CROWN ENERGY

ANNUAL REPORT 2014

CROWN ENERGY AB (PUBL)

Contents

This English Annual Report is a translation of the Swedish Annual Report for 2014. 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.

2014 IN BRIEF

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

- The Company announced in April that the resources from the A-J1 reservoir of the Block 2B licence in South Africa were being upgraded to about 1.1 billion barrels of oil after performing combined analyses of 3D seismic data and reassessing existing well data. With Crown Energy's 40.5 per cent share, this means that prospective resources amount to about 450 million barrels of oil for this asset. This makes the entire A-J basin interesting and most sections could contain hydrocarbons to a much larger extent than previously indicated. Initial projections show that there could be several billion barrels of oil equivalents in the area. Test results from drilling done in 1989 that indicated 46 metres of so-called "net pay" were proven to have been grossly underestimated and that the net pay should instead be about 190 metres, and if such is the case, the reservoir may contain several hundred million barrels of oil.

- A new convertible was issued in June to strengthen the Company's financial position and liquidity. A total of 2,071,236 convertibles were issued at an issue price of 82 per cent, which meant that the Company raised a total of SEK 16,984 thousand (before issue expenses) partly through cash payment and partly through an offset issue. The new convertibles (KV2 2014/2016) have the same conditions as the previous series (KV1 2013/2016) but have a shorter term since they were issued in May 2014 instead of May 2013. A resolution on the issue was approved at the Annual General Meeting (AGM) on 14 May 2014.

- During the June 2014 conversion period, holders exercised 298,732 convertibles in the KV1 2013/2016 series, which meant that an equal amount of new shares were subscribed for during the period. The conversions increased the Company's share capital by SEK 8 thousand and other contributed capital by SEK 2,390 thousand (net of deferred tax).

- Crown Energy has expanded its operations over the last few years, while improving its assets. In June, the Board engaged ABG Sundal Collier, the leading Nordic investment bank, in a long-term cooperation as financial and strategic adviser on the Company and its assets.

- In December, 100,000 convertibles in the KV2 2014/2016 series were exercised. The conversion means that the Company's shares increased by an equal amount of shares, share capital increased by SEK 3 thousand, and other contributed capital increased by SEK 834 thousand (net of deferred tax).

CEO's statement

Dear shareholders and investors,

Development of our assets and additional acquisitions

We achieved a lot in 2014, but it has been a turbulent year on the whole. On publication of this Annual Report, we just completed the acquisition of our South African asset, Block 2B, and have launched a comprehensive financing program aimed at vigorously strengthening our capital base through debt reduction while ensuring liquidity.

There was a sharp drop in oil prices during the latter part of 2014. This has not had a direct impact on us as we are currently not in production. Such a rapid, substantial reduction in oil prices is however negative for the industry on the whole, although most of those involved see the situation as temporary and believe that the current oversupply of oil on the market will gradually diminish. We see that investments have decreased in the industry and will continue to do so in the near future, but we conclude that the rate of investment in the longer term will rebound.

However, two things should be mentioned that could have direct positive effects on us: (1) the overall level of costs for exploration has gone down, and (2) costs for developing reservoirs for production have also come down – costs which make up a significant portion of the total costs for a producing field as seen from the 15-25 year life span over which a field may produce oil and/or gas. For example, for the initial updates of financial models in the potential development of the Venus reservoir in Equatorial Guinea, overall costs are so much lower, especially for the rental of production vessels (FPSOs), that the present value is higher despite current oil prices. However, we know nothing about where oil prices will end up in the future, so accurate standpoints and calculations must continue to be determined in order to ascertain the eventual development of Block P. This is being done together with our partners at present.

Following regulatory approval in South Africa, the Block 2B exploration licence was granted a first extension phase of two years, which started in March of this year. Pending extension of the licence, the licence partnership performed technical work for several months in accordance with the agreed upon production program. The production program during the extension phase aims to clarify the volumes of hydrocarbons in the various actual and potential reservoirs that have been identified within the licence area. The program comprises technical appraisals and will include a brand new Competent Persons Report (CPR).

Along with developments in Iraq in general and the region specifically, it is now clear that last year's national elections led to a partial diversion of governing authority from the central establishment in Baghdad to the regions around the country. Since Crown Energy's licence is entered into directly with the Salah ad-Din region, this is a good development with positive growth in value over time. The regional government confirmed in discussions that the region is almost entirely free of unsettling elements and that things currently look much more positive.

Crown Energy is in contact with several other operators in Madagascar in order to maximize cost savings by sharing costs and resources where possible. The Company believes that lower cost levels for services and products will generate long-term benefits for the Madagascar operation.

Financing

Our financial position was strengthened through an offer to offset all the Company's outstanding convertible loans against new shares. In practice, Crown Energy buys back the convertibles with payment in newly issued shares. We are also conducting a directed cash issue of SEK 13 million in an offset of cash debts, and finally, the Company will offer existing shareholders who do not participate in the two offset issues a preferential rights issue totalling up to about SEK 65 million. If all of these issues are fully subscribed, the Company's financial position would be bolstered by more than SEK 150 million.

Outlook

Completion of the acquisition of the South African asset supplied the Company with an important component in the building of a diversified oil and gas asset portfolio with massive potential. There is huge potential for development in the South Africa asset and prospects for the other assets in the Company's portfolio remain very solid. Crown Energy has a number of interesting events to look forward to during the year, such as the CPR that is coming soon and continuation of interesting development work in the Equatorial Guinea asset. The Company is also following developments in Iraq and Madagascar with great interest.
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 2015, 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.

Ulrik Jansson
CEO, Crown Energy AB (publ)

Chairman's statement

The year started with instability in the oil price which has before finally stabilised at $60 at time of writing. This price adjustment has fundamentally affected the business model which most oil companies now need to pursue, ruling out for example expensive deep water areas and unconventional oil shale projects. Instead it is essential to secure projects in low cost oil areas.

Fortunately all of Crown's properties will work in this low cost oil environment. Our South Africa block 2B is in shallow waters, and given the excellent fiscal terms in this country, the large resources we have identified in this block are economic in a low cost oil price scenario. We are therefore confident of attracting a new partner into our Joint venture group to act as our operator when we do enter into the drilling phase of the license.

Our block P Equatorial Guinea, is in relatively shallow waters and we believe the Venus oilfield we have identified can be economically developed in a low oil price scenario. We are grateful that an experienced Africa offshore operator like Vaalco is joining our joint venture in the operational capacity.

The upside of the oil price collapse has been the dramatic drop in service charges for exploration, in acquiring seismic surveys and in drilling and oilfield developments. Indeed there has not been a better time to be exploring as costs are dramatically reduced. We believe our costs of now progressing with our exploration in Madagascar block will be notably lower. Investing in the current cost environment will provide significant economic upside to companies such as ourselves as projects develop and mature and as oil prices in the future have the possibility of firming up.

Our very large position in Iraq has continued to be difficult during the last year with hostilities taking place on the ground. However there are significant oil reserves in this Licence. We are hopeful that the Salah-e-Aldin authorities will in due course assert their control over their territory and that Crown will be able to start work putting the existing oilfields with in our Licence area into more active production.

In summary, we see the current difficulties in the oil patch as an advantage to Crown to secure its business, in that we can explore and develop our resources at a low cost, and be and be ready with production in future years when the oil prices will invariably have increased with greater world demand. A challenge in the coming year will remain the securing of the necessary finance to pursue our business strategy to the full, but we are confident that given our excellent portfolio of low cost oil areas and project, the financial community will recognise Crown as a stand out investment opportunity.

Alan Simonian
Chairman of the board, Crown Energy AB (publ)

Description of operations

ABOUT CROWN ENERGY

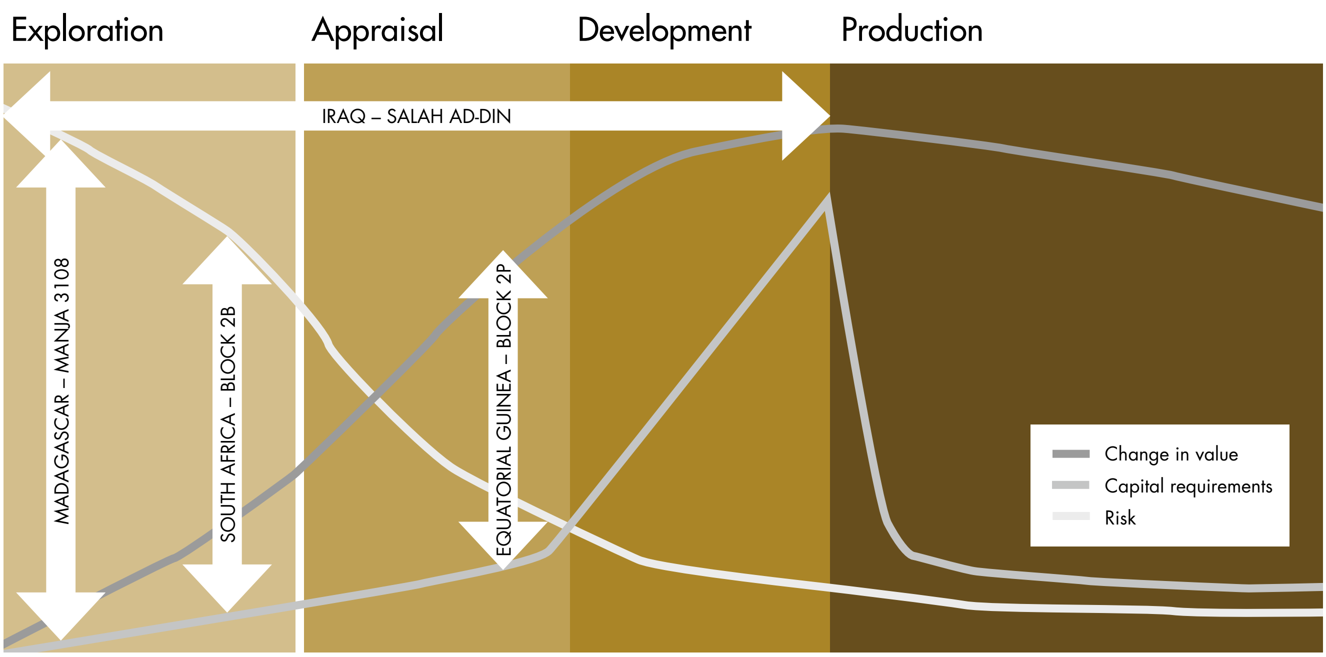
Crown Energy is an international oil and gas company engaged in oil and gas exploration and production in underexplored areas. The portfolio consists of assets in Africa and the Middle East:

- *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 unexplored 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 and a Competent Persons Report was developed to verify the resources.
- *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 reservoirs.

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 reprocessing, 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.

STATEMENTS OF A TECHNICAL NATURE

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.

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

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]). The Company will update resources with a new CPR for the Block 2B licence. They are expected to be completed in the first half of 2015.

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

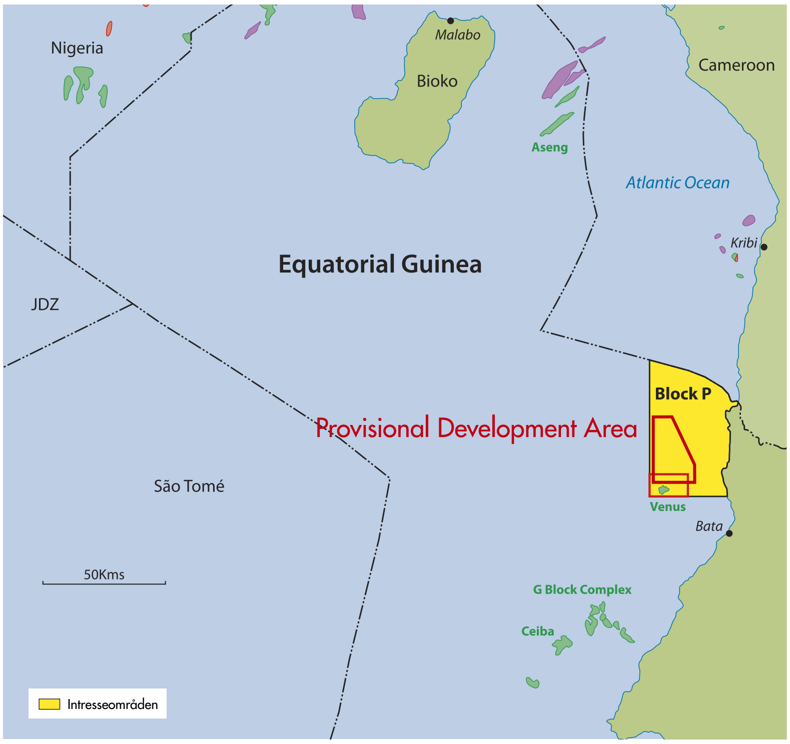
The previously listed assets do not include the licence in Iraq, the Company's most recent acquisition. The reason for this is that there is no independent CPR for this area. Crown Energy's objective is to obtain more information about the asset as soon as it is safe to do so.

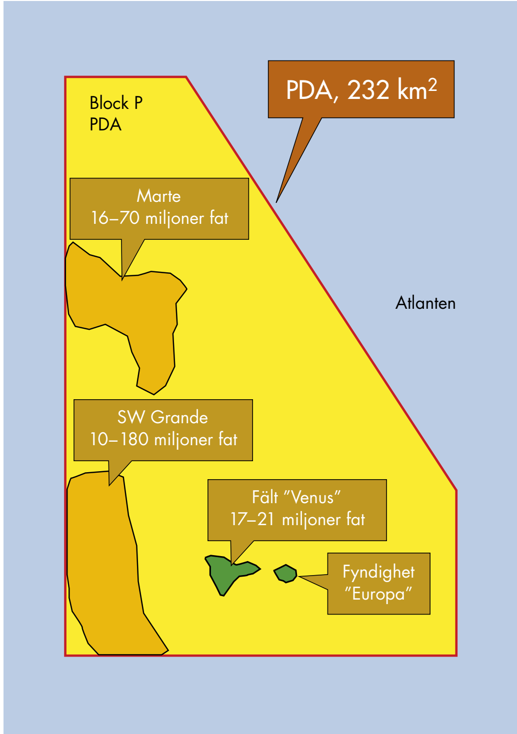
Block P (PDA) - Equatorial Guinea

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.


IRAQ – SALAH AD-DIN
Stake: 100%
Operator: Crown Energy Iraq*
Stage: Exploration
*Wholly-owned subsidiary of Crown Energy AB
EQUATORIAL GUINEA – BLOCK P (PDA)
Stake: 5%
Operator: GE Petrol
Stage: Development/Exploration
MADAGASCAR – MANJA 3108
Stake: 100%
Operator: Amicoh Resources*
Stage: Exploration
*Wholly-owned subsidiary of Crown Energy AB
SOUTH AFRICA – BLOCK 2B
Stake: 40.5%
Operator: Thombo
Stage: Exploration





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.

With the initiation of the single operatorship between GE Petrol and Vaalco Energy Inc., this licence and project are entering a new phase. With efficient, transparent management of the project we look forward to new activities with this licence. The strategy going forward is basically decided with the emphasis on developing existing reservoirs rather than focusing future work on additional exploration around new reservoirs. This is welcomed by Crown Energy since it means that cash flows can be generated within the project before new exploration costs are incurred.

Block 2B – South Africa

In February 2013, Crown Energy acquired 40.5% of this licence. The acquisition was subject to South African regulatory approval, which was granted in January 2015.

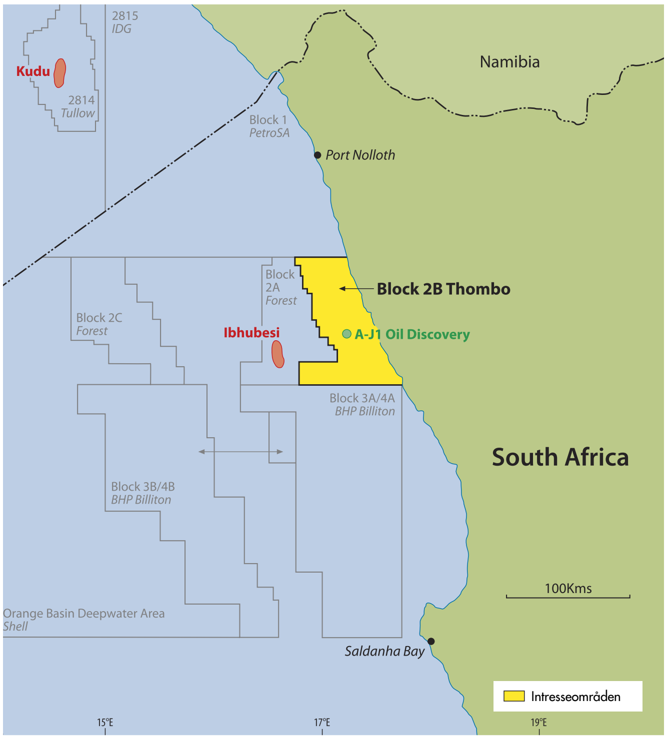
Exploration Block 2B in South Africa is located offshore on the Atlantic coast just south of the border with Namibia. A small oil reservoir was previously discovered in the exploration area. The exploration area was previously explored using two-dimensional seismic surveys that were analysed and processed 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 were presented in 2014.

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

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

After the 3D seismic data was analysed and the reassessment of previous well data was completed on reservoir A-J1, the resources were upgraded to about 1.1 billion barrels within the Block 2B licence area. With Crown Energy's 40.5% share, our prospective resources amount to about 450 million barrels of oil for this asset. This makes the entire A-J basin interesting and most sections could contain hydrocarbons to a much larger extent than previously indicated. Initial projections show that there could be several billion barrels of oil equivalents in the area.

The JV has now entered the first extension phase of two years to the Block 2B Exploration Licence with Government approval for this having been granted in March. The two year period commences from March 2015. The JV has already been carrying out



technical work on the ER in accordance with the work programme during the last few months in anticipation of the extension being granted. The exploration work program under the extension phase aims at clarifying the likely range of hydrocarbon volumes in the various actual and potential reservoirs identified. This includes desktop studies and will culminate at a completely new CPR (Competent Persons Report).

Prior to commencing the planned CPR , the JV decided that it would be valuable to carry out an analysis of the logs from the 1988 AJ-1 well in Block 2B off the coast of South Africa, incorporating both petro physical and salinity elements. This was deemed as being an important step to getting a proper supporting analysis of these elements before starting the CPR work. This is now done, using modern techniques, taking into account new studies which have already been carried out on behalf of the group. The results of this work are encouraging and show a sizeable increase in the net oil bearing sand, assuming salinities in the well which are supported by the recent third party studies. This compares to the previous interpretation of net oil pay and should lead to a substantial increase in the contingent resources that the AJ-1 well has proven.

Now that this additional work has been completed, an independent evaluation of these resources is being carried out by ERC Equipoise, an oil industry respected UK consultancy. This evaluation is ongoing and a CPR should be completed in around six weeks, and the results would be published by the JV following after that. This extra analysis step, prior to the CPR work is the reason for the slight delay in the anticipated CPR.

The nine-year exploration phase of the licence is divided into an initial period of three years, which expired in April 2014. Obligations for that period were fulfilled via collection of the 3D seismic data. The currently granted period spans two years and includes preparatory work for drilling as above. 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 underexplored when it comes to oil and gas. There are some oil finds on the island in the form of heavy oil, which proves that there is a working petroleum system. In recent years, exploration activities have increased due to finds of both oil and gas elsewhere in East Africa, including Uganda, Kenya, Tanzania, and Mozambique.

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

The next step in the development of the licence area is to drill a well in Ambatolava located in the north-west part of the licence area. 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. 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, 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 licence 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 hampered due to the political instability of the last 20 years. No work is currently being done within the licence area itself in view of the security situation in the region, and other work being done has primarily concerned licence conditions and planned future strategy.

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

In conversations with coordinators in the Salah ad-Din region, discussions are taking place about what the best way forward is for Crown Energy as an oil company and for the development of the region. It is clear that working towards production is more important than anything else, and that is what is being prioritized with this asset. Crown Energy has regular contact with the government in Salah ad-Din and follows developments in the province closely.

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

Geological and geophysical surveys

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

Exploration drilling

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

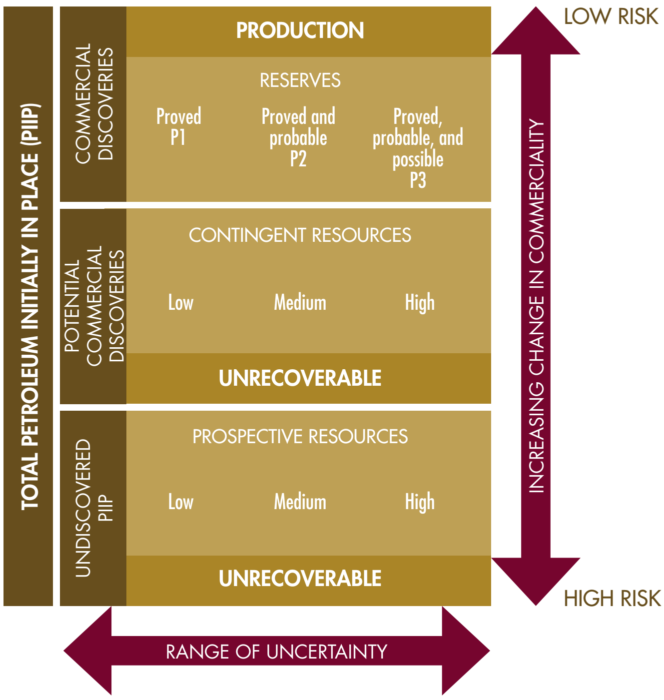
In an oil company, oil assets are divided into reserves and resources. The difference is in how far the oil company has come in working with the licence, if the deposits are of a commercial nature, etc. In short, resources are considered reserves when they are deemed commercially recoverable and a development plan has been approved by the local licencing 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 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 discoveries.

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

The figure 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. Alan Simonian was also previously 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 375,588 convertible shares. Mr Simonian resides in England. He is independent of both the Company and major shareholders. In addition to his duties for Crown Energy, he is involved in the following companies as stated:

COMPANY	POSITION
Simco Petroleum Ltd	Board member/shareholder
Fastnet Ltd	Board member
Simbo Petroleum No.2 Ltd	Board member/shareholder

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 2,840,509 convertible shares. He is not independent of the Company nor 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
H2DO AB	Board member

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. 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 involvement in Crown Energy, he was CEO of Tomsk Refining AB. Mr Forssell also previously 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 175,765 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
H2DO AB	Deputy

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. 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

AUDITOR

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

Peter Burholm from Öhrlings PricewaterhouseCoopers AB is Crown Energy's auditor in charge. 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, Sweden

Auditor

Öhrlings PricewaterhouseCoopers AB
Torsgatan 21
SE-113 97 Stockholm, Sweden

The shares, shareholders, and share capital

SHARE CAPITAL

According to Crown Energy's Articles of Association, the issued share capital must be no less than SEK 500,000 and no more than SEK 2,000,000. Only one type of share may be issued and shall total no less than 17,000,000 and no more than 68,000,000 shares. Each qualified shareholder is entitled to as many votes as the full number of shares he or she owns and represents at the general meeting without any voting right restriction. Each share carries equal rights (one vote per share) to the Company's assets and profit at liquidation and all shares are freely transferable. The Company's shares are not subject to offers made as a result of mandatory bid, redemption right, or redemption obligation. Nor were the Company's shares subject to a public takeover bid during the current or prior fiscal year. Crown Energy shares are denominated in SEK and are issued in accordance with Swedish law, and the 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 830,345 allocated over a total of 28,243,411 shares on publication of this Annual Report (see following explanation). 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

On 8 January 2014, 246,934 Crown Energy shares were registered with the Swedish Companies Registration Office as a result of the conversions of the KV1 2013/2016 convertible, which was issued in December 2013.

During the 1-30 June 2014 conversion period, holders of Crown Energy's KV1 2013/2016 and KV2 2014/2016 convertibles had an opportunity to convert to shares. Holders exercised 298,732 KV1 2013/2016 convertibles, which meant that an equal amount of new shares were subscribed for during the period. The Swedish Companies Registration Office registered the new shares on 25 July 2014.

During the 1-30 December 2014 conversion period, holders of Crown Energy's KV1 2013/2016 and KV2 2014/2016 convertibles had a further opportunity to convert to shares. Holders exercised 100,000 KV2 2014/2016 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 23 January 2015, but since the conversion was deemed to be a 2014 event, the Company chose to include these shares as at 31 December 2014. The conversion resulted in an increase in share capital of SEK 3 thousand.

The following shows changes in the Company's share capital in table format from registration of the Company until 23 January 2015:

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 convertibles[4]	246,934	246,934	8	1,845	27,844,679	819	0.029
2014	Redemption of convertibles	298,732	298,732	8	2,398	28,143,411	827	0.029
2015	Redemption of convertibles[5]	100,000	100,000	3	837	28,243,411	830	0.029

[1] Refers 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.
[2] SEK 7,245,070 of total capitalized amount refers to settlement of loan with principal owner.
[3] Settlement of loan with principal owner.
[4] Recognized as unregistered share capital at 31 December 2013. Shares were registered with Swedish Companies Registration Office 8 January 2014.
[5] Recognized as unregistered share capital at 31 December 2014. Shares were registered with Swedish Companies Registration Office 23 January 2015.

OWNERSHIP STRUCTURE

As at 31 December 2014, Crown Energy had about 2,000 shareholders. The Company's three major shareholders are Ulrik Jansson, via companies, with about 55% of the capital and votes, Comtrack Ventures Ltd with about 7.7% of the capital and votes, and T Intressenter AB with about 4.4% 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 2014 and any known changes thereafter (i.e., as at 23 January 2015):

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE OF SHARES
Ulrik Jansson, privately and via companies	15,529,726	55.0%
Comtrack Ventures Ltd	2,163,811	7.7%
T Intressenter AB	1,240,215	4.4%
Mocoh Resources Ltd	1,239,227	4.4%
Alan Simonian	1,175,377	4.2%
Other shareholders	6,895,055	24.3%
Total number of shares	28,243,411	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 balance sheet, its liquidity, and its financial position. Crown Energy applies no restrictions or special procedures to cash dividends to shareholders residing outside Sweden. Except for the possible limitations of banking and clearing systems, payment is made in the same way as for shareholders residing in Sweden. For shareholders who are not tax resident in Sweden, Swedish withholding tax is not normally charged. There are no rights, except the right to dividends, to share in the Company's profits. Crown Energy has not yet paid any dividends, nor is there any guarantee that for any given year a dividend will be proposed or determined by the Company.

SHARE-BASED INCENTIVE PLANS AND ISSUED WARRANTS

At an extraordinary general meeting (EGM) in November 2011, it was resolved to issue up to 450,000 warrants directed to key persons within the Company. No warrants were subscribed for before the subscription period expired on 14 November 2014.

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 LOANS

Crown Energy holds two convertible loan series: KV1 2013/2016 and KV2 2014/2016. The KV1 2013/2016 convertibles were made available in 2013 and are traded on NGM Equity under the designation CRWN KV1. A trading lot amounts to SEK 10, which is the nominal amount. KV2 2014/2016 was listed in 2014 and is not traded on the stock exchange. However, both convertible series have the same conditions and expiration dates. Twice annually during the periods 1-30 June and 1-31 December, and also during the period 1-31 March 2016, holders of the convertibles can request conversion of all or some of their convertibles into new Crown Energy shares at a conversion price of SEK 10 per convertible. The loans carry an annual interest rate of 10% from 2 May 2013 and 2 May 2014, respectively, payable annually in arrears on 2 May with the final payment on the due date of 30 April 2016. KV1 2013/2016 was traded at 31 December 2014 at 48% of the nominal value, corresponding to an annual rate of about 20.8%. For information on recognition of 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 2014.

OPERATIONS

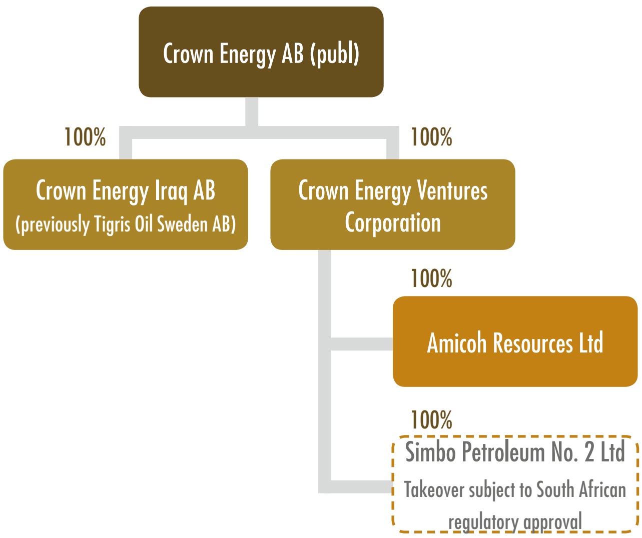
Crown Energy AB (publ) with its subsidiaries (Crown Energy, the Company, or the Group) is an international oil and gas group. Crown Energy focuses on exploration opportunities with great potential for recoverable reserves of oil and gas in underexplored areas. The Group currently has operations in Equatorial 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 "Description of operations" on pages 6-12.

COMPANY STRUCTURE

Following is an overview of the Group's legal structure at 31 December 2014:



SIGNIFICANT EVENTS DURING THE FISCAL YEAR

Conversions, KV1 2013/2016

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, which was issued in December 2013.

Between 1 and 30 June 2014, holders of Crown Energy's KV1 2013/2016 convertibles had an opportunity to convert to shares. Holders exercised 298,732 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 June 2014 amounted to SEK 2,987 thousand. The conversions increased the Company's share capital by SEK 8 thousand and other contributed capital by SEK 2,390 thousand (net of deferred tax). The new shares were registered with the Swedish Companies Registration Office on 25 July 2014.

Registration of new Crown Energy Iraq board etc.

During the first quarter of 2014, changes were registered with the Swedish Companies Registration Office related to Group company Crown Energy Iraq AB. Among other things, some board members changed, its Articles of Association were amended, and the company changed its name from Tigris Oil Sweden AB.

Directed issue of convertibles

In the second quarter, a convertible was issued in order to strengthen the Company's financial position and liquidity. A total of 2,071,236 convertibles were issued at an issue price of 82%, which meant that the Company raised a total of SEK 16,984 thousand (before issue expenses) partly through cash payment and partly through an offset issue. The new convertibles (KV2 2014/2016) have the same conditions and expiration date as the previous series (KV1 2013/2016) but have a shorter term since they were issued in May 2014 instead of May 2013.

Update on prospective resources in South Africa licence area

As previously reported, after the 3D seismic data was analysed and the reassessment of previous well data was completed on reservoir A-J1, the resources were upgraded to about 1.1 billion barrels for the Block 2B licence. With Crown Energy's 40.5% share, this means that the Company's prospective resources amount to about 450 million barrels of oil for this asset. This has in turn led to the asset generating considerable interest from other major companies who are interested in either expanding their business or starting up business in South Africa.

Adviser

In June it was decided that the Company will engage ABG Sundal Collier as financial and strategic adviser. ABG Sundal Collier is a leading Nordic investment bank that will furnish expertise in the energy sector and international contacts, which means that the Company and its assets will be exposed and valued on the international marketplace.

Conversions, KV2 2013/2016

During the 1-30 December 2014 conversion period, holders of Crown Energy's KV2 2014/2016 convertibles elected to convert to shares. A total of 100,000 convertibles were exercised. The nominal value of the exercised convertibles amounted to SEK 1,000 thousand. The conversion means that the Company's shares increased by an equal number of shares, share capital increased by SEK 3 thousand, and other contributed capital increased by SEK 834 thousand (net of deferred tax). This share capital was recognized as non-registered share capital since it had not been registered with the Swedish Companies Registration Office by year-end.

FINANCIAL SUMMARY

Five-year summary

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

Balance sheet

Intangible assets

Total capitalized expenses for acquiring rights, prospecting costs, etc., which are recognized as intangible assets, totalled SEK 107,459 thousand (91,879) at 31 December 2014 (2013), a year-on-year net increase of SEK 15,580 thousand (30,933). The increase in 2014 consisted of investments of SEK 3,830 thousand (3,229) and a translation difference of SEK 11,750 thousand (-63). In 2013 the acquisition of the Iraqi licence stood for the bulk of the net increase of SEK 27,767 thousand. The translation differences are due to the fact that some of the intangible assets were acquired in USD and were translated at the closing rate. As a result of the major changes that occurred in the rate between SEK and USD in 2014, the translation difference for the year was significant and affected assets by increasing them. The translation difference that arises is recognized directly in the currency translation reserve in other comprehensive income and does not affect cash flow.

Property, plant, and equipment

Crown Energy moved offices in Stockholm on 1 October 2013. Property, plant, and equipment decreased during the year after depreciation of SEK 33 thousand. The carrying amount as at 31 December 2014 (2013) totalled SEK 99 thousand (132).

FIVE-YEAR SUMMARY	2014-01-01 2014-12-31	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	-9,448	-9,271	-9,300	-3,501	–
Operating loss	-9,448	-9,271	-9,300	-3,158	–
Net financial items	-12,411	-8,571	-410	116	–
Total assets	149,083	134,211	77,133	51,958	–
Earnings per share, SEK	-0.75	-0.56	-0.46	-0.76	–
Equity per share, SEK	2.03	2.49	2.15	0.07	–
Equity/assets ratio	38.3%	51.3%	71.9%	2.4%	–
Number of employees	3	3	2	0	–
Parent Company, SEK thousand					
Other operating income	–	–	–	–	–
Operating expenses	-9,205	-9,230	-9,396	-1,496	-1
Operating loss	-9,205	-9,230	-9,396	-1,496	-1
Net financial items	-8,504	-2,891	4,575	-2	–
Total assets	124,795	124,795	68,595	39,091	100
Number of employees	3	3	2	0	–

Current assets
At 31 December 2014 (2013), current assets totalled SEK 41,525 thousand (42,200). Of this amount, SEK 34,626 thousand (36,584) is cash and cash equivalents. See the explanation of changes in cash and cash equivalents in the "Cash flow" section.

Other receivables decreased between 2013 and 2014, mainly due to lower VAT receivables. Prepaid expenses and accrued income increased between 2013 and 2014 from SEK 4,176 thousand to SEK 5,879 thousand. The increase and the prepaid expenses consist primarily of prepaid licence fees.

Equity
As at 31 December 2014 (2013), equity totalled SEK 57,090 thousand (68,843), corresponding to an equity/assets ratio of 38.3% (51.3). Share capital and other contributed capital during the year totalled SEK 2,679 thousand (27,846), net of issue expenses and deferred tax. The increase in 2014 is due to the effects of the convertible loan that was issued in 2014 and to conversions during the year related to both of the Company's convertibles.

In order to strengthen the Company's financial position and liquidity, 2,071,236 convertibles (KV2 2014/2016) were issued in 2014 with deviation from shareholders' preferential rights. Due to the convertible being issued at a discount (subscription was at SEK 8.20 compared with the nominal value of SEK 10) and the effects of issue expenses and deferred tax, the issue reduced other contributed capital to a net amount of SEK -556 thousand at this stage.

Holders of convertibles in Crown Energy's two series had an opportunity to convert to shares in June and December 2014. In June 298,732 KV1 2013/2016 series convertibles were converted and in December 100,000 KV2 2014/2016 series convertibles were converted. This means that an equal amount of new shares were subscribed for during the period. The conversion in June increased the share capital by SEK 8 thousand and other contributed capital by SEK 2,390 thousand. The shares for the December 2014 conversion were registered with the Swedish Companies Registration Office on 23 January 2014. The conversion resulted in an increase in share capital of SEK 3 thousand. This part of the share capital is recognized as non-registered capital. Other contributed capital increased by SEK 834 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 16-17.

Non-current liabilities
As previously mentioned, a convertible loan (KV1 2013/2016) was issued in April 2013 to pay for the acquisition of shares in the company that owns a working interest in Block 2B in South Africa. An additional convertible loan (KV2 2014/2016) was issued in 2014. The new convertible loan increased the Company's liabilities at issue by SEK 15,545 thousand. At 31 December 2014 (2013), the carrying amount of the convertible loans totalled SEK 55,207 thousand (35,412), excluding accrued interest. See Note 20, Interest-bearing loans and liabilities, for more information.

Loans from related parties, both private and via companies that are controlled by Ulrik Jansson (CEO and major Crown Energy shareholder), totalled SEK 6,104 thousand (2,854) at 31 December 2014 (2013). This means that the loans increased by a total of SEK 3,250 thousand since last year. The loans carry no interest.

The deferred tax liability at 31 December 2014 (2013) totalled SEK 13,560 (11,297) and is attributable to the surplus value of intangible assets. The net change of SEK 2,263 thousand (-13) is attributable to translation differences resulting from the intangible assets being acquired in USD and translated at the closing rate.

Other provisions are partially attributable to the acquisition of the Madagascar licence, which totalled SEK 2,689 thousand (2,686) at 31 December 2014 (2013). In 2013, provisions also increased due to the buy-back option that arose from the acquisition of Crown Energy Iraq. The value of the buy-back option at 31 December 2014 (2013) was SEK 6,204 thousand (6,204). After discounting and revaluation effects of SEK 3 thousand (143), provisions totalled SEK 8,893 thousand (8,890) as at 31 December 2014 (2013).

Current liabilities
Current liabilities consist of accounts payable, employee-related tax liabilities, and miscellaneous accrued expenses that totalled SEK 7,472 thousand (6,915) at 31 December 2014 (2013). Current liabilities increased compared to 2013 primarily due to the Company issuing an additional convertible loan in 2014 and to the higher interest expenses associated with it. Of the accrued expenses at 31 December 2014 (2013), SEK 5,242 thousand (4,218) was attributable to accrued interest on the convertible loan.

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

Operating expenses
Operating expenses for 2014 (2013) totalled SEK -9,448 thousand (-9,271), of which SEK -4,863 thousand (-5,259) consisted of employee benefit expenses, SEK -4,448 thousand (-3,948) related to other external expenses, SEK -33 thousand (-33) related to depreciation/amortization, and SEK -104 thousand (-31) related to other operating expenses. Employee benefit expen-

ses decreased year-on-year, due to the fact that an employee took parental leave from June to December. This consequently reduced payroll and pension costs. Other external expenses increased by a net amount of SEK 500 thousand in 2014. About SEK 1,000 thousand of these expenses are attributable to financial and strategic advisers. Apart from this, costs have generally declined and this is partly explained by fewer marketing events over the previous year, lower operating expenses attributable to the Iraqi licence, and the fact that in 2013 the Company had expenses for consulting services in conjunction with the preparation of financial statements. There were also expenses in 2013 related to the 2012 IPO.

Depreciation/amortization is at the same level in both 2013 and 2014.

Other operating expenses of SEK -104 thousand (-31) were related to exchange rate effects on operating receivables and operating liabilities.

Earnings from financial items

Net financial items totalled SEK -12,411 thousand (-8,571). The large year-on-year increase is due to the additional convertible loan that Crown Energy issued in 2014.

Financial income amounted to SEK 3,176 thousand (19) and primarily relates to exchange gains.

Financial expenses for the year totalled SEK -15,587 thousand (8,571). SEK -15,353 thousand (-8,450) of the financial expenses relate to effective interest on the convertible loans. 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

In 2013, the Company recognized SEK 744 thousand (3,443) in deferred tax revenue in the income statement. The deferred tax revenue is attributable to capitalization and revaluation of tax losses. See Note 5, Critical estimates and assessments for accounting purposes, for a detailed description of recognition of deferred tax.

Earnings after tax

Earnings after tax in 2014 (2013) totalled SEK -21,115 thousand (-14,399), corresponding to SEK -0.75 (-0.56) per share.

Cash flow

Cash flow from operating activities in 2014 (2013) totalled SEK -11,151 thousand (-16,282). The increase in outflow compared year-on-year is attributable to changes in working capital. Unlike previous years, neither operating receivables nor operating liabilities changed significantly between 2013 and 2014. Changes between 2012 and 2013 were bigger due to the considerable accounts payable and accrued expenses items from late 2012 related to the IPO. The increase in working capital in 2014 was related primarily to prepaid licence fees attributable to the licence in South Africa, which at 31 December 2014 had not yet been taken over.

Cash flow from investing activities in 2014 (2013) totalled SEK -3,830 (-2,644). This outflow consisted of investments in intangible assets of SEK 3,830 (-3,229). The investments are in parity between the years. In 2013, investing activities also included investments in equipment of SEK -165 thousand and effects in cash and cash equivalents from the acquisition of Crown Energy Iraq of SEK 730 thousand. Acquisition of the Iraqi licence via Crown Energy Iraq in 2013 was financed through a non-cash issue, which is why this acquisition did not affect cash flow. For more information on the acquisition of this company in 2013, see Note 26, Acquisition of Crown Energy Iraq.

Cash flow from financing activities for the full year totalled SEK 12,987 thousand (43,768). The positive effect in 2014 is explained foremost by the new convertible issue that was implemented during the year, which affected cash flow by SEK 15,946 thousand. See Note 20, Interest-bearing loans and liabilities, for more details and gross specifications. SEK -6,209 thousand in interest attributable to the KV1 2013/2016 convertible loan was disbursed in 2014. The Company also increased loans to related parties by an additional SEK 3,250 thousand.

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 23 January 2015, 100,000 new Crown Energy shares were registered with the Swedish Companies Registration Office as a result of the previously stated conversions of Crown Energy's KV2 2014/2016 convertible.

Regulatory approval from South Africa

On 27 January 2015 the Company received regulatory approval to acquire Simbo Petroleum No.2 Ltd (Simbo), which holds a 40.5% participating interest in Block 2B in South Africa. The ownership assessment process for Crown Energy's acquisition of participations in Block 2B in South Africa is now complete. This was the last condition to be met in order to complete the acquisition and takeover of Simbo.

Refinancing scheme through buy-back of convertible loans, a directed cash set off issue, and a share issue with preferential right

The board of directors proposed on April 13, 2015 a refinancing scheme of a total of three share issues; (i) a debt-equity conversion that clears convertible loan debts with an initial 90 percent pre-acceptance from existing convertible holders, (ii) a directed cash share issue amounting to approximately SEK 13 million to set off outstanding debt and (iii) a rights issue with preferential right for the shareholders amounting to a maximum of approximately SEK 65million. Through these transactions, Crown Energy sees the capital base vigorously strengthened and cash position secured. The share issues will be subject to approval from the upcoming Annual General Meeting on 13 May 2015. The new shares will be registered with the Swedish Companies Registration Office and once admitted to Euroclear Sweden AB, the shares will be tradable on NGM Equity. All issues will be based on the subscription price SEK 3.33 per share. For more information, please see press release from April 13, 2015 on the Crown Energy's webpage.

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 by issuing new shares and convertible loans. As mentioned earlier, additional convertibles were issued in Q2, which injected SEK 16,984 thousand into the Company.

As mentioned in the section Events after year-end, the Board of directors proposed in April 2015 to perform three share issues. The proposed share issues will not only strengthen the capital base, both by purging the balance sheet of debts but also increase cash liquidity, but will also see the cost savings up to almost SEK 8 million per year due to the interest on the convertible loans.

The Company has also received a guarantee from principal owner and CEO Ulrik Jansson that he will cover capital and liquidity deficits if and when they occur for the 12 months following the end of the fiscal year on an interest-free basis.

The Annual Report was prepared assuming a going concern in view of the Company's existing operations, activities planned for the next 12 months, existing cash and cash equivalents, and the above-mentioned shares issues and guarantee.

For general information about the Company's financing, see Note 5, Critical 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 or enforce its rights and obligations. These risks have become even more relevant due to the acquisition of a licence in Iraq last 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. Besides the existing convertible loans, the Company's short-term financing plan thus far has been based on loans from the Parent Company's owner. 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 general meeting without any voting right restriction. Each share carries equal rights (one vote per share) to the Company's assets and profit at liquidation and all shares are freely transferable. The Company's shares are not subject to offers made as a result of mandatory bid, redemption right, or redemption obligation. Nor were the Company's shares subject to a public takeover bid during the current or prior fiscal year. Crown Energy shares are denominated in SEK and are issued in accordance with Swedish law, and the 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 830,345 allocated over a total of 28,243,411 shares on publication of this Annual Report (see explanation in the "Shares, shareholders, and share capital" section). 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 "Shares, shareholders, and share capital" section on pages 16-17.

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

As mentioned in the "Significant events during the fiscal year" section, a convertible issue was implemented in 2014 with deviation from preferential shareholder rights. A total of 2,071,236 convertibles were issued at an issue price of 82%, which meant that the Company raised a total of SEK 16,984 thousand (before issue expenses) partly through cash payment and partly through an offset issue. The majority of the convertibles were subscribed for by CEO Ulrik Jansson via USB Investment B.V. Given that Ulrik Jansson is a board member and the 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 directed issue had to be supported by shareholders representing at least nine-tenths of both the votes cast and the shares that are represented at the general meeting. The decision was made at the AGM on 14 May 2014.

OWNERSHIP STRUCTURE

For information on the ownership structure, see the "Shares, shareholders, and share capital" section on pages 16–17.

AGM

The 2015 AGM will be held on 13 May 2015 at 10 am at company headquarters, Norrlandsgatan 18 in Stockholm.

PARENT COMPANY

The Parent Company's earnings before tax for 2014 (2013) totalled SEK -17,709 thousand (-12,121). The Parent Company's earnings before tax decreased compared to prior years due to interest expenses arising from the convertible loan.

The Company recognized deferred tax revenue in the income statement attributable to capitalization and revaluation of tax losses of SEK 744 thousand (3,443).

Cash and cash equivalents at 31 December 2014 totalled SEK 34,485 thousand compared with SEK 35,957 thousand at 31 December 2013.

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

Equity at the end of the period was SEK 66,982 thousand compared with SEK 81,268 thousand at 31 December 2013. Apart from net loss for the year of SEK -16,965 thousand, equity increased by SEK 2,679 thousand. The increase is attributable to recognition of the newly raised convertible loan and conversions in June and December 2014. See the Parent Company's statement of changes in equity for specifics on the changes mentioned above. As the conversion in December 2014 was registered with the Swedish Companies Registration Office in January 2015, the increase in share capital was recognized on a separate line entitled non-registered share capital.

A new convertible loan (KV2 2014/2016) was issued in April 2014 with the aim of strengthening the Company's financial position and liquidity. At 31 December 2014 (2013), the carrying amount of the two convertible loans totalled SEK 55,964 thousand (35,412). For more information on the convertible loan, see Note 20, Interest-bearing loans and liabilities. As a result of the convertible loans, accrued interest expenses of SEK 5,243 thousand (4,218) were also recognized at 31 December 2014 (2013).

An additional SEK 3,250 thousand in loans was raised from related parties in 2014.

PROPOSED APPROPRIATION OF PROFITS

The following profit is at the disposal of the AGM:

SEK	
Share premium reserve	94,113,753
Accumulated earnings	-10,997,757
Net loss for the year	-16,965,485
Total	**66,150,511**

The Board proposes that SEK 66,150,511 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. The Company's shares have been traded on NGM Equity since 28 December 2012.

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 2014 Corporate Governance Report was prepared accordingly and is part of the formal annual accounts.

Rules of the Code from which Crown Energy deviated in 2014 are indicated in this report. Explanations and solutions that were used instead are described in each respective section of the Corporate Governance Report.

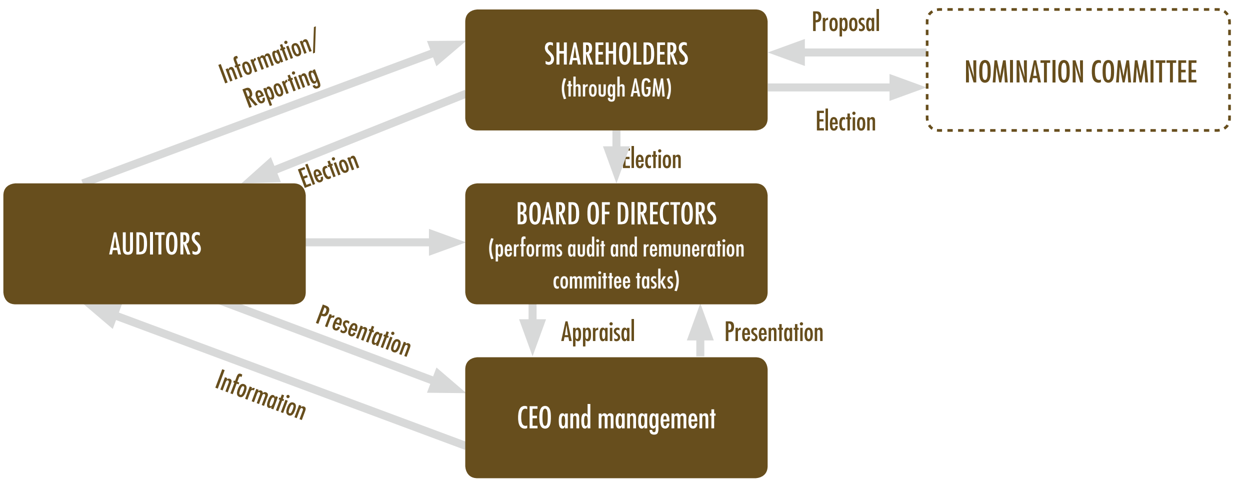
The Company did not violate NGM's rules for companies whose shares are traded on NGM Equity nor did it violate good practice on the stock market during the year.

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 2014, Crown Energy had about 1,900 shareholders. The Company's three major shareholders are Ulrik Jansson, privately and via companies, with about 55% of the capital and votes, Comtrack Ventures Ltd with about 7.7%, and



T Intressenter AB with 4.4%. The five largest shareholders had combined holdings of 75% of the shares and votes at the end of 2014.

According to Chap. 6, Sec. 6, Subsec. 2, Par. 3 of the Annual Accounts Act, corporate governance reports must present direct or indirect shareholdings that represent at least one-tenth of the number of votes for all shares in the company. At 31 December 2014, there was only one such holding, which was represented by Ulrik Jansson, privately and via companies (55%). Additional information about the share and shareholders can be found on pages 15-16 of this Annual Report.

AGM

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

Notice of the AGM, as well as of extraordinary general meetings where questions of amending the Articles of Association are handled, must 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 2014 AGM was held on 14 May in Stockholm. At the meeting, 31.2% of the votes and share capital were represented. These items and others were resolved at the meeting:

- *Adoption of the income statements and balance sheets for the Parent Company and the Group*
- *Discharge of the Board and CEO*
- *Adoption of appropriation of profits, entailing that the Company's accumulated earnings of SEK 81,448,614 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-employee board member*
- *Adoption of audit fees as per approved invoices*
- *Adoption of guidelines for remuneration of Group senior executives*
- *Adoption of the Board's decision on a directed issue of up to 2,500,000 convertibles*

The 2015 AGM will be held on 13 May 2015 at 10 am at company headquarters, Norrlandsgatan 18 in Stockholm. For information on the AGM, see the Company's website at www.crownenergy.se.

Other general meetings

No additional meetings were held in 2014.

NOMINATION COMMITTEE

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

Historically, Crown Energy has not had a nomination committee, which is a deviation from the Code. The Board and the principal shareholders 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 three and no more than ten members, with no more than five deputies. 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 13-15 of the Annual 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 2014 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 2014, 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 of the company and its management. At least two of the independent board members must also be independent of the company's major shareholders. Major shareholders are defined as those controlling 10% or more of the Company's shares or voting rights. In 2014, 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 2014

Under the Board's rules of procedure, the Board is to convene at least four times per year in addition to the statutory meeting. The Board held 14 meetings in 2014, including one statutory meeting. In accordance with its current strategy, the Board worked in 2014 on reviewing the Company's asset portfolio and concluded that the most important matter is to find financial and operational partners for Crown Energy's projects. The Board also worked to call attention to the value inherent in the Company's assets. Internal frameworks and policies that apply to the governance of the Company were determined, such as the Board's rules of procedure, CEO instructions etc. The Company's auditor participated in the Board meeting that was held in February 2014.

Two meetings were also held in 2015. Of these, one concerned the adoption of the 2014 year-end report and the other a debriefing from the Company's auditors concerning the 2014 fiscal year.

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.

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 through companies on publication of this Annual Report totalled 15,529,726 shares and 28,395,090 convertibles. He is not independent of the Company nor major shareholders.

SHAREHOLDERS		NATIONALITY	YEAR ELECTED	REMUNERATION, SEK	INDEPENDENT OF COMPANY AND MANAGEMENT	INDEPENDENT OF MAJOR SHAREHOLDERS	BOARD MEETINGS ATTENDED 2014
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

The management group is otherwise comprised of Andreas Forssell, vice president and CFO, Peter Mikkelsen, chief geologist and exploration manager, and David Jones, legal adviser. 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 13-15 of the Annual Report.

INTERNAL AUDITING

The Company has a simple legal and operational structure along with established management and internal control systems. In 2014, 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 until 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.

The audit team had regular contact with the Company in 2014 in addition to the audit procedures performed. 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 for 2014. Apart from this, the auditor also performed statutory reviews in conjunction with the year's share issues.

REMUNERATION

Remuneration guidelines

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

Most recently approved remuneration guidelines – 2014 AGM

For the 2014 AGM, the Board proposed the following guidelines, which were later adopted at the AGM on 14 May 2014:

- *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.*
- *The remuneration of the CEO and other senior executives shall consist of a fixed, market-based salary. Any potential benefits shall constitute only a limited portion of the remuneration.*
- *Pensions for the CEO and other senior executives shall 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 monthly salaries, including fixed salary, during the notice period.*
- *Upon termination by the Company, severance pay for senior executives can be paid to a maximum of 24 monthly salaries, including fixed salary, during the notice period.*
- *Decisions on share and share price related incentive schemes for senior executives shall be taken at the AGM. Share and share price related incentive 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 entitled 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 was SEK 30 per share.)*
- *The Company's board members shall, in specific cases, be allowed to receive fees for services rendered within their respective areas of expertise that are not associated with board work. Fees for these services shall be market-based, approved by the Board, and disclosed at the AGM.*

The Board's proposed remuneration guidelines for the 2015 AGM

The Board's proposed remuneration guidelines for the 2015 AGM are the same as the most recently adopted guidelines (see above).

Remuneration of the Board of Directors

Resolutions on the remuneration of the Board are made at the AGM. At the AGM on 14 May 2014, it was decided that the Chairman of the Board's remuneration would be SEK 150,000 and that the remuneration of other board members not employed by the Company would be SEK 75,000 each.

Chairmen and board members who are not also employees of the Company do not receive a salary from the Company and are not eligible to participate in any of the Company's future incentive programs. Since 2011, board member Andrew Harriman had held 100,000 Crown Energy warrants, which corresponded to 100,000 shares. These warrants were issued before Crown Energy was subject to the Code's rules on board members not being included in incentive programs. The term of these warrants expired in November 2014 without any shares being subscribed.

Remuneration of and benefits for senior executives in 2014

Decisions on the remuneration of the CEO are made by the Board. In May 2014 Ulrik Jansson chose to change his monthly remuneration from SEK 125,000 to SEK 95,000. 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 at Crown Energy are Andreas Forssell, CFO and vice president, Peter Mikkelsen, exploration manager, and David Jones, legal adviser. Decisions regarding the remuneration of other senior executives are made by the CEO.

Since May 2014, Andreas Forssell has received a monthly remuneration of SEK 115,000 compared to his previous 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.

Peter Mikkelsen and David Jones fulfil their management obligations to the Company on a consulting basis. Peter Mikkelsen invoiced for about GBP 11 thousand in 2014. David Jones did not perform any work in 2014.

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 to the auditor is paid on open account. Remuneration paid to the auditor by the Group for fiscal year 2014 (2013) totalled SEK 345 thousand (805), of which SEK 330 thousand (604) pertained to audit engagements and SEK 16 thousand (201) 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 2014 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 reporting. Following is a brief description of how internal control and financial reporting works.

Control environment

The control environment forms the basis of internal control of the financial reporting. The Company's internal control structure is based on a clear division of responsibilities and duties between the Board and CEO as well as within operational activities. Besides guidance documents such as instructions for the Board and CEO, disclosure policies, and financial reporting policies, 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 reporting. Currently, the business is relatively small and involves a limited number of persons. The Company has identified the operational processes and income statement and balance sheet items for which there is a risk that errors, omissions, or irregularities could occur if the necessary control elements were not built into routines. The Company's risk assessment analysed how and where errors may occur in the procedures. Issues that are important to risk assessment are things such as whether assets and liabilities exist on a given date, accurate valuation, whether a business transaction actually occurred, and whether items are 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.

Follow-up

In 2014, 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 shall 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 earnings

ALL AMOUNTS IN SEK THOUSAND	NOTE	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Revenue		–	–
Other operating income		–	–
Total operating income		–	–
Operating expenses			
Other external costs	7	-4,448	-3,948
Employee benefit expenses	8	-4,863	-5,259
Depreciation/amortization and impairment of property, plant, and equipment and intangible assets	13	-33	-33
Other operating expenses		-104	-31
Total operating expenses		**-9,448**	**-9,271**
Operating loss	10	**-9,448**	**-9,271**
Financial income	9, 10	3,176	19
Financial expense	9, 10	-15,587	-8,590
Earnings from financial items		**-12,411**	**-8,571**
Earnings before tax		**-21,859**	**-17,842**
Deferred tax revenue	11	744	3,443
Net loss for the year		**-21,115**	**-14,399**
Net loss for the year attributable to:			
Parent Company shareholders		-21,115	-14,399
Proposed dividend per share, SEK		None	None
Average number of shares	12	27,969,399	25,916,583
Basic earnings per share, SEK	12	-0.75	-0.56
Diluted earnings per share, SEK	12	-0.75	-0.56

Consolidated statement of comprehensive income

ALL AMOUNTS IN SEK THOUSAND	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Net loss for the year	-21,115	-14,399
Other comprehensive income for the year:		
Items that can be reclassified to profit or loss:		
Exchange differences	6,683	-37
Total items that can be reclassified to profit or loss:	6,683	-37
Other comprehensive income for the year, net of tax	6,683	-37
Total comprehensive income for the year	-14,432	-14,436
Comprehensive income attributable to:		
Parent Company shareholders	-14,432	-14,436
Total comprehensive income for the year	-14,432	-14,436

Consolidated balance sheet

ALL AMOUNTS IN SEK THOUSAND	NOTE	2014-12-31	2013-12-31
ASSETS			
Non-current assets			
Property, plant, and equipment	13	99	132
Intangible assets	14	107,459	91,879
Total non-current assets		107,558	92,011
Current assets			
Other receivables	15, 28	1,020	1,440
Prepaid expenses and accrued income	16	5,879	4,176
Cash and cash equivalents	17, 28	34,626	36,584
Total current assets		41,525	42,200
TOTAL ASSETS		149,083	134,211
EQUITY			
Equity attributable to Parent Company shareholders			
Share capital	18	827	811
Non-registered share capital	18	3	8
Other contributed capital	18	98,114	95,446
Reserves		6,413	-270
Accumulated earnings including profit/loss for the year		-48,267	-27,152
Total equity		57,090	68,843
LIABILITIES			
Non-current liabilities			
Convertible loans	20, 28	55,964	35,412
Loans from related parties	27, 28	6,104	2,854
Deferred tax liabilities	21	13,560	11,297
Other provisions	22, 28	8,893	8,890
Total non-current liabilities		84,521	58,453
Current liabilities			
Accounts payable	28	1,499	1,400
Other liabilities	23, 28	104	233
Accrued expenses and deferred income	24	5,869	5,282
Total current liabilities		7,472	6,915
TOTAL EQUITY AND LIABILITIES		149,083	134,211
Pledged assets and contingent liabilities	30	34,385	35,932

Consolidated statement of changes in equity

		ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS				
ALL AMOUNTS IN SEK THOUSAND	NOTE	SHARE CAPITAL	OTHER CONTRI-BUTED CAPITAL	RESERVES	ACCUMULATED EARNINGS INCL. PROFIT/LOSS FOR THE YEAR	TOTAL EQUITY
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 issue KV1 2013/2016	20	–	7,745	–	–	7,745
Option component		–	*13,056*	–	–	*13,056*
Issue expenses		–	*-1,868*	–	–	*-1,868*
Deferred tax		–	*-3,443*	–	–	*-3,443*
Conversions, KV1 2013/2016[2]	20	8	1,838	–	–	1,846
Non-cash issue – issue of ordinary shares resulting from 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
Opening balance at 1 Jan 2014		819	95,446	-270	-27,152	68,843
Comprehensive income						
Net loss for the year		–	–	–	-21,115	-21,115
Exchange differences		–	–	6,683	–	6,683
Total comprehensive income		–	–	6,683	-21,115	-14,432
Transactions with shareholders						
Convertible issue, KV2 2014/2016	20	–	-556	–	–	-556
Option component		–	*618*	–	–	*618*
Issue expenses		–	*-218*	–	–	*-218*
Deferred tax		–	*-956*	–	–	*-956*
Conversions, KV1 2013/2016	20	8	2,390	–	–	2,398
Share capital and premium		*8*	*2,224*	–	–	*2,232*
Deferred tax		–	*166*	–	–	*166*
Conversions, KV2 2014/2016[3]	20	3	834	–	–	837
Share capital and premium		*3*	*788*	–	–	*791*
Deferred tax		–	*46*	–	–	*46*
Total transactions with shareholders		11	2,668	–	–	2,679
Closing balance at 31 Dec 2014		830	98,114	6,413	-48,267	57,090

[1]Deferred tax on issue expenses was not accounted for.
[2]Non-registered share capital attributable to conversion. Shares were registered with Swedish Companies Registration Office 8 January 2014.
[3]Non-registered share capital attributable to conversion. Shares were registered with Swedish Companies Registration Office 23 January 2015.

Consolidated statement of cash flows

ALL AMOUNTS IN SEK THOUSAND	NOTE	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Cash flow from operating activities			
Operating loss		-9,448	-9,271
Adjustments for items not included in cash flow:			
– Other non-cash items		137	66
Interest received		1	0
Interest paid		-1	0
Cash flow from operating activities before change in working capital		-9,311	-9,205
Changes in working capital			
Increase/decrease in other current receivables		-1,067	-1,094
Increase/decrease in other current liabilities		-773	-5,984
Total changes in working capital		-1,840	-7,078
Cash flow from operating activities		-11,151	-16,283
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	-3,830	-3,229
Cash flow from investing activities		-3,830	-2,664
Cash flow from financing activities			
Convertible issue	20	15,946	44,124
Interest paid on convertible loans	20	-6,209	–
Non-cash issue	26	–	-356
Loans raised	27	3,250	–
Cash flow from financing activities		12,987	43,768
Cash flow for the period		-1,994	24,821
Cash and cash equivalents at start of period		36,584	11,762
Exchange gains on cash and cash equivalents		36	1
Cash and cash equivalents at end of period	17	34,626	36,584

Consolidated statement of cash flows, cont.

ALL AMOUNTS IN SEK THOUSAND	NOTE	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Supplementary disclosures related to cash flow			
Other non-cash items			
Revaluation of warrants		0	2
Unrealized exchange rate effects		104	31
Amortization		33	33
Total other non-cash items		**137**	**66**
Components included in cash and cash equivalents:			
Cash and bank balances		291	702
Cash and cash equivalents in escrow		34,335	35,882
Total cash and cash equivalents		**34,626**	**36,584**

Income statement – Parent Company

ALL AMOUNTS IN SEK THOUSAND	NOTE	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Revenue		–	–
Other operating income		–	–
Total operating income		**–**	**–**
Other external costs	7	-4,294	-3,933
Employee benefit expenses	8	-4,863	-5,258
Depreciation/amortization of property, plant, and equipment and intangible assets	13, 14	-33	-33
Other operating expenses		-15	-6
Total operating expenses		**-9,205**	**-9,230**
Operating loss	10	**-9,205**	**-9,230**
Other interest income and similar items	9, 10	6,850	5,559
Interest expenses and similar profit/loss items	9, 10	-15,354	-8,450
Earnings from financial items		**-8,504**	**-2,891**
Earnings before tax		**-17,709**	**-12,121**
Tax	11	744	3,443
Net loss for the year		**-16,965**	**-8,678**

Comprehensive income – Parent Company

ALL AMOUNTS IN SEK THOUSAND	NOTE	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Net loss for the year		-16,965	-8,678
Other comprehensive income:			
Total items that can be reclassified as profit or loss		–	–
Other comprehensive income		–	–
Total comprehensive income		**-16,965**	**-8,678**
Comprehensive income attributable to:			
Parent Company shareholders		**-16,965**	**-8,678**

Balance sheet – Parent Company

ALL AMOUNTS IN SEK THOUSAND	NOTE	2014-12-31	2013-12-31
ASSETS			
Non-current assets			
Property, plant, and equipment			
Equipment, tools, fixtures, and fittings	13	99	132
Total property, plant, and equipment		99	132
Financial assets			
Participations in Group companies	25	19,704	19,704
Receivables from Group companies		21,244	21,244
Total financial assets		40,948	40,948
Total non-current assets		41,047	41,080
Current assets			
Current receivables			
Receivables from Group companies		60,230	46,848
Other current receivables	15	360	668
Prepaid expenses and accrued income	16	241	242
Total current receivables		60,831	47,758
Cash and bank balances	17	34,485	35,957
Total current assets		95,316	83,715
TOTAL ASSETS		136,363	124,795

Balance sheet – Parent Company, cont.

ALL AMOUNTS IN SEK THOUSAND	NOTE	2014-12-31	2013-12-31
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital, 28,143,411 shares (27,597,745)	18	827	811
Non-registered capital, 100,000 shares (246,934)	18	3	8
Total restricted equity		830	819
Non-restricted equity			
Share premium reserve	18	94,114	91,446
Accumulated earnings		-10,997	-2,319
Net loss for the year		-16,965	-8,678
Total non-restricted equity		66,152	80,449
Total equity		66,982	81,268
Non-current liabilities			
Convertible loans	20	55,964	35,412
Loans from related parties	27	6,104	2,854
Total non-current liabilities		62,068	38,266
Current liabilities			
Accounts payable		1,340	89
Other liabilities	23	104	233
Accrued expenses and deferred income	24	5,869	4,939
Total current liabilities		7,313	5,261
TOTAL EQUITY AND LIABILITIES		136,363	124,795
Pledged assets	30	34,385	35,932
Contingent liabilities		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 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, KV 2013/2016	20	–	7,745	–	–	7,745
Option component		–	*13,056*	–	–	*13,056*
Issue expenses		–	*-1,868*	–	–	*-1,868*
Deferred tax		–	*-3,443*	–	–	*-3,443*
Conversions, KV1 2013/2016[2]	20	8	1,838	–	–	1,846
Non-cash issue – issue of ordinary shares resulting from 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
Equity at 1 Jan 2014		819	91,446	-2,319	-8,678	81,268
Unappropriated net income as per AGM resolution		–		-8,678	8,678	–
Comprehensive income						
Net loss for the year		–	–	–	-16,965	-16,965
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	–	-16,965	-16,965
Transactions with shareholders						
Convertible issue, KV2 2014/2016	20	–	-556	–	–	-556
Option component		–	*618*	–	–	*618*
Issue expenses		–	*-218*	–	–	*-218*
Deferred tax		–	*-956*	–	–	*-956*
Conversions, KV1 2013/2016	20	8	2,390	–	–	2,398
Share capital and premium		*8*	*2,224*	–	–	*2,232*
Deferred tax		–	*166*	–	–	*166*
Conversions, KV2 2014/2016[3]	20	3	834	–	–	837
Share capital and premium		*3*	*788*	–	–	*791*
Deferred tax		–	*46*	–	–	*46*
Total transactions with shareholders		11	2,668	–	–	2,679
Equity at 31 Dec 2014		830	94,114	-10,997	-16,965	66,982

[1]Deferred tax on issue expenses was not accounted for.
[2]Non-registered share capital attributable to conversion. Shares were registered with Swedish Companies Registration Office 8 January 2014.
[3]Non-registered share capital attributable to conversion. Shares were registered with Swedish Companies Registration Office 23 January 2015.

Statement of cash flows – Parent Company

ALL AMOUNTS IN SEK THOUSAND	NOTE	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Cash flow from operating activities			
Operating loss		-9,205	-9,230
Adjustments for items not included in cash flow:			
– Other non-cash items		47	38
Interest received		1	0
Interest paid		-1	0
Cash flow from operating activities before change in working capital		-9,158	-9,192
Changes in working capital			
Increase/decrease in other current receivables		-6,239	-6,916
Increase/decrease in other current liabilities		938	-2,507
Total changes in working capital		-5,301	-9,423
Cash flow from operating activities		-14,459	-18,615
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			
Convertible issue	20	15,946	44,124
Interest paid on convertible loans	20	-6,209	–
Non-cash issue	26	–	-357
Loans raised		3,250	–
Cash flow from financing activities		12,987	43,767
Cash flow for the period		-1,472	24,394
Cash and cash equivalents at start of period		35,957	11,563
Cash and cash equivalents at end of period	17	34,485	35,957

Statement of cash flows – Parent Company, cont.

ALL AMOUNTS IN SEK THOUSAND	NOTE	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Supplementary disclosures related to cash flow			
Other non-cash items:			
Unrealized exchange rate effects		14	5
Amortization		33	33
Total other non-cash items		47	5

Notes

NOTE 1 GENERAL INFORMATION

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

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

On 22 April 2015, the Board of Directors approved these consolidated accounts for publication.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of the reports

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

The 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 for which assumptions and estimates are very significant to the consolidated accounts.

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

2.2 Changes in accounting policies and disclosures

New and amended standards adopted by the Group

New standards that took effect in 2014 have not had any impact on Crown Energy's financial reporting. The most important standards and the ones that could potentially affect Crown Energy's future accounting are IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities. IFRS 10 determines when controlling influence and thus consolidation should take place, whereas IFRS 11 regulates recognition of non-controlling interest. IFRS 12 specifies disclosure requirements for companies holding interests that are not consolidated.

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 2015 and were not applied when preparing the consolidated financial statements. None of these are expected to have a material impact on the consolidated financial statements except for the following:

IFRS 9 Financial Instruments handles measurement and classification of financial assets and liabilities and the complete version of the recommendation was issued in July 2014. IFRS 9 replaces those parts of IAS 39 that address classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into three categories: amortized cost, measurement at fair value via other comprehensive income, or fair value via the income statement. An instrument's classification depends on the company's business model and the instrument's characteristics. Investments in equity instruments are to be recognized at fair value via the income statement, but it is also possible to recognize the instrument at fair value via other comprehensive income upon initial recognition. No reclassification to the income statement takes place at disposal of the instrument. IFRS 9 also introduces a new model for measuring the loan loss reserve, and hedging documentation has also been slightly changed as compared with IAS 39. The standard is effective for fiscal years beginning 1 January 2018. Early adoption is permitted. The Group has not yet appraised the impact of introducing the standard.

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

2.3 Consolidated accounts

Subsidiaries

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

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 income statement or in other comprehensive income. A contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

Acquisition of subsidiaries that are not operations/businesses

In cases where the acquired subsidiary is not deemed to meet the criteria for an operation/business, the transaction is accounted for as an acquisition of assets and will then follow the accounting for each asset's accounting standard. The cost 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, balance sheet 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 as applicable to ensure the consistent application of Group policies.

Joint arrangements

A holding in a joint arrangement is classified as either a joint operation or a joint venture depending on the contractual rights and obligations of each investor. A joint operation arises when the parties that have joint control over the arrangement have direct rights to the assets and responsibility for the liabilities in an arrangement. In such an arrangement, assets, liabilities, income, and expenses are 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.

Crown Energy has assessed its joint agreements and found that it currently has only one joint arrangement, which relates to the interest in the Block P (PDA) licence in Equatorial Guinea. Based on the joint agreement's terms and Crown Energy's interest, Crown Energy does not have joint control over the arrangement and is thus not a party to a joint operation as per IFRS 11. Crown Energy is a party to a joint arrangement. See a further description of how this joint arrangement is recognized in section 2.7, Oil and gas assets (intangible assets).

2.4 Segment reporting

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

2.5 Translation of foreign currencies

Functional and presentation currencies
Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Company's subsidiary Amicoh Resources uses USD as its functional currency. The consolidated accounts are presented in SEK, which is the Parent Company's functional and presentation currency.

The balance sheets and income statements of foreign Group companies are translated using the current rate method. All assets and liabilities of subsidiaries are translated at the closing rate, while the income statements are translated at average rates for the year, except where it is considered more appropriate to use the transaction date rate. Goodwill and fair value adjustments arising on the 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 balance sheet items
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction date. Exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rate are recognized in the income statement. 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 DAY RATE, 2014	AVERAGE RATE, 2014	CLOSING RATE, 2013	AVERAGE RATE, 2013
SEK/USD	7.8117	7.1601	6.5084	6.5120
SEK/GBP	12.1388	11.4359	10.7329	10.7329

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 2014, 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 income statement, operating profit/loss is encumbered by depreciation according to plan. Depreciation according to plan was taken at 20% of the cost of equipment.

2.7 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 amortisation 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 balance sheet. Any surplus or deficit is recognized in the income statement.

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 income statement.

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

Reclassification 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 2014, 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 income statement. Financial assets and liabilities measured at fair value via the income statement are initially recognized at fair value, while classifiable transaction costs are recognized in the income statement. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument have expired or been transferred, and the Group has transferred essentially all risks and rewards associated with ownership. Financial liabilities are removed from the balance sheet when contractual obligations have been fulfilled or are otherwise extinguished.

Loans and accounts receivable and other financial liabilities are subsequently 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 balance sheet 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 balance sheet. Cash and cash equivalents are also included in this category.

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

Other financial liabilities

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

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

These financial liabilities are 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 income statement over the period of the borrowings using the effective interest method.

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

Borrowings are generally classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Loans from related parties are classified as long-term debt, and these loans are carried at cost because the date of payback is uncertain. Any borrowing costs are recognized in the income statement in the period to which they relate.

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

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

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

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

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

Deferred tax is recognized in full using the balance sheet method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. Deferred tax is not 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 were enacted or substantively enacted by the end of the reporting period and that are expected to apply when the related deferred tax asset is 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. Expenses are charged to consolidated earnings as the benefits accrue.

Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date or whenever an employee accepts voluntary termination in exchange for such benefits. A provision is 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 could 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 lineally 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 loans 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 income statement and balance sheet

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

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.

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 licence 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 licences. No licences were revoked in 2014.

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, and changes in policies or legislation related 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, GBP, and also in MGA, the Malagasy ariary. 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 related 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, and/or possible sales of assets. It should however be mentioned that the ongoing decline in oil prices also puts pressure on oil industry suppliers to reduce their prices, leading to lower production costs. This in turn means that, for example, a development calculation can be more economically viable compared to before the big drop in oil prices, provided that supplier agreements are negotiated based on current depressed costs and that oil prices stabilize over time.

As the Company is not currently involved in production, no oil price hedges have been made. Due to the fact that production costs are also lower now, the Company does not consider current negative 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 does it trade 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 Ulrik Jansson, the Company's largest shareholder (private and via companies) and convertible loans, where the convertibles 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, convertible loans were issued in both 2013 and 2014.

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 balance sheet. 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 2014				
Borrowings	7,864	79,736	–	–
Other provisions	–	–	8,808	–
Accounts payable	1,499	–	–	–
Other liabilities	104	–	–	–
Total	9,467	79,736	8,808	–
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	–

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 2014				
Borrowings	7,864	79,736	–	–
Accounts payable	1,340	–	–	–
Other liabilities	104	–	–	–
Total	9,308	79,736	–	–
At 31 December 2013				
Borrowings	6,192	9,046	55,235	–
Accounts payable	89	–	–	–
Other liabilities	233	–	–	–
Total	6,514	9,046	55,235	–

Net debt/equity ratio

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

GROUP, ALL AMOUNTS IN SEK THOUSAND

NET DEBT/EQUITY RATIO	2014-12-31	2013-12-31
Interest-bearing liabilities	55,964	35,412
Less: Cash and cash equivalents	-34,626	-36,584
Net indebtedness	21,338	-1,172
Total equity	57,090	68,843
Net debt/equity ratio	37%	-2%

Cash and cash equivalents at 31 December 2014 includes SEK 34,335 thousand (35,882) 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, the net debt/equity ratio would be 98% (50) at 31 December 2014.

Calculation of fair value

Crown Energy classifies fair value measurement using a fair value hierarchy that reflects the reliability of the inputs used in making the measurements. In accordance with IFRS 13 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 2014 attributable to the acquisition of the subsidiary relates to the potential additional consideration, which is calculated at present value and totals SEK 2,688 thousand. The remainder relates to the provision for the warrants, which are valued at SEK 1 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 2014	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Total assets	–	–	–	–
Liabilities				
Financial liabilities measured at fair value via income statement:				
- Provision for additional consideration	–	–	2,688	2,688
- Provision for warrants	–	1	–	1
Total liabilities	–	1	2,688	2,689

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 income statement:				
- Provision for additional consideration	–	–	2,516	2,516
- Provision for warrants	–	170	–	170
Total liabilities	–	170	2,516	2,686

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 recognized a tax loss of SEK 37,260 thousand (25,195). 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 both 2013 and 2014 however, Crown Energy chose to offset some of the loss against the deferred tax liability attributable to measurement of the convertible loans. A deferred tax asset is recognized at the same amount as the deferred tax liability. The deferred tax liability and tax asset were offset in the balance sheet. Deferred tax revenue of SEK 744 thousand (3,443) was recognized in the income statement during the fiscal year due to revaluation and capitalization of tax losses. See Note 21, Deferred tax, for detailed information on amounts.

Classification on acquisition of subsidiaries

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

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

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 2014.

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 2014 the estimated amount totalled USD 400 thousand (400) corresponding to SEK 3,125 thousand (2,603) at the closing day rate. The portion paid at discovery of a commercial reservoir is recognized at a value of SEK 2,688 thousand (2,516) after present value calculation. The discounting effect on the provision totals SEK 172 thousand (139) for the year.

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 2014 was determined in accordance with an established option pricing model (Black & Scholes). These parameters were used in the calculation:

ASSUMPTIONS

Exercise price, SEK	27.50
Term	5 Aug 2011 – 30 Nov 2015
Number of shares at 31 Dec 2014	364,954
Translated exercise price, SEK[1]	26.91
Translated number of shares[1]	372,983
Share price at 31 Dec 2014, SEK	5.45
Market value at 31 Dec 2014, SEK thousand	2,033
Expected volatility	55%
Expected dividend	-
Risk-free interest	1%
Fair value per share option at 31 Dec 2014, SEK	0.002
Fair value (total) at 31 Dec 2014, SEK thousand	1

[1] In 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 2014.

The fair value of the provision for the warrants at 31 December 2014 was SEK 1 thousand (170). The translation effect due to revaluation as per the option valuation model is SEK -169 thousand (3) for the year.

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 Energy Iraq included an option to repurchase Crown Energy Iraq shares. The buy-back option entails that the sellers of Crown Energy Iraq can buy back 250 shares in the sold company during a certain period after the takeover. With Crown Energy 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 Energy 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 Energy 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. The provision is therefore recognized at historical cost.

Impairment of intangible assets

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. Impairment testing is done by cash-generating entity, which in Crown Energy's case consist of each individually acquired licence. Crown Energy has evaluated each individual licence and assessed that the recoverable amounts exceed the carrying amounts. Facts and circumstances taken into account in this assessment include current oil prices and the instability in Iraq. Following is a summary of Crown Energy's assessments of these circumstances.

Oil prices

The current downturn in oil prices is a factor that could indicate that impairment exists for an exploration and appraisal asset. Since Crown Energy is not currently in production, oil prices have not had a direct impact on asset values, as the carrying amounts are based on costs incurred, not on oil prices. The decline in oil prices can however influence the industry because the uncertainty of future investments increases. An important effect of the oil price decline is the fact that the overall level of costs declined for exploration work and development of reservoirs for production. Provided that supplier agreements are negotiated based on current depressed costs and that oil prices stabilize over time, development cost estimates could be even more profitable than before. The type of investments also tend to change with a decline in oil prices. Based on the nature of Crown Energy's assets, their geographic location, etc. in combination with the types of investments being made in the industry and the general decline in exploration costs, it has been determined that the decline in oil prices has not had a negative effect on the value of Crown Energy's assets. See comments on oil prices in Note 4, Financial risk management, as well as in the Chairman's statement.

Iraq

It continues to be difficult to predict future developments in the Iraq situation after the events of 2014 and 2015. The reports Crown Energy has received from the region state that the province of Salah ad-Din specifically and Iraq on the whole will emerge from this process stronger, with the regions having a greater say and Baghdad increasingly focusing on national issues as a federal government normally does, of course assuming that Iraq manages to deal with the rebels operating in its Northern region. Crown Energy is still in discussions with several potential partners about a collaboration and funding to develop the resources that the region contains. Since there are still several parties interested in the Iraqi asset despite the current instability in the country, Crown Energy determines that developments do not suggest that the value of the assets has decreased.

Going concern

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

A directed convertible issue was implemented in 2014 that injected about SEK 16.9 million into the Company. Apart from this, the Company has also received a guarantee from principal owner and CEO Ulrik Jansson that he will cover capital and liquidity deficits if and when they occur for the coming 12 months on an interest-free basis.

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

As mentioned in the Outlook section of the Directors' Report, the Board has determined that the Company is a going concern on publication of this report. This determination is based on the Company's current operations, activities in 2015, existing cash and cash equivalents, and the guarantee made as stated above.

NOTE 6 INFORMATION ON SEGMENTS

As mentioned in Note 2.4, Accounting policies, the Group is currently deemed to have only one segment, which means that disclosures are limited. Since the Group does not have any income either, only information on non-current assets distributed across geographic areas is provided. Following is a summary of the Group's carrying amounts 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 2014:					
Intangible assets	–	4,752	71,600	31,107	107,459
Property, plant, and equipment	99	–	–	–	99
Total non-current assets at 31 December 2014	99	4,752	71,600	31,107	107,558
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

NOTE 7 REMUNERATION OF AUDITORS

GROUP, ALL AMOUNTS IN SEK THOUSAND	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Öhrlings PricewaterhouseCoopers AB		
Audit engagements	330	604
Auditing aside from audit engagements	16	201
Tax consulting	–	–
Other services	–	–
Group total	346	805

PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Öhrlings PricewaterhouseCoopers AB		
Audit engagements	330	554
Auditing aside from audit engagements	16	201
Tax consulting	–	–
Other consulting services	–	–
Parent Company total	346	755

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

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

Remuneration of and terms for senior executives and the Board

Remuneration in 2014

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	1,165	–	–	432	1,597
Other senior executives, 1 person	1,260	–	–	259	1,519
Total board and senior management	**2,650**	**–**	**–**	**691**	**3,341**

Remuneration 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**

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

See the Corporate Governance Report

Salaries, remuneration, and social charges

SALARIES, REMUNERATION, AND SOCIAL CHARGES, ALL AMOUNTS IN SEK THOUSAND	GROUP 2014-01-01 2014-12-31	GROUP 2013-01-01 2013-12-31	PARENT COMPANY 2014-01-01 2014-12-31	PARENT COMPANY 2013-01-01 2013-12-31
Salaries, fees, and benefits[1]				
Board members				
Fee	225	225	225	225
CEO	1,165	1,500	1,165	1,500
Other senior executives	1,260	1,020	1,260	1,020
Other employees	364	780	364	780
Total salaries, fees, and benefits	3,014	3,525	3,014	3,525
Contractual pension expenses				
CEO	432	525	432	525
Other senior executives	259	246	259	246
Other employees	49	133	49	133
Total pension expenses	740	904	740	904
Social charges incl. special employer's contribution				
Board members	73	73	73	73
CEO	482	614	482	614
Other senior executives	471	390	471	390
Other employees	130	285	130	285
Total social charges incl. special employer's contribution	1,157	1,362	1,157	1,362

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

Average number of employees

AVERAGE NUMBER OF EMPLOYEES	2014 AVERAGE NUMBER OF EMPLOYEES	2014 OF WHOM MEN	2013 AVERAGE NUMBER OF EMPLOYEES	2013 OF WHOM MEN
Group				
Sweden	3	2	3	2
Group total	3	2	3	2
Parent Company				
Sweden	3	2	3	2
Parent Company total	3	2	3	2

Gender breakdown of board members and other senior executives

GENDER BREAKDOWN OF BOARD MEMBERS AND OTHER SENIOR EXECUTIVES	2014 NUMBER AT END OF REPORTING PERIOD	2014 OF WHOM MEN	2013 NUMBER AT END OF REPORTING PERIOD	2013 OF WHOM 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 that the CEO is also a board member, in addition to the two other board members.

NOTE 9 FINANCIAL INCOME AND EXPENSES

GROUP, ALL AMOUNTS IN SEK THOUSAND	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Financial income		
Exchange gains	2,944	19
Interest income	232	0
Total financial income	3,176	19
Financial expense		
Exchange losses	–	–
Interest expense:		
- Effective interest on convertible loan	-15,353	-8,450
- Other interest expense	-1	–
- Provisions, dissolution of discount effect	-233	-140
Total financial expense	-15,587	-8,590
Earnings from financial items, net	-12,411	-8,571

PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Interest income and similar profit/loss items		
Exchange differences	778	85
Interest income, Group companies	6,071	5,474
Other interest income	1	0
Total interest income and similar profit/loss items	6,850	5,559
Interest expenses and similar profit/loss items		
Exchange differences	–	–
Interest expense		
- Effective interest on convertible loan	-15,353	-8,450
- Other interest expense	-1	0
Total interest expense and similar profit/loss items	-15,354	-8,450
Earnings from financial items, net	-8,504	-2,891

NOTE 10 NET EXCHANGE DIFFERENCES

Exchange differences are recognized in the income statement as follows:

GROUP, ALL AMOUNTS IN SEK THOUSAND	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Exchange losses on operational receivables and liabilities	-104	-31
Financial items, net	2,944	19
Total exchange differences	2,840	-12

PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Exchange losses on operational receivables and liabilities	-14	-6
Financial items, net	778	85
Total exchange differences	764	79

NOTE 11 TAX

GROUP, ALL AMOUNTS IN SEK THOUSAND	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Current tax	–	–
Deferred tax	744	3,443
Total recognized tax	744	3,443

PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Current tax	–	–
Deferred tax	744	3,443
Total tax on profit/loss for the year	744	3,443

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

GROUP, ALL AMOUNTS IN SEK THOUSAND	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Earnings before tax	-21,859	-17,842
Income tax calculated as per the Group's current tax rate	4,809	3,925
Tax effects of:		
Non-taxable income	0	102
Non-deductible expenses	-11	-751
Costs to be deducted but not included in recognized earnings	48	489
Tax losses for which no deferred tax asset was recognized	-4,102	-322
Recognized tax	744	3,443

PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Earnings before tax	-17,709	-12,121
Income tax calculated per current tax rate	3,896	2,667
Tax effects of:		
Non-taxable income	0	102
Non-deductible expenses	-9	-714
Costs to be deducted but not included in recognized earnings	48	489
Tax losses for which no deferred tax asset was recognized	-3,191	899
Recognized tax	744	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. In November 2014, 450,000 of these warrants expired without any shares being subscribed, meaning that there are 364,954 remaining. The issue price for these remaining warrants is SEK 27.50 per share. Apart from this, Crown Energy issued 7,864,327 convertibles 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 2014 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.

Equipment, tools, fixtures, and fittings

GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2014-12-31	2013-12-31
Opening carrying amount	132	–
Purchases for the year	–	165
Amortization for the year	-33	-33
Closing carrying amount	**99**	**132**

AT 31 DECEMBER	2014-12-31	2013-12-31
Cost of acquisition	165	165
Accumulated amortization and impairment	-66	-33
Carrying amount	**99**	**132**

NOTE 14 INTANGIBLE ASSETS

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

Intangible assets arising from the acquisition of a foreign entity are treated as assets of the entity and are therefore translated at the closing rate. 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.

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

Capitalized exploration and appraisal expenditures

GROUP, ALL AMOUNTS IN SEK THOUSAND	2014-12-31	2013-12-31
Opening carrying amount	91,879	60,946
Investments for the year	3,830	3,229
Increase through acquisition of assets (Note 26)	–	27,767
Translation differences	11,750	-63
Closing carrying amount	**107,459**	**91,879**

AT 31 DECEMBER	2014-12-31	2013-12-31
Cost of acquisition	107,459	91,879
Accumulated amortization and impairment	–	–
Carrying amount	**107,459**	**91,879**

NOTE 15 OTHER RECEIVABLES

GROUP, ALL AMOUNTS IN SEK THOUSAND	2014-12-31	2013-12-31
Preliminary tax paid	171	178
Outlay to sellers of Block 2B in South Africa	580	580
VAT recoverable	258	631
Receivables from suppliers	–	39
Other current receivables	11	12
Total other receivables	**1,020**	**1,440**

PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2014-12-31	2013-12-31
Preliminary tax paid	171	178
VAT recoverable	179	480
Other current receivables	10	10
Total other receivables	**360**	**668**

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	2014-12-31	2013-12-31
Prepaid expenses		
Licence fees	5,440	3,643
Administrative expenses	15	49
Rent	144	134
Insurance expenses	27	4
Trading fees	55	55
Advances to suppliers	198	291
Total prepaid expenses and accrued income	**5,879**	**4,176**

PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2014-12-31	2013-12-31
Prepaid expenses		
Administrative expenses	15	49
Rent	144	134
Insurance expenses	27	4
Trading fees	55	55
Total prepaid expenses and accrued income	**241**	**242**

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

NOTE 17 CASH AND CASH EQUIVALENTS

GROUP, ALL AMOUNTS IN SEK THOUSAND	2014-12-31	2013-12-31
Balance sheet and cash flow statement		
Cash and bank balances	291	702
Cash and cash equivalents in escrow account	34,335	35,882
Total cash and cash equivalents in balance sheet and cash flow statement	**34,626**	**36,584**

PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2014-12-31	2013-12-31
Balance sheet and cash flow statement		
Cash and bank balances	150	75
Cash and cash equivalents in escrow account	34,335	35,882
Total cash and cash equivalents in balance sheet and cash flow statement	**34,485**	**35,957**

At 31 December 2014, cash and cash equivalents included SEK 34,335 thousand (35,882) 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. As mentioned in the Directors' Report, Crown Energy received this regulatory approval in January 2015.

NOTE 18 SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

	NUMBER OF SHARES	SHARE CAPITAL, ALL AMOUNTS IN SEK THOUSAND	OTHER CONTRIBUTED CAPITAL, ALL AMOUNTS IN SEK THOUSAND	TOTAL, ALL AMOUNTS IN SEK THOUSAND
Opening balance at 1 January 2013	25,755,030	757	67,662	**68,419**
Changes, 2012				
Convertible issue, KV1 2013/2014:				
Option component	–	–	13,056	**13,056**
Issue expenses	–	–	-1,867	**-1,867**
Deferred tax	–	–	-3,443	**-3,443**
Conversions, KV1 2013/2016	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**
Changes, 2014				
Convertible issue, KV2 2014/2016				**–**
Option component	–	–	618	**618**
Issue expenses	–	–	-956	**-956**
Deferred tax	–	–	-218	**-218**
Conversions, KV1 2013/2016	298,732	8	2,390	**2,398**
Conversions, KV2 2014/2016	100,000	3	834	**837**
Closing balance at 31 December 2014	**28,243,411**	**830**	**98,114**	**98,944**

The share capital consists of 28,243,411 shares with a quotient value of SEK 0.029.

[1]Share capital of SEK 8 thousand refers to non-registered share capital attributable to conversion. Shares were registered with Swedish Companies Registration Office 8 January 2014.
[2]Share capital of SEK 3 thousand refers to non-registered share capital attributable to conversion. Shares were registered with Swedish Companies Registration Office 23 January 2015.

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. All warrants were subscribed for, allocated, and were gratuitous. The issue price was SEK 30 per share. The subscription period for the warrants expired on 14 November 2014.

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

No additional warrants were issued in 2014, nor were any exercised. As mentioned above, the options directed to key employees were forfeited in 2014.

	2014		2013	
	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	–	-450,000	–	–
At 31 December	**–**	**–**	**–**	**450,000**

NOTE 20 INTEREST-BEARING LOANS AND LIABILITIES

Crown Energy holds two interest-bearing loans in two convertible loan series: KV1 2013/2016 and KV2 2014/2016.

Convertible loan KV1 2013/2016

Background and conditions in brief

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

Twice annually (and in March 2016) during the periods 1-30 June and 1-31 December, and also during the period 1-31 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 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, which was received in January 2015.

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.

Convertible loan KV2 2014/2016

An additional convertible was issued in the spring of 2014 to strengthen the Company's financial position and liquidity. A total of 2,071,236 convertibles were issued at an issue price of 82%, which meant that the Company raised a total of SEK 16,984 thousand (before issue expenses). The new convertibles (KV2 2014/2016) have the same conditions and expiration date as the previous series (KV1 2013/2016) but have a shorter term since they were issued in May 2014 instead of May 2013. This series is not listed. Transaction costs for the convertible issue totalled SEK 1,038 thousand.

Conversions in 2014

Holders exercised 298,732 convertibles in the KV1 2013/2016 series during the June 2014 conversion period, 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 June 2014 amounted to SEK 2,987 thousand.

An additional 100,000 convertibles in the KV2 2014/2016 series were converted in December 2014. The nominal value of the exercised convertibles amounted to SEK 1,000 thousand. The 100,000 new shares were registered with the Swedish Companies Registration Office on 23 January 2015.

The effect of these conversions on the carrying amounts related to the convertible loan were adjusted for at 31 December 2014.

Nominal value of the convertible loans

GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2014-12-31	2013-12-31
Opening nominal value of convertible loan	49,043	–
Nominal value of convertible loan (KV1 2013/2016) issued 2 May 2013	–	64,388
Adjustment for convertibles in the custody of a third party	–	-12,875
Conversions, KV1 2013/2016, December 2013	–	-2,470
Nominal value of convertible loan (KV2 2014/2016) issued 2 May 2014	20,712	–
Conversions, KV1 2013/2016, June 2014	-2,987	–
Conversions, KV2 2014/2016, December 2014	-1,000	–
Nominal value at 31 December	65,768	49,043

GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2014-12-31	2013-12-31
KV1 2013/2016	46,056	49,043
KV2 2014/2016	19,712	–
Nominal value at 31 December	65,768	49,043
Nominal value at 31 December including convertibles in the custody of a third party	78,643	61,918

Carrying amounts

The convertible loan 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 income statement totalled SEK -15,353 thousand (-8,450) and relate to the effective rate resulting from the convertible loan.

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

GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	KV1 2013/2016	KV2 2014/2016
Nominal value of convertible loans at issue	20,712	64,388
Adjustment for convertibles in the custody of a third party	–	-12,875
Equity component	-4,347	-13,056
Transaction costs, liability component	-820	-5,521
Liability component at issue	15,545	32,936

GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	
At 1 January 2013	–
Issuance of convertible loan, KV1 2013/2016	32,936
Adjustment to equity due to conversions, December 2013	-1,846
Interest expense	8,450
Interest paid	–
Liability component at 31 December 2013	39,540
At 1 January 2014	39,540
Issuance of convertible loan, KV2 2014/2016	15,545
Adjustment to equity due to conversions of KV1 2013/2016	-2,232
Adjustment to equity due to conversions of KV2 2014/2016	-791
Interest expense	15,353
Interest paid	-6,208
Liability component at 31 December 2014	61,207

The convertible loan consists of a short-term and a long-term component. The short-term component relates to accrued interest expenses for 2014, which will fall due in May 2015.

GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2014-12-31	2013-12-31
Short-term component of convertible loan		
6 months or less	5,243	4,128
Long-term component of convertible loan		
1-5 years	55,964	35,412
Total	61,207	39,540

The convertible loan 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%. The convertible loan was traded at 31 December 2014 on NGM Equity at 48% (93.5) of the nominal value, corresponding to an annual rate of about 20.8% (10.7). Last year the carrying amount was estimated to be a reasonable approximation of its fair value.

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

The fair value of the convertible loans corresponds to the rate that the convertible loan traded at on NGM Equity at 31 December 2014, including the conversion right. Measurement of fair value thus belongs on Level 1 in accordance with IFRS 13. Note that the recognized liability in the balance sheet does not include the conversion right:

	2014-12-31		2013-12-31	
GROUP AND PARENT COMPANY (SEK THOUSAND)	CARRYING AMOUNT[1]	FAIR VALUE[2]	CARRYING AMOUNT	FAIR VALUE
Convertible loans, excl. accrued interest	55,964	37,749	35,412	35,412
Accrued interest	5,243	5,243	4,128	4,128
Total	61,207	42,992	39,540	39,540

[1]*Excluding conversion right*
[2]*Including conversion right*

Cash flow attributable to the convertible loan

Cash flow that affected financing activities:

CONVERTIBLE ISSUE, ALL AMOUNTS IN SEK THOUSAND	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Convertible loan issued[1]	16,984	64,388
Component of consideration settled with convertibles	–	-12,875
Proceeds of issue	16,984	51,513
Total transaction expenses attributable to convertible issue	-1,039	-7,388
Cash flow attributable to issued convertible loan	15,945	44,124

[1]*Number of convertibles subscribed forxissue price.*

NOTE 21 DEFERRED TAX

Deferred tax assets and liabilities are allocated in the balance sheet as follows:

GROUP, ALL AMOUNTS IN SEK THOUSAND	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Deferred tax liabilities		
Deferred tax on surplus value in intangible assets	13,560	11,297
Convertible loans	2,205	2,762
Total deferred tax liabilities	15,765	14,059
Deferred tax assets		
Tax losses	2,205	2,762
Total deferred tax assets	2,205	2,762
Deferred tax liabilities, net	13,560	11,297

PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Deferred tax liabilities		
Convertible loans	2,205	2,762
Total deferred tax liabilities	2,205	2,762
Deferred tax assets		
Tax losses	2,205	2,762
Total deferred tax assets	2,205	2,762
Deferred tax liabilities, net	–	–

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

Changes in deferred tax assets and liabilities for the year:

CONSOLIDATED DEFERRED TAXES IN 2014, ALL AMOUNTS IN SEK THOUSAND	DEFERRED TAX LIABILITIES: SURPLUS VALUE OF INTANGIBLE ASSETS	CONVERTIBLE LOANS	TOTAL DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS: TAX LOSSES	TOTAL DEFERRED TAX ASSETS	NET DEFERRED TAX LIABILITIES AND RECEIVA-BLES
At 1 January 2013	11,310	–	11,310	–	–	11,310
Recognized in income statement	–	-681	-681	-2,762	-2,762	-3,443
Recognized in other comprehensive income	-13		-13	–	–	-13
Recognized in equity	–	3,443	3,443	–	–	3,443
At 31 December 2013	**11,297**	**2,762**	**14,059**	**-2,762**	**-2,762**	**11,297**
Recognized in income statement		-1,301	-1,301	557	557	-744
Recognized in other comprehensive income	2,263		2,263		–	2,263
Recognized in equity		744	744		–	744
At 31 December 2014	**13,560**	**2,205**	**15,765**	**-2,205**	**-2,205**	**13,560**

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

DEFERRED TAXES, PARENT COMPANY ALL AMOUNTS IN SEK THOUSAND	DEFERRED TAX LIABILITIES: CONVERTIBLE LOANS	TOTAL DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS: TAX LOSSES	TOTAL DEFERRED TAX ASSETS	NET DEFERRED TAX LIABILITIES AND RECEIVABLES
At 1 January 2013	–	–	–	–	–
Recognized in income statement	-681	-681	-2,762	-2,762	-3,443
Recognized in other comprehensive income		–	–	–	–
Recognized in equity	3,443	3,443	–	–	3,443
At 31 December 2013	**2,762**	**2,762**	**-2,762**	**-2,762**	**–**
Recognized in income statement	-1,301	-1,301	557	557	-744
Recognized in other comprehensive income		–	–	–	–
Recognized in equity	744	744	–	–	744
At 31 December 2014	**2,205**	**2,205**	**-2,205**	**-2,205**	**–**

The Parent Company recognized a tax loss of SEK 37,260 thousand (25,195). 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 both 2013 and 2014 however, Crown Energy chose to offset some of the loss against the deferred tax liability attributable to measurement of the convertible loans. A deferred tax asset is recognized at the same amount as the deferred tax liability. The deferred tax liability and tax asset were offset in the balance sheet.

NOTE 22 PROVISIONS

GROUP, ALL AMOUNTS IN SEK THOUSAND	ACQUISITION OF AMICOH RESOURCES LTD ADDITIONAL CONSIDERATIONS		ACQUISITION OF CROWN ENERGY IRAQ	
	COMMERCIAL RESERVOIR	WARRANTS	BUY-BACK OPTION	TOTAL PROVISIONS
At 1 January 2013	2,377	166	–	2,543
Recognized in income statement:				
Discount effect	139	–	–	139
Revaluation effect	–	3	–	3
Exchange differences	–	1	–	1
Provision for acquisition of Crown Energy Iraq	–	–	6,204	6,204
At 31 December 2013	2,516	170	6,204	8,890
At 1 January 2014	2,516	170	6,204	8,890
Recognized in income statement:				
Discount effect	172	–	–	172
Revaluation effect	–	-169	–	-169
Exchange differences	–	0	–	–
At 31 December 2014	2,688	1	6,204	8,893

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	2014-12-31	2013-12-31
Long-term component	8,893	8,890
Total provisions	8,893	8,890

NOTE 23 OTHER LIABILITIES

GROUP, ALL AMOUNTS IN SEK THOUSAND	2014-12-31	2013-12-31
Employee-related liabilities	104	233
Total other liabilities	104	233

PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2014-12-31	2013-12-31
Employee-related liabilities	104	233
Total other liabilities	104	233

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	2014-12-31	2013-12-31
Accrued expenses		
Social charges	74	72
Other personnel-related items	211	241
Consulting fees	14	418
Board fees	225	225
Interest expenses, convertible loans	5,242	4,128
Other accrued expenses	103	198
Total accrued expenses and deferred income	5,869	5,282

PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2013-12-31	2012-12-31
Accrued expenses		
Social charges	74	72
Other personnel-related items	211	241
Consulting fees	14	125
Board fees	225	225
Interest expenses, convertible loans	5,242	4,128
Other accrued expenses	103	148
Total accrued expenses and deferred income	5,869	4,939

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

NOTE 25 PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2014-12-31	2013-12-31
Opening cost	19,704	500
Investment	–	19,204
Closing carrying amount	**19,704**	**19,704**

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	
					2014-12-31	2013-12-31
Crown Energy Ventures Corporation	79456	British Virgin Islands	100%	100	500	500
Crown Energy Iraq AB	556673-5329	Stockholm	100%	1,000	19,204	19,204
Closing carrying amount					**19,704**	**19,704**
Indirectly owned Group companies						
Amicoh Resources Ltd	667642	British Virgin Islands				

NOTE 26 ACQUISITION OF CROWN ENERGY 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 Energy Iraq totalled about SEK 15 million. The sellers of Crown Iraq were T Intressenter AB and USB Investment B.V., and the issue was directed only to those parties.

For a specification of measurement of the consideration and recognition in the Parent Company and Group, see the 2013 Annual Report.

For comparison purposes, in the Group and Parent Company statements of changes in equity and statements of cash flows, specifications were prepared regarding the recognition of the non-cash issue in equity and cash flows attributable to the acquisition.

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, 89% (99) 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 holds interest-free loans from Ulrik Jansson (privately and via companies) of SEK 6,104 thousand (2,854). Of this amount, SEK 0 (0) was recognized as other current liabilities.

The loans carry no interest and are renegotiated annually. The latest due date was January 2015. The present value of the loans, corresponding to estimated fair value at 31 December 2014, was estimated at SEK 5,814 thousand (2,718), which is based on an interest rate of 5% if the loan had been taken under market conditions.

Purchase of services

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

Following is a summary of services purchased from related parties in 2013 and 2014. The amounts at 31 December were calculated based on an average exchange rate for the year.

Group, all amounts in SEK thousand	INVOICING CURRENCY	AMOUNTS IN THOUSANDS OF THE INVOICING CURRENCY 2014-12-31	AMOUNTS IN THOUSANDS OF THE INVOICING CURRENCY 2013-12-31	ALL AMOUNTS IN SEK THOUSAND 2014-12-31	ALL AMOUNTS IN SEK THOUSAND 2013-12-31
Remuneration for consulting (technical services), Peter Mikkelsen	GBP	11	18	126	206
Remuneration for consulting (technical services), David Jones	GBP	–	4	–	46
Remuneration for consulting (technical services etc.), Simco Petroleum Ltd	USD	45	60	322	430
Remuneration for consulting (COO services), Cornerstone Energy Ltd (Surinder Rai)	GBP	–	107	–	1,224
Total				448	1,905

Remuneration of senior executives

For information on the remuneration of 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. No warrants were subscribed for before the subscription period expired on 14 November 2014.

Other

As mentioned in the Directors' Report, CEO Ulrik Jansson via USB Investment B.V. subscribed for the majority of the convertibles issued in May 2014. Given that Ulrik Jansson is a board member and the 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 directed share issue had to be supported by shareholders representing at least nine-tenths of both the votes cast and the shares that are represented at the general meeting. The decision was made at the AGM on 14 May 2014.

NOTE 28 FINANCIAL INSTRUMENTS BY CATEGORY

GROUP, ALL AMOUNTS IN SEK THOUSAND	FINANCIAL ASSETS MEASURED AT FAIR VALUE VIA INCOME STATEMENT	LOANS RECEIVABLE AND ACCOUNTS RECEIVABLE	FINANCIAL ASSETS AVAILABLE FOR SALE	TOTAL
2014-12-31				
Assets in balance sheet				
Other receivables	–	591	–	591
Cash and cash equivalents	–	34,626	–	34,626
Total	–	35,217	–	35,217

	FINANCIAL LIABILITIES MEASURED AT FAIR VALUE VIA INCOME STATEMENT	OTHER FINANCIAL LIABILITIES	TOTAL
2014-12-31			
Liabilities in balance sheet			
Convertible loans	–	55,964	55,964
Loans from related parties	–	6,104	6,104
Accounts payable	–	1,499	1,499
Other current liabilities	–	104	104
Other provisions	2,689	6,204	8,893
Total	2,689	69,875	72,564

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

	FINANCIAL LIABILITIES MEASURED AT FAIR VALUE VIA INCOME STATEMENT	OTHER FINANCIAL LIABILITIES	TOTAL
2013-12-31			
Liabilities in balance sheet			
Convertible loans	–	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

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	2014-01-01 2014-12-31	2013-01-01 2013-12-31	2012-01-01 2012-12-31	2011-01-01 2011-12-31
Earnings					
Revenue		–	–	–	–
Other operating income		–	–	–	342
Change in revenue, %		n/a	n/a	n/a	n/a
Operating loss		-9,448	-9,271	-9,300	-3,158
Net loss for the period, after tax		-21,115	-14,399	-9,710	-3,042
Earnings yield					
Return on equity, %		neg	neg	neg	neg
Return on capital employed, %		neg	neg	neg	neg
Capital turnover ratio, times		n/a	n/a	n/a	n/a
Financial position					
Equity/assets ratio, %		38.3%	51.3%	71.9%	2.4%
Net debt/equity ratio, times		0.37	-0.02	n/a	n/a
Net asset value per share, SEK		2.03	2.49	2.15	0.07
Total assets		149,083	134,211	77,133	51,958
Equity		57,090	68,843	55,434	1,247
Cash flow from investments		-3,830	-2,664	-11,791	-17,974
Per share					
Dividend per share, SEK		n/a	n/a	n/a	n/a
Number of basic shares outstanding, thousand		28,143	27,598	25,755	17,031
Number of diluted shares outstanding, thousand		28,143	27,598	25,755	17,031
Average number of shares, thousand		27,969	25,917	20,929	3,906
Average number of diluted shares, thousand		27,969	25,917	20,929	3,906
Basic earnings per share, SEK		-0.75	-0.56	-0.46	-0.78
Diluted earnings per share, SEK		-0.75	-0.56	-0.46	-0.78
Equity per share, SEK		2.03	2.49	2.15	0.07
Cash flow from operating activities per share, SEK		-0.40	-0.59	-0.37	-0.16
Employees					
Average number of employees		3.0	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.

GROUP AND PARENT COMPANY, ALL AMOUNTS IN SEK THOUSAND	2014-12-31	2013-12-31
Pledged assets		
Bank guarantee	50	50
Cash and cash equivalents in escrow	34,335	35,882
Total pledged assets and contingent liabilities	**34,385**	**35,882**

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 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 fiscal year are indicated in the income statements, balance sheets, cash flow statements, and related notes.

Balance sheets and income statements will be up for approval at the AGM to be held on 13 May 2015.

STOCKHOLM, 21 April 2015

Ulrik Jansson CEO Board member	Alan Simonian Chairman of the Board	Andrew Harriman Board member

Our auditor's report was submitted on 21 April 2015
Öhrlings PricewaterhouseCoopers AB

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

Auditor's report

To the annual meeting of the shareholders of Crown Energy AB (publ), corp. id. 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 2014 except for the corporate governance statement on pages 24-29. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 18-72.

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 2014 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 2014 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 24-29. 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 2014. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement on pages 24-29 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, 21 April 2015
Öhrlings PricewaterhouseCoopers AB

Peter Burholm
Authorised Public Accountant
Auditor in charge

Mikael Winkvist
Authorised Public Accountant

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