital, quotient value* number of shares		54
Share premium reserve		18,557
Directly attributable issue expenses		-356
Recognized non-cash issue in equity		18,255

Equity includes directly attributable costs that Crown Energy had in conjunction with the non-cash issue.

Cash flows attributable to acquisition

Presented below is how the acquisition affected the Group's and Parent Company's cash flows:

Cash flow that affected financing activities - non-cash issue

GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND		2013
Increase in equity resulting from non-cash issue		18,611
Assets contributed in kind		-18,611
Directly attributable issue expenses		-356
Cash flow attributable to non-cash issue		-356

Cash flow that affected investing activities - acquired subsidiaries

GROUP, ALL AMOUNTS IN SEK THOUSAND		2013
Consideration, subsidiaries		18,611
Component of consideration settled with Crown Energy shares		-18,611
Directly attributable acquisition costs		-593
Cash and cash equivalents in Crown Iraq at acquisition		1,323
Cash flow attributable to acquisition of subsidiaries		730

PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND		2013
Directly attributable acquisition costs		-593
Cash flow attributable to acquisition of subsidiaries		-593

NOTE 27 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 three more persons in the management group who are not employees.

Purchases and sales within the Group

The Parent Company's revenue represents 0% (0) of sales to other companies within the Group. Of the Parent Company's interest income, 99% (0) 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 thousand (2,854). Of this, SEK 0 (0) was recognized as other current liabilities.

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 2013, was estimated at SEK

2,718 thousand (2,718), which is based on an interest rate of 5% if the loan had been taken under market conditions.

Purchase of services

Three persons in management – Surinder Rai, 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.

Crown Energy also purchases technical consulting services from Simco Petroleum Ltd. (Simco). Alan Simonian, Crown Energy's Chairman of the Board, 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 compensated Thombo with SEK 3,305 thousand in conjunction with the extension of implementation of the Block 2B acquisition. In 2013, Crown Energy did not pay Thombo any compensation.

Following is a summary of services purchased from related parties in 2012 and 2013. The amounts at 31 December 2013 were calculated based on an average exchange rate for 2013.

GROUP, ALL AMOUNTS IN SEK THOUSAND	AMOUNTS IN THOUSANDS IN		2013-12-31	2012-12-31
	INVOICING CURRENCY	INVOICING CURRENCY		
Remunerations for consulting (technical services), Peter Mikkelsen	GBP	18	191	638
Remunerations for consulting (technical services), David Jones	GBP	4	43	114
Remunerations for consulting (technical services etc.), Simco Petroleum Ltd	USD	60	391	238
Remunerations for consulting (COO services), Cornerstone Energy Ltd (Surinder Rai)	GBP	107	1,138	–
Total			1,762	990

Remuneration of senior executives

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

At an EGM in November 2011, it was resolved to issue up to 450,000 warrants directed to 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 recognized in the statement of comprehensive income or the statement of financial position.

Other

As mentioned in Note 26, Acquisition of Crown Iraq, Crown Energy acquired and took over Crown Iraq on 18 November 2013. Ulrik Jansson was a partner in Crown Iraq via his company USB Investment B.V. (USB), which on takeover owned 14% of Crown Iraq. Since USB is a company under Ulrik Jansson's control, he did not participate in the Board's preparation of the matters related to the acquisition of Crown Iraq. Moreover, given that Ulrik Jansson is a board member and CEO of Crown Energy and thus fits into the category of persons covered by chapter 16 of the Swedish Companies Act, decisions on approval of the acquisition of Crown Iraq and the directed share issue had to be supported by shareholders representing at least nine-tenths of both the votes cast and the shares that are represented at the AGM.

NOTE 28 FINANCIAL INSTRUMENTS BY CATEGORY

GROUP, ALL AMOUNTS IN SEK THOUSAND	FINANCIAL ASSETS MEASURED AT FAIR VALUE VIA STATEMENT OF COMPREHENSIVE INCOME	LOANS RECEIVABLE AND ACCOUNTS RECEIVABLE	FINANCIAL ASSETS AVAILABLE FOR SALE	TOTAL
2013-12-31				
Assets in statement of financial position				
Other receivables	–	631	–	631
Cash and cash equivalents	–	36,584	–	36,584
Total	–	37,215	–	37,215

	FINANCIAL LIABILITIES MEASURED AT FAIR VALUE VIA STATEMENT OF COMPREHENSIVE INCOME	OTHER FINANCIAL LIABILITIES	TOTAL
2013-12-31			
Liabilities in statement of financial position			
Convertible debt instruments	–	35,412	35,412
Loans from related parties	–	2,854	2,854
Accounts payable	–	1,400	1,400
Other current liabilities	–	233	233
Other provisions	2,686	6,204	8,890
Total	2,686	46,103	48,789

GROUP, ALL AMOUNTS IN SEK THOUSAND	FINANCIAL ASSETS MEASURED AT FAIR VALUE VIA STATEMENT OF COMPREHENSIVE INCOME	LOANS RECEIVABLE AND ACCOUNTS RECEIVABLE	FINANCIAL ASSETS AVAILABLE FOR SALE	TOTAL
2012-12-31				
Assets in statement of financial position				
Other receivables	–	34	–	34
Cash and cash equivalents	–	11,762	–	11,762
Total	–	11,796	–	11,796

	FINANCIAL LIABILITIES MEASURED AT FAIR VALUE VIA STATEMENT OF COMPREHENSIVE INCOME	OTHER FINANCIAL LIABILITIES	TOTAL
2012-12-31			
Liabilities in statement of financial position			
Loans from related parties	–	2,854	2,854
Accounts payable	–	2,103	2,103
Other current liabilities	–	208	208
Other provisions	2,543	–	2,543
Total	2,543	5,165	7,708

Loans receivable, accounts receivable, and other financial liabilities are measured at amortized 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 29 KEY RATIOS

GROUP, ALL AMOUNTS IN SEK THOUSAND UNLESS OTHERWISE STATED	NOTE	2013-01-01 2013-12-31	2012-01-01 2012-12-31	2011-01-01 2011-12-31
Earnings				
Revenue		–	–	–
Other operating income		–	–	342
Change in revenue, %		n/a	n/a	n/a
Earnings		-9,271	-9,300	-3,158
Net income for the period, after tax		-14,399	-9,710	-3,042
Earnings yield				
Return on equity, %		neg	neg	neg
Return on capital employed, %		neg	neg	neg
Capital turnover ratio, times		n/a	n/a	n/a
Financial position				
Equity/assets ratio, %		51.3%	71.9%	2.4%
Net indebtedness, times		-0.02	-0.21	n/a
Net asset value per share, SEK		2.49	2.15	0.07
Total assets		134,211	77,133	51,958
Equity		68,843	55,434	1,247
Cash flow from investments		-2,664	-11,791	-17,974
Per share				
Dividend per share, SEK		n/a	n/a	n/a
Number of basic shares outstanding, thousand	12	27,598	25,755	17,031
Number of diluted shares outstanding, thousand	12	27,598	25,755	17,031
Average number of shares, thousand	12	25,917	20,929	3,906
Average number of diluted shares, thousand	12	25,917	20,929	3,906
Basic earnings per share, SEK	12	-0.56	-0.46	-0.78
Diluted earnings per share, SEK	12	-0.56	-0.46	-0.78
Equity per share, SEK		2.49	2.15	0.07
Cash flow from operating activities per share, SEK		-0.59	-0.37	-0.16
Employees				
Average number of employees		3.0	2.0	0.0

Definitions of key ratios

Earnings yield

Return on equity, %

Net income as a percentage of average equity. Average equity is calculated as the opening and closing balance divided by two.

Financial position

Equity

Equity at end of period.

Net asset value per share

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

Equity/assets ratio, %

Equity including the minority as a percentage of total assets.

Investments

Net investments in non-current assets during the period. Investments in non-current assets for the period less sales and disposals for the period.

Per share data

Total number of shares outstanding

Number of shares outstanding at end of period.

Weighted average number of shares

Weighted number of shares outstanding during the year.

Equity per share, SEK

Equity at end of period divided by number of shares at end of period.

Return on equity, %

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

Return on capital employed, %

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

Earnings per share, SEK

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

Employees

Average number of employees

Average number of employees during the period.

NOTE 30 PLEDGED ASSETS AND CONTINGENT LIABILITIES

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

Pledged assets also refer to the cash and cash equivalents that are intended for payment of the Block 2B licence in South Africa. See Note 17, Cash and cash equivalents, for more information.

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

NOTE 31 EVENTS AFTER THE END OF THE REPORTING PERIOD

See a description of events after the end of the reporting period in the Directors' Report.

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 statements of comprehensive income, statements of financial positions, statements of cash flows, and related notes.

Statements of financial position and statements of comprehensive income will be up for approval at the AGM to be held on 14 May 2014.

STOCKHOLM, 16 APRIL 2014

Ulrik Jansson
CEO
Board member

Alan Simonian
Chairman of the Board

Andrew Harriman
Board member

Our auditor's report was submitted on 16 April 2014
Öhrlings PricewaterhouseCoopers AB

Peter Burholm
Authorized Public Accountant
Chief auditor

Mikael Winkvist
Authorized Public Accountant

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 2013 except for the corporate governance statement on pages 22-27. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 16-70.

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 2013 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 2013 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 governance statement on pages 22-27. 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 2013. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the 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 22-27 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.

Stockholm, 16 April 2014
Öhrlings PricewaterhouseCoopers AB

Peter Burholm	Mikael Winkvist
Authorized Public Accountant	Authorized Public Accountant
Auditor in charge	



CROWN ENERGY AB (PUBL)

Crown Energy AB (publ)

Engelbrektsgatan 9-11

SE-114 32 Stockholm, Sweden

Telephone: +46 8-120 66 150