

Corporate governance report

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

INTRODUCTION

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

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

Companies whose shares are traded on a regulated market are required to implement the Code. The Code is part of self-regulation in the Swedish business community and is based on the principle of comply or explain. This means that a company applying the Code may deviate from individual rules but must explain the reason for each deviation and provide a description of the solution that was chosen instead. The Code is available at www.corporategovernanceboard.se.

In accordance with the provisions of the Annual Accounts Act and the Code, Swedish companies whose shares are traded on a Swedish regulated market must also prepare a corporate governance report. Crown Energy's 2012 corporate governance report was prepared accordingly and is part of the formal annual accounts.

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

ALLOCATION OF RESPONSIBILITIES

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

SHAREHOLDERS

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

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

GENERAL MEETING

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

Notice of the AGM, as well as of extraordinary general meetings where questions of amending the articles of association will be

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

ANNUAL GENERAL MEETING – ("AGM")

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

- *Adoption of the income statement and balance sheet for the Parent Company and the Group*
- *Discharge of the Board and CEO*
- *Adoption of appropriation of profits, entailing the Company's accumulated earnings of SEK 2,500,968 being brought forward*
- *Adoption of the number of board members and election of board members*
- *Adoption of board fees of SEK 225,000, with SEK 150,000 to the chairman and SEK 75,000 to each non-employed board member*
- *Adoption of audit fees as per approved invoices*
- *Guidelines for remuneration of Group senior executives*
- *Approval of the Board's decision on the directed share issue and a resolution authorising the Board to make decisions affecting the new share issue*

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

Other general meetings

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

NOMINATION COMMITTEE

A nomination committee's main tasks are to present proposals for election of the chairman of the board and board members, fees

to board members, election of auditors, and auditor fees to the AGM. Principles for appointing the nomination committee are resolved at the AGM.

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

BOARD OF DIRECTORS

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

The Board's work is conducted in compliance with the Companies Act, the Code, and other applicable rules and regulations prescribed by the Company. The Board's overall function is to manage the Company's affairs and organisation. The Board currently consists of three members. At present, the Company is reviewing the Board before the 2013 AGM to ensure that it is compliant with the Code. No specific division of duties between board members exists. For additional information on the current board, see the Board of directors, senior executives, and auditors section on pages 11-13 of this report.

At the statutory board meeting following the AGM, Crown Energy's board establishes rules of procedure and instructions concerning interactions between the Board and CEO, along with financial reporting instructions. The rules of procedure are reviewed and approved annually. The Board holds at least four regular meetings in addition to the statutory meeting. The meetings are scheduled as far as possible to coincide with financial reporting and the general meeting. Besides regular meetings, the Board gathers for additional meetings as required. Prior to the NGM Equity listing, the rules of procedure for the Board, instructions for the CEO, and instructions for financial reporting were adapted and expanded to meet the increased demands placed on companies listed on regulated markets.

The work is led by the Chairman of the Board, who has a particular responsibility for ensuring that it is well organised and efficient. This includes ensuring that the Board has the relevant education to discharge its duties, ensuring that it receives sufficient information and supporting documents, and that it is evaluated annually. The Chairman also maintains frequent contact with the company's CEO. The Chairman is appointed at the AGM. Alan Simonian was elected Chairman of the Board at the 2012 AGM.

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

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

The work of the Board in 2012

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

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

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

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

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

Authorisation

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

COMMITTEES

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

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

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

CORPORATE MANAGEMENT

The CEO ensures that operations are conducted in accordance with the Companies Act, other laws and ordinances, applicable rules for listed companies, the articles of association, and the Board's internal control instruments, and in accordance with the Board's established goals and strategies. In consultation with the Chairman of the Board, the CEO compiles the necessary informational and supporting documents for board meetings, presents reports, and motivates decision proposals. Ulrik Jansson is Crown Energy's CEO and is also its principal owner. Ulrik Jansson's holdings in Crown Energy, via the company, on publication of the annual report totalled 15,267,226 shares. He is dependent relative to both the Company and major shareholders.

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

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

INTERNAL AUDITING

The Company has a simple legal and operational structure along with established management and internal control systems. In 2012, the Company did not have a separate internal audit function. In the 2013 fiscal year, the Board intends to regularly monitor the Company's assessment of internal control through contact with the Company's auditors and by other means.

AUDITOR

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

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

REMUNERATION

Remuneration of the Board of Directors

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

Chairman and board members who are not also employees of the company do not receive a salary from the Company and are not eligible to participate in any of the Company's future incentive programs. In 2011, board member Andrew Harriman received warrants representing 100,000 Crown Energy shares. These warrants were issued before Crown Energy was subject to the Code's rules on board members not being included in incentive programs.

Remuneration and benefits for senior executives

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

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

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

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

Peter Mikkelsen and David Jones fulfil their management obligations to the Company on a consulting basis. In 2012, the Company paid SEK 638,442 and SEK 113,707 SEK to Peter Mikkelsen and David Jones, respectively.

Remuneration of auditors

At the 2010 extraordinary general meeting, PwC was appointed as auditor with Peter Burholm acting as the auditor-in-charge for Crown Energy since then. Mr Burholm has been an authorised public accountant since 1995 and is a member of FAR, Sweden's association for accountancy professionals. Remuneration of the auditor is paid on open account. Total remuneration paid to the auditor for fiscal year 2012 (2011) totalled SEK 539,819 (64,500), of which SEK 264,794 (60,000) pertained to audit engagements and SEK 275,025 (4,500) was for other assignments. An audit involves reviewing the annual report and book-keeping along with the administration of the Board of Directors and CEO, other tasks incumbent upon the auditor to perform, and advice or other assistance prompted by observations made during the audit or the performance of other tasks. Everything else is considered other assignments.

INTERNAL CONTROL AND RISK MANAGEMENT OF FINANCIAL REPORTING FOR THE 2012 FISCAL YEAR

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

Control environment

The control environment forms the basis of internal control of the financial statements. The Company's internal control structure is based on a clear division of responsibilities and duties between the Board and CEO as well as within operational activities. In connection with listing of the Company on NGM Equity in December 2012, the Board's and CEO's instructions as well as the disclosure and financial reporting policies were updated. In addition to these guidance documents, there are also other guidelines and policies for operational and administrative activities. All

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

Risk assessment

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

Control activities

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

Information and communication

Internal regulations, policies, and procedural descriptions are available on the Company's internal network. Internal communication to and from the Board and management takes place through regular meetings, either physically or by telephone. The Company's intention is for the meetings between the Board and management to be more frequent and formalised in 2013.

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

Follow-up

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

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

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

Auditor's report

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

Report on the annual accounts and consolidated accounts

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

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

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

Auditor's responsibility

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

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

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance [and its cash flows] for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate govern-

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

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

Report on other legal and regulatory requirements

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement on pages 21-25 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

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

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

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

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

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year. A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.