

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS

FOR
THE PERIOD
1 NOVEMBER 2014 TO 31 DECEMBER 2015

FOR
SIMBO PETROLEUM NO.2 LIMITED
Registered Number 08542642**

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FOR THE PERIOD 1 NOVEMBER 2014 TO 31 DECEMBER 2015**

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COMPANY INFORMATION
FOR THE PERIOD 1 NOVEMBER 2014 TO 31 DECEMBER 2015

DIRECTORS:

Alan Simonian
Andreas Forssell

REGISTERED OFFICE:

1 c Barnes High Street
London
SW13 9LB

REGISTERED NUMBER:

08542642

REPORT OF THE DIRECTORS FOR THE PERIOD 1 NOVEMBER 2014 TO 31 DECEMBER 2015

The directors present their report with the audited financial statements of Simbo Petroleum No.2 Limited ("the Company") for the period 1 November 2014 to 31 December 2015. The prior accounting period (unaudited) was from incorporation on 23 May 2013 to 31 October 2014 thus the current and prior accounting periods are not comparable.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

PRINCIPAL ACTIVITY

The principal activity of the Company in the period continued to be oil and gas exploration.

REVIEW OF BUSINESS

In February 2015, 100 per cent of the Company's registered share capital was acquired by Crown Energy Ventures Corporation. The ultimate controlling party of the Company and owner of 100 per cent of the share capital in Crown Energy Ventures Corporation is Crown Energy AB (publ), a listed company incorporated in Sweden.

In 2015 the accounting period ending 31/10/2015 was extended so as to end on 31/12/2015. Subsequent periods will end on the same day and month in future periods. The period was changed and extended in order for the company to align its accounting reference date with that of the parent company in Sweden.

In December 2015, a farm-out agreement with Africa Energy was signed. As per 31 December 2015, the farm-out was still subject to regulatory approval in South Africa, which means that the transaction was not completed. See paragraph on *Events after the balance sheet date* below.

The Company's plan is to continue with its plan of business, and will continue to hold its interest in the South African licence.

During the current accounting period, the company has adopted Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) for the first time.

The financial statements have been restated this period to correct errors in the recognition of acquisition costs relating to the purchase of Simbo Petroleum No.2 Limited by Crown Energy Ventures Corporation in February 2015. Details of the restatement are given in note 13.

EVENTS AFTER THE BALANCE SHEET DATE

As mentioned above, in December 2015, the Company signed a farm-out agreement with Africa Energy Corp. After receiving regulatory approval and finalising the closing procedure, the farm-out-transaction was completed one year later, on October 21, 2016. The agreement leaves Simbo Petroleum No.2 Limited with 10 per cent of the licence, in exchange for reimbursements for net back costs and Africa Energy paying for future drilling of one of the prospects (so called AJ-1) within the prospect. Africa Energy was simultaneously acquiring the other partners' shares of the licence.

After the closing, Africa Energy holds a 90 per cent interest in the licence and is now the operator. Simbo Petroleum No.2 Limited holds the remaining 10 per cent interest. As per 31 December 2015, the farm-out transaction has not had any valuation or accounting effects on the Company's exploration and evaluation asset.

REPORT OF THE DIRECTORS (CONTINUED)
FOR THE PERIOD 1 NOVEMBER 2014 TO 31 DECEMBER 2015

GOING CONCERN

These financial statements have been prepared on a going concern basis due to the continued support of the ultimate parent company's (Crown Energy AB (publ)). Crown Energy AB has provided a letter of support to the Company, confirming the availability of funds for a period of 18 months from the date of signing these financial statements.

The directors, having assessed the responses of the directors of the Company's ultimate parent (Crown Energy AB (publ)) to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Crown Energy group to continue as a going concern or its ability to continue with the current financing arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Crown Energy AB (publ), the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

FINANCIAL RISK MANAGEMENT

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

The company is dependent on its ultimate parent company's ability to manage risk and the company follows the same risk management policies as the group. The consolidated group financial statements according to IFRS can be found on Crown Energy AB's webpage. Financial risks are described at page 54-55 in the consolidated group financial statements for 2015.

<http://crownenergy.se/en/investors/reports>

DIRECTORS

The directors who have held office during the period from 1 November 2014 to the date of this report are as follows:

Alan Simonian - appointed 23 May 2013

Andreas Forssell – appointed 3 July 2015

Vasilis Zertalis – appointed 6 August 2014 and resigned 19 February 2015

Hans Ulrik Jansson – appointed 19 February 2015 and resigned 3 July 2015

DIRECTORS' INDEMNITIES

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006.

The indemnity was in force throughout the last financial period and is currently in force. The Company also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors.

**REPORT OF THE DIRECTORS (CONTINUED)
FOR THE PERIOD 1 NOVEMBER 2014 TO 31 DECEMBER 2015**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS

During the period, PricewaterhouseCoopers LLP were appointed as auditors. This is the first financial period to be audited.

REPORT OF THE DIRECTORS (CONTINUED)
FOR THE PERIOD 1 NOVEMBER 2014 TO 31 DECEMBER 2015

DIRECTOR'S STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the board at the time of approving the directors' report are listed on page 4. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board:

Stockholm 23 December 2016



Alan Simonian – Director

**INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF
SIMBO PETROLEUM NO.2 LIMITED**

REPORT ON THE FINANCIAL STATEMENTS**Our opinion**

In our opinion, Simbo Petroleum No.2 Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the 14 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the statement of financial position as at 31 December 2015;
- the statement of comprehensive income for the period then ended;
- the statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OPINION ON THE MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the information given in the Report of the directors for the financial period for which the financial statements are prepared is consistent with the financial statements.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF
SIMBO PETROLEUM NO.2 LIMITED (CONTINUED)**

**OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION
(CONTINUED)**

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Report of the directors; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

**INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF
SIMBO PETROLEUM NO.2 LIMITED (CONTINUED)**

**RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT
(CONTINUED)**

What an audit of financial statements involves (continued)

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OTHER MATTER

The financial statements for the period ended 31 October 2014, forming the corresponding figures of the financial statements for the period ended 31 December 2015, are unaudited.

Katherine Stent (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
23 December 2016

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 1 NOVEMBER 2014 TO 31 DECEMBER 2015**

| | Notes | 1 November 2014 to 31 December 2015 US\$ | (Restated and unaudited) 23 May 2013 to 31 October 2014 US\$ |
|--|-------|---|--|
| Other operating costs | 3 | (34,562) | (79,423) |
| Administrative expenses | | (1,511) | (121,871) |
| OPERATING LOSS | | (36,073) | (201,294) |
| Interest receivable and similar income | 4 | 199,142 | - |
| Interest payable and similar charges | 5 | (215,877) | (66) |
| | | (16,735) | (66) |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (52,808) | (201,360) |
| Tax on loss on ordinary activities | 6 | - | - |
| LOSS FOR THE FINANCIAL PERIOD | | (52,808) | (201,360) |
| Other comprehensive income | | - | - |
| TOTAL COMPREHENSIVE EXPENSE | | (52,808) | (201,360) |

The company's results are derived entirely from continuing activities.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

| | Note | 2015 US\$ | (Restated and unaudited) 31 October 2014 US\$ |
|--|------|--------------------|--|
| FIXED ASSETS | | | |
| Intangible assets | 7 | 2,555,071 | 1,796,505 |
| CURRENT ASSETS | | | |
| Cash at bank and in hand | | 539 | 61 |
| CREDITORS: | | | |
| Amounts falling due within one year | 8 | (2,809,763) | (121,871) |
| NET CURRENT LIABILITIES | | <u>(2,809,224)</u> | <u>(121,810)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>(254,153)</u> | <u>1,674,695</u> |
| CREDITORS: | | | |
| Amounts falling due after more than one year | 9 | - | (1,876,040) |
| NET LIABILITIES | | <u>(254,153)</u> | <u>(201,345)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 10 | 15 | 15 |
| Profit and loss account | | (254,168) | (201,360) |
| TOTAL SHAREHOLDERS' FUNDS | | <u>(254,153)</u> | <u>(201,345)</u> |

The financial statements on pages 10 – 24 were approved by the Board of Directors on 23 December 2016 and were signed on its behalf by:



Alan Simonian - Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2015**

| | Note | Called up share capital US\$ | Retained earnings US\$ | Total equity US\$ |
|---|------|---------------------------------------|------------------------------|-------------------------|
| AT 23 MAY 2013 | | 15 | – | 15 |
| Profit for the financial year as previously stated | | | (472,224) | (472,224) |
| Other comprehensive income | | – | – | – |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR as previously stated | | 15 | (472,224) | – (472,224) |
| AT 31 OCTOBER 2014 as previously stated | | 15 | (472,224) | (472,209) |
| AT 1 NOVEMBER 2014 as previously stated* | | 15 | (472,224) | (472,209) |
| Prior period restatement | 13 | | 270,864 | 270,864 |
| RESTATED BALANCE AT 1 NOVEMBER 2014 | | 15 | (201,360) | (201,345) |
| Loss for the financial year | | | (52,808) | (52,808) |
| Other comprehensive income | | – | – | – |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | – | (52,808) | (52,808) |
| AT 31 DECEMBER 2015 | | 15 | (254,168) | (254,153) |

*Previous reporting period was the company's first reporting period and the financial statements were then expressed in UK sterling, see note 2.4 for more details.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

NOTE 1 - GENERAL INFORMATION

The financial statements of Simbo Petroleum No.2 Limited (the "Company") for the period ended 31 December 2015 were authorised for issue by the board of directors on 23 December 2016 and the statement of financial position was signed on the board's behalf by Alan Simonian.

Simbo Petroleum No.2 Limited is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is 1 c Barnes High Street, London SW13 9LB.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless stated otherwise.

2.1 Basis of preparation

The financial statements of Simbo Petroleum No.2 Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). This is the first period in which FRS 101 has been applied and information relating to the transition to FRS 101 can be found in note 14. The date of transition to FRS 101 was 23 May 2013.

The first mandatory accounting period for FRS 101 is for accounting periods beginning on or after 1 January 2015 therefore the Company has chosen to early adopt FRS 101.

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The prior period accounts were unaudited as the Company took advantage of the then available exemption to it not to have an audit.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, "Financial Instruments: Disclosures.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - paragraph 79(a) (iv) of IAS 1;
 - paragraph 73(e) of IAS 16 'Property, plant and equipment';
 - paragraph 118(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B(D (additional comparative information),
 - 111 (cash flow statement information), and
 - 134(138 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Restatement

The comparative figures for the period ended 31 October 2014 have been restated to correct an error in the recognition of acquisition costs relating to the purchase of Simbo Petroleum No.2 Limited by Crown Energy Ventures Corporation in February 2015. The impact of the restatement has been a decrease in the reserves deficit of \$270,864, a decrease in the cost of intangible assets (\$321,703) and a decrease in creditors of \$592,567. See note 13 for further details.

2.2 Going concern

These financial statements have been prepared on a going concern basis due to the continued support of the ultimate parent company's (Crown Energy AB (publ)). Crown Energy AB has provided a letter of support to Simbo Petroleum No. 2 Limited, confirming the availability of funds for a period of 18 months from the date of signing these financial statements.

The directors, having assessed the responses of the directors of the Company's ultimate parent (Crown Energy AB (publ)) to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Crown Energy group to continue as a going concern or its ability to continue with the current financing arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Crown Energy AB (publ), the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policies and disclosures

New and amended standards adopted by the Company

There were very few new standards and amended standards and interpretations that have been published and will be effective for the first time for fiscal years beginning on or after 1 January 2015 and they did not have an impact on the Company's financial reporting.

2.4 Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the company operates ("functional currency"). The Company's functional currency is U.S. dollar. Previous reporting period was the company's first reporting period and the financial statement was then expressed in UK sterling. The reason for changing the functional currency was that the environment, i.e. the oil and gas industry normally uses U.S Dollar. The Company seldom has transactions in UK Sterling.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non(monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non(monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of above mentioned transactions and from the translation at year (end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within "Other operating income".

Exchange rates used during reporting period and previous reporting period.

| | USD>GBP | GBP>USD |
|--|---------|---------|
| Closing rate (31 October 2014 | 0.625 | 1.599 |
| Average (23 May 2013 (31 October 2014 | 0.616 | 1.624 |
| Closing rate (31 December 2015 | 0.675 | 1.480 |
| Average (1 November 2014 (31 December 2015 | 0.652 | 1.534 |

2.5 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets - exploration and evaluation assets

Accounting for exploration, evaluation, and development costs

The Company complies with IFRS 6, Exploration for and Evaluation of Mineral Resources, in reporting any exploration and evaluation expenditures that arise. Exploration and evaluation assets are initially recognised at cost, provided that it is probable that they will generate future economic benefits. All costs for acquiring concessions, licences, or interests in production sharing contracts and for technical surveys, drilling, and development of such interests are capitalised. This includes capitalisation of future decommissioning and restoration costs.

Exploration and evaluation assets can be classified as both property, plant, and equipment and intangible assets. Classification is done consistently over time. The Company currently only has intangible assets.

Amortisation

Exploration and evaluation assets classified as intangible assets are not amortised. Instead, the assets are regularly evaluated to determine whether any impairment exists. As the Company only holds intangible assets, no amortisation occurred during the reported periods.

Impairment

Exploration and evaluation assets are tested for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Examples of circumstances that may indicate an impairment exists are when the deadline for the exploration period has expired or will expire in the near future, there are no plans for further exploration, exploration and evaluation have not led to any discoveries of commercial size, or when conditions have deteriorated in terms of recovery of value from a sale. Impairment is tested for each cash generating unit, which consists of each individually acquired licence and concession right along with stakes in any oil discoveries in the country in which the Company operate. An impairment loss is recognised in accordance with IAS 36 when an asset or cash(generating unit's carrying amount exceeds its recoverable amount. Impairment losses are recognised 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 to oil and gas assets

When the technical feasibility and commercial viability of extracting oil and gas can be proven, assets are no longer classified as exploration and evaluation assets. Instead, they are classified as an oil or gas asset. They are then reclassified, after which they are recognized according to IAS 16 and IAS 38.

Oil and gas assets comprise reclassified exploration and evaluation assets and capitalised development costs. Depreciation/amortization of the relevant asset beings in conjunction with the start of production. The assets are tested for impairment regularly and if it is established that they are impaired, the asset is expensed in the form of an impairment loss via the income statement.

Oil and gas assets are categorised as either producing or nonproducing. 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,

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets - exploration and evaluation assets (continued)

all costs incurred are written off at that time. The Company does not hold any assets classified as oil and gas assets at this time.

Jointly owned assets in the form of licences

The Company's interests in jointly controlled assets in the form of licences, are based on the proportion of the licence held. At 31 December 2015, the Company's only asset, Block 2B in South Africa, is jointly owned and the working is 40.5 per cent. Simbo Petroleum No.2 Limited is not the operator. Exploration and evaluation is mostly managed by the operator. A budget for the licence is set annually, which all partners must approve. Based on these projected expenditures, the operator then performs the agreed upon work. The expenditures for this work are charged to the other partners based on each partner's working interest. The Company capitalises these expenditures as exploration and evaluation assets.

Farm-outs

Farm-outs are subject to the policies of IFRS 6 in the event they involve exploration and evaluation assets. The Company recognizes cash payments directly against the asset and retains the recognized share of the asset less cash payments received. As a result, no revenue is recognised in conjunction with farm-outs unless the cash payment exceeds the carrying amount of the farmed out asset. Future payments are not recognised at the transaction date.

If a farm-out involves oil and gas assets, recognition is subject to the policies of IAS 16. The Company then derecognises the carrying amount of the asset in proportion to the share of ownership farmed out and recognises any future payments in the balance sheet.

Once a payment received, which is part of a transaction, has been recognised, a capital gain or loss is recognised in the income statement. After completion of the transaction, the Company assesses whether the cash-generating units are impaired. Impairment losses impact the income statement.

2.7 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.8 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognized in other comprehensive income or directly in shareholder' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current and deferred income tax (continued)

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.9 Financial instruments

Financial assets and liabilities are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost unless state otherwise. Financial assets are removed from the balance sheet when the rights to receive cash flows from the instrument have expired or been transferred, and the Company 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.

Financial assets and liabilities are offset and recognised at a net amount in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and an intention to settle them on a net basis or to capitalise the asset and settle the liability.

The Company recognizes the following financial assets and liabilities:

- Loans and receivables and other financial assets are carried at amortised cost using the effective interest method less provision for impairment.
- Other financial liabilities includes borrowings and other financial liabilities, such as creditors. The Company's borrowings include loans from related parties. Creditors and other current liabilities are classified as other financial liabilities. These financial liabilities are generally recognised initially at fair value and subsequently at amortised cost using the effective interest method. Debts of less than three months are recognised at cost. Loans from related parties, classified as current liabilities, are also recognised at cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Judgement and key sources of estimation uncertainty

The preparation of financial statements requires the directors to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Impairment losses on exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Impairment testing is done by cash(generating unit, which in the Company's case consists of each individually acquired licence. Currently there is only one licence. The licence has been evaluated 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 farm(out(transaction to Africa Energy Corp.

Oil prices

The current downturn in oil prices is a factor that could indicate that impairment exists for an exploration and evaluation asset. Since the Company is not currently in production, oil prices have not had a direct impact on the asset value, as the carrying amount is 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 discoveries for production. Provided that supplier agreements are negotiated based on current depressed costs and that long(term oil prices remain at a higher level, development cost estimates could be even more profitable than before. Based on the nature of the Company's current asset, its geographic location, etc. in combination with the types of investments being made in the industry at this time and the general decline in exploration costs, it has been determined that the decline in oil prices does not indicate that the fair value of the Company's asset is lower than its carrying amount.

Farm(out transaction

On December 17, 2015, the Company signed a farm(out agreement with Africa Energy Corp. Simbo Petroleum No.2 Ltd will retain a 10 percent interest, with costs of drilling and, if applicable, testing of the next exploration well funded by Africa Energy Corp. This means that Africa Energy Corp receives 30,5% in the block. Also, Africa Energy Corp acquires the other partners' shares in the block, which means that Africa Energy Corp will take over the operatorship from Thombo Petroleum. The transactions are subject to regulatory and South African Government approvals, as well as other 3rd Party Consents. These approvals and consents were received first in October 2016 and the transaction could then be completed (see Note 16 *Events after the balance sheet date*). As per 31 December 2015, the transaction was not completed.

A farm(out can be made on conditions which actually could indicate an impairment need of the asset held to full interest, already in year(end 2015. Especially in times of low and decreasing oil prices and the reluctance of investing in high(risk projects. Simbo Petroleum is of the view that the farm(out agreement

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Judgement and key sources of estimation uncertainty (continued)

was signed on terms that are reasonable, commercial and good, even if we of course might have received better terms if the circumstances in the industry were different.

Based on Africa Energy Corp's commitments, the farm-out transaction does not indicate that the fair value is lower than its carrying amount.

NOTE 3 - OPERATING LOSS

The operating loss is stated after (crediting):

| | (Restated and unaudited) |
|------------------------|--------------------------------|
| 2015 | 2014 |
| US\$ | US\$ |
| Foreign exchange gains | (34,562) (79,423) |
| | <u>(34,562) (79,423)</u> |

There are no director's remunerations or other benefits. Audit fee for the current period will be borne by ultimate parent company. Previous period was subject to audit exemption.

NOTE 4 - INTEREST RECEIVABLE AND SIMILAR INCOME

| | (Restated and unaudited) |
|------------------------|--------------------------------|
| 2015 | 2014 |
| US\$ | US\$ |
| Other financial income | 199,142 - |
| | <u>199,142 -</u> |

NOTE 5 - INTEREST PAYABLE AND SIMILAR CHARGES

| | (Restated and unaudited) |
|--------------------------------|--------------------------------|
| 2015 | 2014 |
| US\$ | US\$ |
| Bank charges | (2,421) (66) |
| Interest on intercompany loans | (201,593) - |
| Other charges | (11,863) - |
| | <u>(215,877) (66)</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

NOTE 6 – TAX ON LOSS ON ORDINARY ACTIVITIES

There has not been any tax expense or income recognized in either profit or loss, comprehensive income or equity. Differences between recognised tax expense and estimated tax expense based on current tax rates are as follows:

| | (Restated*** and unaudited) | |
|---|-----------------------------------|-----------|
| | 2015 | 2014 |
| | US\$ | US\$ |
| Loss on ordinary activities before taxation | (52,808) | (201,360) |
| Income tax calculated as per current tax rate * | 10,752 | 44,662 |
| <u>Tax effects of:</u> | | |
| Tax losses for which no deferred tax asset was recognized** | (10,752) | (44,662) |
| Total tax charge | <u>-</u> | <u>-</u> |

*Standard rate of corporation tax in UK for the period ended 31 December 2015 was 20.36%. Standard rate for the period ended 31 October 2014 was 22.18%.

** No deferred tax income is recognized on losses. At the statement of financial position date, the company had losses of \$52,808. The company does not recognise deferred tax on losses.

*** The tax return has been amended to reflect the correction of the prior period error. See note 13 for details.

NOTE 7 - INTANGIBLE ASSETS

Intangible fixed assets represents a 40.5% interest in the licence Block 2B in South Africa. No amortisation is taken during the exploration and development phase.

| | 2015 US\$ |
|---|-------------------------|
| COST | |
| At 31 October 2014 (restated and unaudited) | 1,796,505 |
| Additions | 758,566 |
| At 31 December 2015 | <u><u>2,555,071</u></u> |
| NET BOOK VALUE | |
| At 31 October 2014 (restated and unaudited) | <u>1,796,505</u> |
| At 31 December 2015 | <u><u>2,555,071</u></u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

NOTE 8 – CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2015 | (Restated and unaudited) 2014 |
|--|--------------------|--|
| | US\$ | US\$ |
| Intercompany loans including interest, see note 11 | (2,714,250) | - |
| Other creditors | (95,513) | (121,871) |
| | <u>(2,809,763)</u> | <u>(121,871)</u> |

Intercompany loans and interest

Intercompany loans consist of loans to parent company Crown Energy Ventures Corporation and ultimate parent company Crown Energy AB (publ), (see note 13 for a more detailed description). The amounts outstanding are unsecured. No guarantees have been given or received. Amounts repayable to group companies carry interest of 10 per cent per annum charged on the outstanding loan balances. The amounts are repayable upon demand.

NOTE 9 – CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2015 | (Restated and unaudited) 2014 |
|-----------------|----------|--|
| | US\$ | US\$ |
| Other creditors | - | (1,876,040) |
| | <u>-</u> | <u>(1,876,040)</u> |

NOTE 10 - CALLED UP SHARE CAPITAL

Allotted, called up and fully paid in British Pounds, £:

| Number: | Class: | Nominal value: | £ |
|---------|----------|----------------|-----------|
| 1000 | Ordinary | 0.01 | <u>10</u> |

Exchange rate as per 31 December 2015 is GBP/USD = 0.67547

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

NOTE 11 - RELATED PARTY DISCLOSURES

Crown Energy Ventures Corporation

Crown Energy Ventures Corporation is the immediate parent company of Simbo Petroleum No.2 Limited and owns 100 per cent of the company's share capital. Simbo 2 regularly receives loan contribution from the Crown Energy Ventures Corporation.

| | 2015 US\$ |
|--|------------------|
| Amount due to related party at the balance sheet date (creditors: amounts falling due within one year), including interest | <u>(985,333)</u> |

Crown Energy AB

Crown Energy AB owns 100 per cent of the parent company's share capital and is the ultimate controlling party of Simbo Petroleum No.2 Limited. Crown Energy AB is public company incorporated in Sweden. Simbo Petroleum No.2 Limited received a loan from Crown Energy AB related to investments in oil and gas exploration assets.

| | 2015 US\$ |
|---|--------------------|
| Amount due to related party at the balance sheet date (creditors – amounts falling due within one year), including interest | <u>(1,728,917)</u> |

Other

There have not been any transactions with directors in the period.

NOTE 12 - ULTIMATE CONTROLLING PARTY

The immediate parent undertaking is Crown Energy Ventures Corporation.

The ultimate controlling party is Crown Energy AB (publ). Crown Energy AB (publ) is a public company at NGM Equity in Stockholm, incorporated in Sweden. The largest and smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member is Crown Energy AB (publ). Simbo Petroleum No.2 Limited is included within these consolidated group financial statements which are publicly available from Norrlandsgatan 18, 111 43 Stockholm, Sweden or at webpage www.crownenergy.se

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

NOTE 13 - RESTATEMENT

These financial statements have been restated to correct errors in the recognition of acquisition costs relating to the purchase of Simbo Petroleum No.2 Limited by Crown Energy Ventures Corporation in February 2015. Costs, related to Crown Energy Ventures Corporation's acquisition of Simbo Petroleum No.2 Limited were recorded in Simbo Petroleum No.2 Limited. These costs related to legal and administrative services in connection with the acquisition and should not have been recorded in Simbo Petroleum No.2 Limited.

The following changes have been made:

| US\$ | Amount in prior period before adjustment (Unaudited) | Adjustment (Unaudited) | Amount in prior period after adjustment (Unaudited) |
|---|--|---------------------------|---|
| Statement of comprehensive income | | | |
| Administrative expense | (472,224) | 270,864 | (201,360) |
| Statement of financial position | | | |
| Intangible assets | 2,118,208 | (321,703) | 1,796,505 |
| Creditors: Amounts falling due after more than one year | (2,468,607) | 592,567 | (1,876,040) |

NOTE 14 - TRANSITION TO FRS 101

The transition to FRS 101 has not had any material impact on current or previous periods' financial statements. The transition has only had impact on the financial statement presentation and disclosures.

NOTE 15 - EVENTS AFTER THE BALANCE SHEET DATE

In December 2015, a farm-out agreement with Africa Energy Corp was signed. The agreement leaves Simbo Petroleum No.2 Limited with 10 per cent of the licence (see intangible assets) in exchange for reimbursements for net back costs and Africa Energy Corp paying for future drilling of one of the prospects (the so called AJ-1 prospect) within the licence. Africa Energy was simultaneously acquiring the other partners' shares of the licence.

After receiving regulatory approval and finalising closing documentation, the farm-out transaction was completed almost one year later, on October 21, 2016. After the closing, Africa Energy Corp holds a 90 per cent interest in the licence and is now the operator. Simbo Petroleum No.2 Limited holds after the farm-out 10 per cent interest in the licence. The farm-out has, as per 31 December 2015, not had any valuation or accounting effects on the Simbo Petroleum No.2 Limited's exploration and evaluation asset.