



## Crown Energy AB (publ)

### Half-year report 1 January- 30 June 2013

*Crown Energy AB (publ) with its subsidiaries (Crown Energy, the Company, or the Group) is an international oil and gas group engaged in exploration in Equatorial Guinea, South Africa, and Madagascar. Value is created through developing assets in early stages and when ready, introducing a major oil and gas player to the project. The Parent Company, whose commercial domicile is Stockholm, Sweden, is listed on NGM Equity.*

- The Group did not generate any operating income in Q1 or Q2 2013. Operating expenses for Q2 totalled SEK -2,671 thousand (-1,367), consisting primarily of employee expenses and other external costs. For the six-month period January to June, operating expenses amounted to SEK -4,818 thousand (-3,359).
- Second-quarter loss totalled SEK -865 thousand (-1,465), corresponding to SEK -0.03 per share (-0.08). For January-June, earnings amounted to SEK -3,092 thousand (-3,386).
- Capital expenditures in Q2 totalled SEK 368 thousand (1,352) and mainly related to exploration activities in licence area 3108 on Madagascar. Capital expenditures for the first six months totalled SEK 723 thousand (3,931).
- A 50 percent guaranteed convertible issue was approved at an extraordinary general meeting on 25 March. The issue was implemented in April and raised SEK 64,388 thousand for Crown Energy AB before transaction costs.
- In June, the Board resolved to exercise Crown Energy AB's option to acquire Tigris Oil i Sverige AB.

### Condensed consolidated financial information

SEK thousand	2013-04-01	2012-04-01	2013-01-01	2012-01-01	2012-01-01
	2013-06-30	2012-06-30	2013-06-30	2012-06-30	2012-12-31
	Q2	Q2	Q1-Q2	Q1-Q2	Full year
Operating expenses	-2,671	-1,367	-4,818	-3,359	-9,300
Operating loss	-2,671	-1,367	-4,818	-3,359	-9,300
Profit/loss from financial items	-1,774	-97	-1,855	-28	-410
Net income for the period, after tax	-865	-1,465	-3,092	-3,386	-9,710
Earnings per share, SEK	-0.03	-0.08	-0.12	-0.19	-0.46
Equity per share, SEK	2.37	0.94	2.37	0.94	2.15
Change in cash and cash equivalents	43,959	2,372	37,556	974	10,207
Cash flow from investments in intangible assets	-368	-1,352	-723	3,931	-11,791

## CEO statement

Dear shareholders and investors,

In the first half of the year, we capitalised the company by issuing a convertible debt instrument for a total of about SEK 64 million. The issue allows us to complete the acquisition of the licence in South Africa and gives us the flexibility to develop our other licences and the possibility to continue the work to evaluate acquisitions of additional licence areas.

In June, the company concluded a preliminary agreement to acquire Tigris Oil i Sverige AB, which holds a licence in northern Iraq covering 24,000 km<sup>2</sup>. This acquisition gives us a new geographical area of operations outside Africa. The acquisition had a major impact in the international press because it relies on more favourable licencing conditions than previously applied in Iraq, and that a small Swedish company managed to realise this type of agreement. It is estimated that there may be 20-30 billion barrels of oil in the area that can be produced at low production costs.

As for our licence areas, the seismic surveys were completed in South Africa and we await the results, which should arrive in the fall. Discussions with potential partners for the Madagascar licence continue, and the completion of these discussions is at the top of our priority list. In Equatorial Guinea, our new partner Vaalco, together with the operator, continued preparations for activities in Block P.

Oil prices in the first half of the year remained at historically high levels, but oil company activities have been cautious and few transactions have been carried out in the market. More recently, however, an increased level of activity has been discerned, and I presume that for the remainder of the year we can do business that demonstrates the considerable hidden value found in our company.

Ulrik Jansson

CEO, Crown Energy AB (publ)

## Operations – January-June 2013

### Income statement

Operating expenses for Q2 totalled SEK -2,671 thousand (-1,367), of which SEK -799 thousand (-539) related to other external costs and SEK -1,861 thousand (-828) related to employee expenses. Operating expenses for January-June totalled SEK -4,818 thousand (-3,359), of which SEK -2,076 thousand (-1,703) related to other external costs and SEK -2,718 thousand (-1,656) related to employee expenses. The increase in other external costs is primarily attributable to non-capitalized expenses for consulting geologists and administrative services related to exploration work and increased costs associated with preparing the 2012 Annual Report, which was presented in compliance with IFRS for the first time. Employee expenses increased compared to the same periods last year due to the employment of another person in the Parent Company as of January 2013. The difference in employee expenses over the previous year is also related to the fact that pension expenses (and accompanying social security contributions) were not reported until after Q1 and Q2 2012.

Net financial items for Q2 totalled SEK -1,774 thousand (-97) and SEK -1,855 thousand (-28) for H1. In Q2 2013, Crown Energy issued a convertible debt instrument that increased financial expenses by SEK -2,165 thousand, including coupon interest and discounting effects. Net financial items for Q1 and Q2 were also impacted by discounting and translation effects due to fair-value measurement of provisions. These effects amounted to SEK -66 thousand. Net financial items for H1 included a positive exchange rate effect of SEK 275 thousand attributable to translation of intercompany receivables in USD from Group company Amicoh Resources Ltd. The corresponding item for Q2 amounts to SEK 243 thousand. The strengthening of the dollar rate against the Swedish krona in H1 had a positive effect on the income statement. These, above mentioned, discounting and translation differences do not affect cash flow.

Deferred tax revenue of SEK 3,581 thousand was recognised in Q2 due to the convertible loan.

Loss for Q2 totalled SEK -865 thousand (-1,465), corresponding to SEK -0.03 per share (-0.08). H1 loss amounted to SEK -3,092 thousand (-3,386), corresponding to SEK -0.12 per share (-0.19).

Other comprehensive income was positive in Q2, which is attributable to translation differences in both subsidiaries and intangible assets. The translation differences attributable to these assets are positive due to a stronger dollar rate against the Swedish krona, as mentioned earlier. Other comprehensive income

totalled SEK 1,049 thousand (-135) in Q2, of which SEK 1,151 thousand related to positive translation differences on intangible assets. Other comprehensive income for H1 totalled SEK 1,052 thousand (-14).

### Financial position

Capitalised expenditures on exploration activities for Q2 totalled SEK 368 thousand (1,352). The expenditures mainly related to ongoing expenses for geologists. Total capitalised exploration expenditures, which are recognised as intangible non-current assets, totalled SEK 63,394 thousand at 30 June 2013, an increase from 31 December 2012 of SEK 723 thousand. The increase since 31 December 2012 consists of the above-named capital expenditures and translation differences. Translation differences do not affect cash flow. The decrease in the rate of investment from previous periods is due to the fact that Crown Energy, along with other owners of the licence, has awaited an official decision from Equatorial Guinea, so further investments have been put on hold. As for the Madagascar licence, Crown Energy is focusing on finding a suitable farm-in partner in 2013.

Cash and cash equivalents at the end of the period totalled SEK 49,340 thousand compared with SEK 2,538 thousand on 30 June 2012 and SEK 11,762 thousand on 31 December 2012. The increase is primarily due to the inclusion of a convertible debt instrument.

The convertible debt instrument balance sheet item arose in April 2013 as a result of the issuance of convertible shares to pay for the acquisition of shares in the company that owns a stake in Block 2B in South Africa. For more information about this convertible debt instrument, see Note 8, *Convertible debt instruments*.

Other current liabilities have increased since 31 December 2012, primarily due to incoming consultant invoices related to the convertible issue (SEK 2,415 thousand) and recognition of the accrued coupon interest related to the convertible debt instrument (SEK 1,073 thousand).

### Cash flow

Cash flow for Q2 totalled SEK 43,959 thousand (2,372). The positive cash flow is attributable to issuance of the convertible debt instrument in April 2013. Correspondingly, cash flow from financing activities amounted to SEK 44,124 thousand (7,537). Cash flow from operating activities amounted to SEK 203 thousand (-3,183) in Q2. The positive effect is due to increased liabilities, mainly in the form of consulting expenses associated with the convertible issue. As mentioned earlier, expenditures on licences affected cash flow by SEK -368 thousand (-1,352) in the corresponding period.

In H1, cash flow from operating activities amounted to SEK -5,845 thousand (-5,978), which is in line with the corresponding period last year. Capital expenditures in the first six months of the year, amounted to SEK -723 thousand (-3,931).

## Projects

In Q1 and Q2 2013, no significant exploration work was conducted in Crown Energy's current projects. For more detailed information on projects, see Crown Energy's website or the 2012 Annual Report. Following are project status updates.

### Block P – Equatorial Guinea

An application was submitted to the Ministry of Energy in Equatorial Guinea in the autumn of 2012, to focus on the most prospective part of the licence area which includes the reservoir of the Venus field discovery. This (focused) licence area is called the Provisional Development Area (PDA). During Q2, the PDA was formally approved by the Ministry. Regular discussions and meetings about work related to the licence were held with the other partners during H1 2013. Crown Energy is currently working with its consortium partners on plans to drill up to two exploration wells on Block P in the first half of 2014.

### 3108 Manja – Madagascar

After 2012's drilling preparations, geotechnical and geophysical analyses of existing data, and approval of a licence agreement extension, Crown Energy focused in Q1 and Q2 2013 on finding a qualitative partner that it can work with both operationally and financially.

### Block 2B – South Africa

In November 2012, a 3D seismic survey and analysis contract was concluded for this licence. The 3D seismic surveys commenced in January 2013. Interpreted results are expected after the summer of 2013.

In Q2, Crown Energy commenced preparation of an application to the South African authorities on a change of ownership for part of the licence. The acquisition, and also the assignment of the equity in the licence stake, will be subject to approval by the South African authorities.

For information on Crown Energy's acquisition of and access to this licence, see the *Key events during the period* section.

### Iraq – Tigris Oil i Sverige AB (Tigris Oil)

In June 2013, Crown Energy's Board resolved to exercise the Company's option to acquire 100% of Tigris Oil, which holds a seven year exploration licence in Iraq. Before Crown Energy can proceed with the acquisition, it must be approved at an extraordinary general meeting of Crown Energy's shareholders. For more detailed information, see the *Key events during the period* section.

In order to explore and develop such a large license, it is Crown Energy's intention to speak to other industry players.

## Key events during the period

### Acquisition of Block 2B in South Africa/Convertible issue

Crown Energy Ventures Corporation, a Crown Energy AB subsidiary, entered into an agreement in August 2011 to acquire 75 per cent of the Block 2B licence through the acquisition of Thombo Petroleum Ltd. for USD 14 million (ca. SEK 90 million). In February 2013, the sellers and Crown Energy instead came to an agreement on implementing the deal with a 40.5 per cent stake in the licence and with a proportionally unchanged purchase price, thus totalling about USD 7.6 million (ca. SEK 49 million based on a contractual fixed exchange rate of SEK/USD 6.45). This part of the licence will be transferred by the sellers to a newly established English company that Crown Energy will acquire in its entirety. This has the great advantage of reducing the Company's exposure and risk associated with an individual licence, creating a better balance between the Company's various assets without significantly reducing the upside. The acquisition is subject to South African regulatory approvals, which according to the Board's assessment will be obtained in H2 2013.

To finance the acquisition, it was determined at an extraordinary general meeting to issue 6,438,757 convertibles with preferential rights for shareholders). The issue price is SEK 10 per convertible, corresponding to the convertible's nominal amount. The convertible issue provided Crown Energy with SEK 64,388 thousand before transaction costs for a total of SEK 7,388 thousand. Trading in paid subscription units on NGM Equity began in late May.

## **Board resolution to exercise option in Tigris Oil i Sverige AB**

In June, Crown Energy's board resolved to exercise an option it has held since 2012. The decision means that Crown Energy will acquire 100 per cent of Tigris Oil i Sverige AB (Tigris Oil) through a purchase of SEK 15 million. The consideration will consist of newly issued Crown Energy shares through a non-cash issue in which the issue price will be based on a volume-weighted average price, but will not exceed SEK 8.00 per Crown Energy share. The acquisition of Tigris Oil is subject to approval of the directed share issue at an extraordinary general meeting in accordance with the Swedish Companies Act.

Crown Energy's acquisition of Tigris Oil is also subject to approval of the change in ownership by regulatory authorities in Iraq, which is expected to be finalised before the Crown Energy extraordinary general meeting ("EGM") is held.

## **Events after the reporting period**

### **Completion of share transfer agreement**

On 24 July the share transfer agreement between Crown Energy and the sellers of the company that owns a stake in the Block 2B licence in South Africa was completed. Crown Energy is currently working on completing the application to the South African authorities on transferring part of the licence to the new owner. In conjunction with the agreement being finalised, bank funds amounting to SEK 35,882 thousand were transferred to an escrow account, which means that they are in the custody of a third party until the acquisition is completed.

### **Registration of convertible issue**

The convertible issue was registered with the Swedish Companies Registration Office on 31 July 2013. As of 5 August 2013, trading of paid subscription units on NGM Equity was replaced by convertibles.

## **Outlook**

### **Operations**

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

Crown Energy will also concentrate a lot of energy on developing Block P, where Vaalco Energy Inc. has become an interesting partner with interests parallel to Crown's, focusing on the existing Venus licence reservoir, which will be completed before further development. There are also very interesting structures around the Venus reservoir that will eventually require further appraisal and work.

The Board's decision to acquire Tigris Oil is aligned with Crown Energy's growth strategy. The acquisition increases the ability of Tigris Oil to develop its Iraqi operations and strategy. Important goals in the near future include building up the organisation in Iraq and Sweden, collecting additional information on existing reservoirs, and conducting additional surveys, and then seeking suitable industrial partners in the oil and gas industry for further development, project financing, and production.

Otherwise, Crown continually appraises new opportunities in line with its business concept and goals. The Company hopes to enter into additional agreements for the acquisition of one or more projects in 2013. However, such projects must be compatible with Crown's basic values regarding political risk, infrastructure, the environment, and potential. Funding for such potential projects, regulatory approvals, and such situations are things that must be dealt with at any given moment and at every opportunity.

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

### **Financing and going concern**

Since the Group has not generated any profits, financing has historically been done through new share issues. As mentioned earlier under *Key events during the period*, a convertible issue was effected in Q2 2013 for the purpose of financing acquisition of the Block 2B licence.

The Company believes that there is potential to continue as a going concern for 12 months from the closing date. Given potential future acquisitions, the Company will however have an increasing cost base. Therefore, financing is likely necessary within the next year. The Company believes that financing should primarily be done through the sale of assets, agreements with farm-in partners, or new share issues.

## Risks and uncertainty factors

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

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

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

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

## Parent Company

The Parent Company's earnings before tax for H1 totalled SEK -3,262 thousand (-1,432). The Parent Company's operating loss has increased compared to previous years mainly due to increased employee expenses (as explained in the *Income statement* section on page 3.) The operating loss was offset somewhat by the interest income that the Parent Company now takes in on receivables from subsidiaries. Interest was also paid over the full year 2012, but was first calculated at year-end 2012. Meanwhile, interest expenses rose due to coupon interest and discounting effects from issuance of the convertible loan.

Deferred tax revenue also arose in Q2 2013 due to the convertible loan.

Cash and cash equivalents at the end of Q2 totalled SEK 48,994 thousand (2,154). There were 3 persons (2) employed by the Parent Company at the end of the period.

---

The Board and CEO hereby certify that this interim report gives a fair overview of the Parent Company's and Group's operations, position, and earnings, and describes significant risks and uncertainty factors to which the Group and its companies are exposed.

This interim report was not reviewed by the Company's auditors.

STOCKHOLM, 22 AUGUST 2013

Ulrik Jansson  
CEO  
Board member

Alan Simonian  
Chairman of the Board

Andrew Harriman  
Board member

## Financial information

- Interim report, July-September 2013      21 November 2013

## Publication pursuant to Swedish law

Crown Energy AB (publ) discloses this information pursuant to the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. The information was released for publication on 22 August 2013.

This report was not reviewed by the Company's auditors.

## Financial information

All financial information is published on [www.crownenergy.se](http://www.crownenergy.se) directly after release. 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](http://www.ngnews.se).

## For additional information, contact:

Ulrik Jansson, CEO      +46 (0)8 120 66 150

## About Crown Energy AB (publ)

*Crown Energy is an international oil and gas company engaged in exploration in Equatorial Guinea, South Africa, and Madagascar. Value is created through developing assets in early stages and when ready, introducing a major oil and gas player to the project. Find out more at [www.crownenergy.se](http://www.crownenergy.se).*

## Address:

Crown Energy AB (publ)  
Engelbrektsgratan 9-11  
SE-114 32 Stockholm, Sweden  
[www.crownenergy.se](http://www.crownenergy.se)

## Condensed consolidated income statement

All amounts in SEK thousand	Note	2013-04-01	2012-04-01	2013-01-01	2012-01-01	2012-01-01
		2013-06-30	2012-06-30	2013-06-30	2012-06-30	2012-12-31
Operating income		–	–	–	–	–
Other operating income		–	–	–	–	–
Other external costs		-799	-539	-2,076	-1,703	-4,157
Employee benefit expenses		-1,861	-828	-2,718	-1,656	-4,812
Other operating expenses		-11	–	-24	–	-331
<b>Operating loss</b>		<b>-2,671</b>	<b>-1,367</b>	<b>-4,818</b>	<b>-3,359</b>	<b>-9,300</b>
Financial income		423	39	455	128	26
Financial expenses		-2,197	-136	-2,310	-156	-436
<b>Loss before taxes</b>		<b>-4,446</b>	<b>-1,465</b>	<b>-6,672</b>	<b>-3,386</b>	<b>-9,710</b>
Income tax expense	9	3,581	–	3,581	–	–
<b>Net loss for the period</b>		<b>-865</b>	<b>-1,465</b>	<b>-3,092</b>	<b>-3,386</b>	<b>-9,710</b>
<b>Earnings per share and share related data</b>						
Average number of basic shares, thousand	3	25,755	18,348	25,755	17,912	20,929
Average number of diluted shares, thousand	3	25,755	18,348	25,755	17,912	20,929
Basic earnings per share, SEK	3	-0.03	-0.08	-0.12	-0.19	-0.46
Diluted earnings per share, SEK	3	-0.03	-0.08	-0.12	-0.19	-0.46

## Condensed consolidated statement of comprehensive income

All amounts in SEK thousand	2013-04-01	2012-04-01	2013-01-01	2012-01-01	2012-01-01	
	2013-06-30	2012-06-30	2013-06-30	2012-06-30	2012-12-31	
<b>Net loss for the period</b>						
<b>Other comprehensive income</b>	<b>-865</b>	<b>-1,465</b>	<b>-3,092</b>	<b>-3,386</b>	<b>-9,711</b>	
<i>Items that can be reclassified to profit or loss:</i>						
Currency translation differences						
<b>Total items that can be reclassified to profit or loss:</b>	<b>1,049</b>	<b>-135</b>	<b>1,052</b>	<b>-14</b>	<b>-23</b>	
<b>Other comprehensive income, net of tax</b>	<b>1,049</b>	<b>-135</b>	<b>1,052</b>	<b>-14</b>	<b>-23</b>	
<b>Total comprehensive income for the period</b>	<b>1,049</b>	<b>-135</b>	<b>1,052</b>	<b>-14</b>	<b>-23</b>	
<b>Total comprehensive income attributable to:</b>	<b>184</b>	<b>-1,600</b>	<b>-2,040</b>	<b>-3,401</b>	<b>-9,733</b>	
Parent company owners						
<b>Comprehensive income for the period</b>	<b>184</b>	<b>-1,600</b>	<b>-2,040</b>	<b>-3,401</b>	<b>-9,733</b>	
<b>All amounts in SEK thousand</b>	<b>184</b>	<b>-1,600</b>	<b>-2,040</b>	<b>-3,401</b>	<b>-9,733</b>	
<b>Net loss for the period</b>	<b>-865</b>	<b>-1,465</b>	<b>-3,092</b>	<b>-3,386</b>	<b>-9,711</b>	



## Condensed consolidated statement of financial position

### ASSETS

All amounts in SEK thousand	Note	2013-06-30	2012-06-30	2012-12-31
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible non-current assets	4	63,394	53,460	60,946
<b>Total non-current assets</b>		<b>63,394</b>	<b>53,460</b>	<b>60,946</b>
<b>Current assets</b>				
Other receivables		5,003	3,943	4,425
Cash and cash equivalents	5,7	49,340	2,538	11,762
<b>Total current assets</b>		<b>54,342</b>	<b>6,481</b>	<b>16,186</b>
<b>TOTAL ASSETS</b>		<b>117,737</b>	<b>59,942</b>	<b>77,133</b>

### EQUITY AND LIABILITIES

All amounts in SEK thousand	Note	2013-06-30	2012-06-30	2012-12-31
<b>EQUITY</b>				
<b>Total equity</b>		<b>61,002</b>	<b>17,291</b>	<b>55,434</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans from related parties	1,7	2,854	26,157	2,854
Convertible debt instruments	7,8	34,027	–	–
Deferred income tax liabilities	9	11,654	11,341	11,310
Other provisions	6,7	2,609	2,504	2,543
<b>Total non-current liabilities</b>		<b>51,144</b>	<b>40,002</b>	<b>16,708</b>
<b>Current liabilities</b>				
Other current liabilities	7	5,590	2,649	4,991
<b>Total current liabilities</b>		<b>5,590</b>	<b>2,649</b>	<b>4,991</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>117,737</b>	<b>59,942</b>	<b>77,133</b>
Pledged assets and contingent liabilities		None	None	None

## Condensed consolidated statement of changes in equity

All amounts in SEK thousand	2013-06-30	2012-06-30	2012-12-31
<b>Opening balance</b>	<b>55,434</b>	<b>1,247</b>	<b>1,247</b>
Net loss for the period	-3,092	-3,386	-9,710
Other comprehensive income, net of tax	1,052	-14	-23
<b>Total comprehensive income for the period</b>	<b>-2,040</b>	<b>-3,401</b>	<b>-9,733</b>
Share issue	–	20,334	72,181
Issue expenses*	–	-889	-8,262
Convertible debt instrument	7,608	–	–
Of which:			
Option	13,056	–	–
Transaction costs	-1,868	–	–
Deferred tax	-3,581	–	–
<b>Closing balance</b>	<b>61,002</b>	<b>17,291</b>	<b>55,434</b>
<b>Attributed to:</b>			
Parent company shareholders	61,002	17,291	55,434
<b>Total equity</b>	<b>61,002</b>	<b>17,291</b>	<b>55,434</b>

\*Deferred taxes on issue expenses were not accounted for.

## Condensed consolidated statement of cash flows

All amounts in SEK thousand	2013-04-01	2012-04-01	2013-01-01	2012-01-01	2012-01-01
	2013-06-30	2012-06-30	2013-06-30	2012-06-30	2012-12-31
<b>Net cash flow from operating activities</b>	<b>203</b>	<b>-3,813</b>	<b>-5,845</b>	<b>-5,978</b>	<b>-9,546</b>
<b>Net cash flows used in investing activities</b>	<b>-368</b>	<b>-1,352</b>	<b>-723</b>	<b>-3,931</b>	<b>-11,791</b>
<b>Net cash flows used in financing activities</b>	<b>44,124</b>	<b>7,537</b>	<b>44,124</b>	<b>10,884</b>	<b>31,543</b>
<b>Cash flow for the period</b>	<b>43,959</b>	<b>2,372</b>	<b>37,556</b>	<b>974</b>	<b>10,207</b>
Cash, cash equivalents, and bank overdrafts at start of period	5,358	164	11,762	1,563	1,563
Cash flow for the period	43,959	2,372	37,556	974	10,207
Exchange gains/losses on cash and cash equivalents	23	675	22	673	-8
<b>Cash and cash equivalents at end of period</b>	<b>49,340</b>	<b>3,211</b>	<b>49,340</b>	<b>3,211</b>	<b>11,762</b>

## Consolidated key ratios

### Quarterly summary

All amounts in SEK thousand unless otherwise stated	Note	2013-04-01	2013-01-01	2012-10-01	2012-07-01	2012-04-01	2012-01-01
		2013-06-30	2013-03-31	2012-12-31	2012-09-30	2012-06-30	2012-03-31
		Q2	Q1	Q4	Q3	Q2	Q1
<b>Profit/loss</b>							
Operating income		–	–	–	–	–	–
Other operating income		–	–	–	–	–	–
Operating loss		-2,671	-2,146	-2,669	-3,273	-1,367	-1,991
Net income for the period, after tax		-865	-2,227	-2,934	-3,389	-1,465	-1,922
<b>Earnings yield</b>							
Return on equity, %		neg	neg	neg	neg	neg	neg
Return on assets, %		neg	neg	neg	neg	neg	neg
<b>Financial position</b>							
Equity/assets ratio, %		51.8%	74.0%	71.9%	73.3%	28.8%	37.1%
Net indebtedness, times		-0.25	n/a	n/a	n/a	n/a	n/a
Total assets		117,737	71,887	77,133	78,439	59,942	53,325
Equity		61,002	53,210	55,434	57,521	17,291	19,780
Cash flow from investments		-368	-354	-6,175	-1,685	-1,352	-2,579
<b>Ratios per share</b>							
Dividend per share, SEK		n/a	n/a	n/a	n/a	n/a	n/a
Number of shares outstanding, thousand	3	25,755	25,755	25,755	25,755	18,348	18,732
Average number of basic shares outstanding, thousand	3	25,755	25,755	25,755	21,930	18,348	17,836
Average number of diluted shares outstanding, thousand	3	25,755	25,755	25,755	21,930	18,348	17,836
Basic earnings per share, SEK	3	-0.03	-0.09	-0.11	-0.15	-0.08	-0.11
Diluted earnings per share, SEK	3	-0.03	-0.09	-0.11	-0.15	-0.08	-0.11
Basic equity per share, SEK		2.37	2.07	2.15	2.23	0.94	1.06
Cash flow from operating activities per share, SEK		0.01	-0.23	-0.21	0.07	-0.21	-0.31
<b>Employees</b>							
Average number of employees		3.0	3.0	2.0	2.0	2.0	2.0

There are only six quarters recognised in the quarterly overview because Crown Energy was not listed on Nordic MTF until December 2011 and on NGM Equity until December 2012

### Yearly summary

All amounts in SEK thousand unless otherwise stated	Note	2013-01-01	2012-01-01	2012-01-01	2011-01-01
		2013-06-30	2012-06-30	2012-12-31	2011-12-31
		Half-year	Half-year	Full year	Full year
<b>Profit/loss</b>					
Operating income		–	–	–	–
Other operating income		–	–	–	342
Operating loss		-4,818	-3,359	-9,300	-3,158
Net income for the period, after tax		-3,092	-3,386	-9,710	-3,042

<b>Earnings yield</b>					
Return on equity, %		neg	neg	neg	neg
Return on assets, %		neg	neg	neg	neg
<b>Financial position</b>					
Equity/assets ratio, %		51.8%	28.8%	71.9%	2.4%
Net indebtedness, times		n/a	n/a	n/a	n/a
Net asset value per share, SEK		2.37	0.94	2.15	0.07
Total assets		117,737	59,942	77,133	51,958
Equity		61,002	17,291	55,434	1,247
Cash flow from investments		-723	3,931	-11,791	-17,974
<b>Ratios per share</b>					
Dividend per share, SEK		n/a	n/a	n/a	n/a
Number of shares outstanding, thousand	3	25,755	18,348	25,755	17,031
Average number of basic shares outstanding, thousand	3	25,755	17,912	20,929	3,988
Average number of diluted shares outstanding, thousand	3	25,755	17,912	20,929	3,988
Basic earnings per share, SEK	3	-0.12	-0.19	-0.46	-0.76
Diluted earnings per share, SEK	3	-0.12	-0.19	-0.46	-0.76
Basic equity per share, SEK		2.37	0.94	2.15	0.07
Cash flow from operating activities per share, SEK		-0.23	-0.33	-0.37	0.16
<b>Employees</b>					
Average number of employees		3.0	2.0	2.0	0.0

## Definitions of key ratios

### Earnings yield

#### *Return on equity, per cent*

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

### Financial position

#### *Equity, SEK*

Equity at end of period.

#### *Equity/assets ratio, per cent*

Equity including the minority as a percentage of total assets.

#### *Net debt/equity ratio*

Interest-bearing net debt divided by equity, where interest-bearing net debt mean interest-bearing liabilities minus interest-bearing current receivables and cash and cash equivalents.

### Investments

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

### Per share data

#### *Total number of shares outstanding*

Number of shares outstanding at end of period.

#### *Weighted average number of shares*

Weighted number of shares outstanding during the year.

#### *Equity per share, SEK*

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

#### *Return on equity, per cent*

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

#### *Return on total capital, per cent*

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

#### *Earnings per share, SEK*

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

### Employees

#### *Number of employees*

Average number of employees during the period.

## Parent company – condensed income statement

All amounts in SEK thousand	Note	2013-04-01	2012-04-01	2013-01-01	2012-01-01	2012-01-01
		2013-06-30	2012-06-30	2013-06-30	2012-06-30	2012-12-31
Other operating income		–	–	–	–	–
Other external costs		-691	-627	-1,545	-1,241	-4,267
Employee benefit expenses		-1,861	-828	-2,718	-1,656	-4,812
Other operating expenses		-4	–	-4	–	-318
<b>Operating loss</b>		<b>-2,555</b>	<b>-1,455</b>	<b>-4,267</b>	<b>-2,897</b>	<b>-9,396</b>
Interest income		115	23	204	26	1
Interest income, intercompany		1,344	–	2,675	–	4,640
Interest expenses		-2,165	–	-2,165	–	-65
<b>Loss before taxes</b>		<b>-3,262</b>	<b>-1,432</b>	<b>-3,553</b>	<b>-2,870</b>	<b>-4,821</b>
Income tax expense	9	3,581	–	3,581	–	–
<b>Net profit/loss for the period</b>		<b>319</b>	<b>-1,432</b>	<b>28</b>	<b>-2,870</b>	<b>-4,821</b>

## Parent company – condensed statement of comprehensive income

All amounts in SEK thousand	2013-04-01	2012-04-01	2013-01-01	2012-01-01	2012-01-01
	2013-06-30	2012-06-30	2013-06-30	2012-06-30	2012-12-31
<b>Net profit for the period</b>	319	-1,432	28	-2,870	-4,821
<b>Other comprehensive income for the period</b>					
<i>Total items that can be reclassified to profit or loss</i>	–	–	–	–	–
<b>Other comprehensive income, net of tax</b>	–	–	–	–	–
<b>Total comprehensive income for the period</b>	<b>319</b>	<b>-1,432</b>	<b>28</b>	<b>-2,870</b>	<b>-4,821</b>

## Parent company – condensed balance sheet

### ASSETS

All amounts in SEK thousand	Note	2013-06-30	2012-06-30	2012-12-31
<b>ASSETS</b>				
<b>Non-current assets</b>				
Shares in group companies		500	500	500
Receivables, group companies		21,244	21,244	21,244
<b>Total non-current assets</b>		<b>21,744</b>	<b>21,744</b>	<b>21,744</b>
<b>Current assets</b>				
Receivables from group companies		39,958	23,295	34,241
Other current financial assets	7	1,386	317	1,048
Cash and bank balances	5,7	48,994	2,154	11,563
<b>Total current assets</b>		<b>90,338</b>	<b>25,766</b>	<b>46,851</b>
<b>TOTAL ASSETS</b>		<b>112,082</b>	<b>47,510</b>	<b>68,595</b>

### EQUITY AND LIABILITIES

All amounts in SEK thousand	Note	2013-06-30	2012-06-30	2012-12-31
<b>EQUITY</b>				
<b>Total equity</b>		<b>69,736</b>	<b>19,576</b>	<b>62,100</b>
<b>Non-current liabilities</b>				
Convertible debt instrument	7,8	34,027	–	–
Loans from related parties	1,7	2,854	25,697	2,854
<b>Total non-current liabilities</b>		<b>36,881</b>	<b>25,697</b>	<b>2,854</b>
<b>Current liabilities</b>				
Other liabilities	7	5,465	2,237	3,641
<b>Total current liabilities</b>		<b>5,465</b>	<b>2,237</b>	<b>3,641</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>112,082</b>	<b>47,510</b>	<b>68,595</b>
Pledged assets		None	None	None
Contingent liabilities		None	None	None

## Parent company – condensed changes in equity

All amounts in SEK thousand	2013-06-30	2012-06-30	2012-06-30
<b>Opening balance</b>	<b>62,100</b>	<b>3,001</b>	<b>3,001</b>
Net profit/loss for the period	28	-2,870	-4,821
Other comprehensive income, net of tax	–	–	–
<b>Total comprehensive income for the period</b>	<b>28</b>	<b>-2,870</b>	<b>-4,821</b>
Share issue	–	20,334	72,181
Issue expenses*	–	-889	-8,262
Convertible debt instrument	7,608	–	–
Of which:			
Option	13,056	–	–
Transaction costs	-1,868	–	–
Deferred tax	-3,581	–	–
<b>Closing balance</b>	<b>69,736</b>	<b>19,576</b>	<b>62,100</b>

\*Deferred taxes on issue expenses were not accounted for.

## Notes

### General information

Crown Energy AB (publ), corporate identity number 556804-8598, with subsidiaries, is an international oil and gas group focused on exploration opportunities with high potential for recoverable oil and gas reserves in underexploited areas, initially in Africa. The Group currently focuses on Equatorial Guinea (Block P), South Africa (Block 2B), and Madagascar (3108 Manja), but decided in Q2 2013 to also acquire a licence in Iraq.

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

The street address of company headquarters is:

Engelbrektsgratan 9-11, SE-114 32 Stockholm, Sweden.

### Accounting policies

This interim report was prepared pursuant to IAS 34 Interim Financial Reporting, the Swedish Annual Accounts Act, and RFR 1 Supplementary Accounting Regulations for Groups. As with the 2012 annual accounts, the consolidated accounts were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act. The financial statements of the Parent Company were prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's RFR 2 Accounting for Legal Entities.

The same accounting policies were used during the period as were used for the 2012 financial year and as described in the 2012 Annual Report. No new or revised standards, interpretations, or amendments adopted by the EU had an effect on the Group. No acquisitions were made during the period.

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

### Accounting policies - convertible debt instrument

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 recognised initially at the fair value of a similar liability that does not entail the right of conversion into shares. The equity component is recognised initially at the difference between the fair value of the entire combined financial instrument and the liability component's fair value. The liability's fair value at the issue date is calculated by discounting future cash flows at the current market rate for a similar liability without 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 amortised cost using the effective interest method. The equity component of a combined financial instrument is not re-measured subsequent to initial recognition except on conversion or redemption. Interest expense is recognised in net income for the period and is calculated using the effective interest method.

The accounting policies do not differ between the Group and the Parent Company.

## Note 1 Transactions with related parties

### Purchases and sales within the Group

The Parent Company's revenue represents 0 (0) per cent of sales to other companies within the Group. Of the Parent Company's interest income, 92 per cent relates to other companies within the Group as at 30 June 2013.

### Loans from related parties

The Parent Company took out an interest-free loan from Ulrik Jansson (via Varukungen AB) totalling SEK 2,854 thousand as at 30 June 2013. The loan has not changed since year-end 2012.

### Purchases of services

Two persons in management, Peter Mikkelsen and David Jones, work in their respective management positions under consultancy agreements. Their services are purchased on normal commercial terms and they invoice regularly for work performed. In H1, Peter Mikkelsen invoiced for about GBP 9 thousand and David Jones for about GBP 21 thousand.

Crown Energy also purchases technical consulting services from Simco Petroleum Ltd. (Simco). Alan Simonian, Crown Energy's board chairman, owns 33% of Simco and also sits on Simco's board. Services from Simco are purchased on normal commercial terms. During the period, services amounting to about USD 30 thousand were purchased.

### Other

On 24 April 2012, the Company entered into an option agreement with Ulrik Jansson whereby Crown Energy obtains an exclusive right, but not an obligation, to acquire Tigris Oil i Sverige AB (Tigris Oil), which entered into an agreement with an Iraqi region in 2012. Ulrik Jansson has held 15% of the shares in Tigris Oil, 5% directly in the exploration licence with an option to acquire the remaining 85%. As mentioned in the *Key events during the period* section, Crown Energy's Board decided to exercise the right.

## Note 2 Ownership structure

The number of shares is 25,755,030 with a quotient value of SEK 0.03 per share. Crown Energy has about 1,900 shareholders. The Company's shares are listed on NGM Equity.

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

Shareholder	Number of shares	Proportion (%)
Ulrik Jansson, private and via company	15,267,226	59%
Comtrack Ventures Ltd	2,173,811	8%
Mocoh Resources Ltd	1,426,833	6%
Alan Simonian	1,175,377	5%
Avanza Pension	636,392	2%
Other shareholders	5,075,391	20%
	<b>25,755,030</b>	<b>100%</b>



### Note 3 Earnings per share and number of shares

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

Crown Energy previously issued 814,954 warrants that could be converted into an equivalent number of ordinary shares. In May 2013, 6,438,757 convertibles were issued that could also be converted into an equivalent number of ordinary shares. As the issue price and the conversion price exceeded the average market price of ordinary shares during the recognised periods, there was no dilutive effect. Nor are convertibles and options considered dilutive if they cause earnings per share to improve (larger gain or smaller loss) after dilution than before dilution.

### Note 4 Intangible assets

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

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

Group (SEK thousand)	2013-01-01	2012-01-01	2012-01-01
	2013-06-30	2012-06-30	2013-12-31
Opening carrying amount	60,946	49,517	49,517
Capital expenditures for the period	723	3,931	11,791
Translation differences	1,725	12	-362
<b>Closing accumulated cost of intangible non-current assets</b>	<b>63,394</b>	<b>53,460</b>	<b>60,946</b>

### Note 5 Cash and cash equivalents

As at 30 June 2013, cash and cash equivalents includes SEK 35,882 thousand for payment of shares in the company that owns 40.5% of the Block 2B licence in South Africa. As at 30 June 2013, bank funds were in a share issue account at Nordea. In July 2013, that is, after the reporting date, the bank funds were transferred to an escrow account, which means that they are in the custody of a third party until the acquisition is completed. Completion of the acquisition requires the approval of Petroleum Agency SA, a South African authority. Crown Energy expects this approval to be given within a twelve month period. See the *Key events during the period* and *Events after the reporting period* sections for a description of the acquisition.

### Note 6 Provisions

In connection with the acquisition of subsidiary Amicoh Resources Ltd., an additional consideration of up to USD 4,000 thousand was agreed upon in the event of a commercial reservoir discovery on Madagascar. The portion paid at discovery of a commercial reservoir is recognised as a provision at a value of SEK 2,521 thousand after present value calculations.

As part of the consideration for Amicoh Resources Limited, it was resolved at a Crown Energy general meeting to also issue warrants directed to the seller of Amicoh Resources Limited. The carrying amount and fair value on 30 June 2013 of the issued options was established as per the customary option valuation model (Black & Scholes).

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

Following is a summary of the provisions:

Group (SEK thousand)	2013-06-30	2012-06-30	2012-12-31
Additional consideration, commercial reservoir	2,521	2,275	2,377
Additional consideration, warrants	88	182	167
<b>Closing balance, other provisions</b>	<b>2,609</b>	<b>2,458</b>	<b>2,543</b>

## Note 7 Accounting of financial instruments

### Carrying amount and fair value

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

The present value of loans from related parties, corresponding to estimated fair value at 30 June 2012, was estimated at SEK 2,718 thousand, which is based on an interest rate of 5% if the loan had been subscribed to at market conditions. The present value is unchanged compared to 31 December 2012.

The nominal value at 30 June 2013 for the convertible debt instrument amounted to SEK 51,513 thousand and was issued 2 May 2013 at a fixed annual interest rate of 10.0 per cent. The value of the convertible debt instrument was calculated based on amortised cost using the effective interest method. Cash flows were discounted at a lending rate of 20%. As at 30 June 2013 the carrying amount, based on the effective interest method, was estimated to be a reasonable approximation of its fair value. The convertible debt instrument was traded at 30 June 2013 on NGM Equity at 90% of the nominal value, corresponding to an annual rate of 11%.

### Financial instruments measured at fair value

Crown Energy classifies, in accordance with IFRS 13, fair value measurement using a fair value hierarchy (three levels) that reflects the reliability of the inputs used in making the measurements. In accordance with IFRS 7 for financial instruments, disclosures about fair value measurement must be made by level.

The following table shows the financial items recognised at fair value via the income statement, divided into the three levels:

Group (SEK thousand)	Level 1	Level 2	Level 3	Total
<b>2013-06-30</b>				
<b>Total assets</b>	-	-	-	-
<b>Liabilities</b>				
<b>Financial liabilities measured at fair value via the income statement:</b>				
Provision for additional consideration, commercial reservoir	-	-	2,521	<b>2,521</b>
Provision for additional consideration, warrants	-	88	-	<b>88</b>
<b>Total liabilities</b>	-	<b>88</b>	2,521	<b>2,609</b>

In conjunction with the acquisition of the subsidiary Amicoh Resources Ltd, provisions have been made for additional considerations, see note 6 *Provisions*. No changes have occurred in Crown Energy's assessments of the provisions' fair value measurement since 31 December 2012. The period's total net effect due to revaluations of fair value was SEK -66 thousand and was recognised in the income statement as a (unrealised) financial expense.

## Note 8 Convertible debt instruments

### Background and conditions in brief

In April 2013, the Parent Company issued 6,438,757 convertibles with a nominal value of SEK 64,388 thousand. The term of the loan is from 2 May 2013 through its maturity date of 30 April 2016, when the aggregate nominal amount of the outstanding convertibles shall be repaid in full in so far as the conversion has not already taken place.

Twice annually (and in March 2016) during the periods 1 June through 30 June and 1 December through 31 December, and also during the period 1 March 2016 through 31 March 2016, holders of the convertibles will be entitled to request conversion of all or part of their claims into new shares in the Company at a conversion price of SEK 10.00 per convertible.

The loan carries an annual interest rate of 10 per cent from 2 May 2013, payable annually in arrears on 2 May with the final payment on the maturity date of 30 April 2016.

The convertible loan is incurred in Swedish krona (SEK).

Completion of the acquisition of a stake in the Block 2B licence in South Africa requires the approval of Petroleum Agency SA, a South African authority. If Petroleum Agency SA in its final ruling does not approve acquisition of the Block 2B licence stake, the Company will immediately redeem the outstanding convertibles at 105 per cent of the issue price. Crown Energy holds that the probability of a rejection by the authorities is very low.

When the South African authorities' permission is received, thereby completing the acquisition, the shares in the newly established English company that owns 40.5 per cent of the Block 2B licence in South Africa, will be placed in escrow at a retained issuing agent through first-hand pledging in favour of the issuing agent. The Company will then pledge the shares as security for its fulfilment of the convertible terms and conditions. If the surety must be enforced, the issuing agent shall distribute recovered assets proportionately to the convertible holders under the convertible terms and conditions. As of 30 June 2013, Crown Energy had not yet taken possession of the shares in the proposed subsidiary, which is why the shares have not yet been pledged.

### Other information about the convertible

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

The preferential rights issue was registered with the Swedish Companies Registration Office on 31 July 2013. Before that, the convertibles were traded on NGM Equity as paid subscription units. As of 5 August 2013, the paid subscription units were replaced by convertibles.

Total transaction costs totalled SEK 7,388 thousand.

### Carrying amounts

Classification of the convertible debt instruments are as follows:

<b>Long-term borrowing</b>			
<b>Group and Parent Company (SEK thousand)</b>	<b>2013-06-30</b>	<b>2012-06-30</b>	<b>2012-12-31</b>
Convertible debt instruments	34,027	-	-
	<b>34,027</b>	-	-

Carrying amount compared to fair value at 30 June 2013 is as follows:

<b>Group and Parent Company (SEK thousand)</b>	<b>Carrying amount</b>	<b>Fair value</b>
Convertible debt instruments	34,027	34,027
	<b>34,027</b>	<b>34,027</b>

Fair value is calculated using cash flows discounted at a lending rate of 20%, which at 30 June 2013 correspond with the carrying amount based on the effective interest method. As at 30 June 2013, the convertibles were traded as paid unit rights on NGM Equity at 90% of face value, which corresponds to an annual rate of about 11%.

As part of the consideration, the sellers receive convertibles with a value of SEK 12,875 thousand. At 30 June 2013, these convertibles had not yet been subscribed for and therefore not recognised as a convertible debt instrument as at 30 June 2013. Subscription of the convertibles occurred in conjunction with finalisation of the agreement 24 July 2013.

The accrued interest payable attributable to the convertible debt instruments was recognised as a current liability and at 30 June 2013 amounted to SEK 1,073 thousand. The fair value of the short-term interest payable corresponds to its carrying amount, as the impact of discounting is not significant.

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

Financial expenses in the income statement in Q2 increased by SEK 2,165 thousand due to the convertible loan.

#### **Note 9 Deferred tax**

Recognised deferred income tax is tax on the surplus value of intangible assets and temporary differences due to the valuation of the convertible loan at amortised cost.

---