

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS**

**FOR
THE YEAR ENDED
31 DECEMBER 2020**

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

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FOR THE YEAR ENDED 31 DECEMBER 2020**

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**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020**

DIRECTORS:

Alan Simonian
Andreas Forssell

REGISTERED OFFICE:

Suite A
30, Barnes High Street
London
SW13 9LW
UK

REGISTERED NUMBER:

08542642

AUDITORS:

Sayers Butterworth LLP
3rd Floor, 12 Gough Square
London
EC4A 3DW

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report with the audited financial statements of Simbo Petroleum No.2 Limited ("the Company") for the year ended 31 December 2020.

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

PRINCIPAL ACTIVITIES

The principal activity of the Company in the year 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 December 2015, a farm-out agreement with Africa Energy Corporation was signed. The agreement left Simbo Petroleum No.2 Limited with 10 per cent of the licence, in exchange for reimbursements for net back costs and Africa Energy Corporation paying for future drilling of one of the prospects (so called AJ-1) within the prospect. Africa Energy Corporation was simultaneously acquiring the other partners' shares of the licence. After the closing of the farm-out, Africa Energy Corporation 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.

During 2018 the partnership moved into the next phase of the Block 2B licence which stretched to February 2020. In February 2020 the Operator applied to the authorities to move into the third phase of the Exploration Right with the commitment to drill the well.

The Operator, Africa Energy also announced that it had farmed out a significant part of its equity in the ER to two new oil companies, Azinam, which would take over as Operator, and Panoro Energy.

In November 2020, the Petroleum Agency of South Africa ('PASA') gave its approval for the partnership to move into the next phase, and that approval was then sent to the Government of South Africa for formal approval by the Minister of Mining and Petroleum Resources.

2020 saw significant difficulties for the world with the breakout of the COVID 19 pandemic and COVID caused major problems in South Africa, where the Government imposed a strong lockdown and Government offices were closed for long periods. This of course had the effect of slowing down progress with the project.

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

EVENTS AFTER THE BALANCE SHEET DATE

Africa Energy signs farmout agreement for Block 2B

On April 20th 2021, Africa Energy Corp ("Africa Energy"), Simbo Petroleum No.2 Limited's partner and also the Operator of Block 2B offshore South Africa, announced the formal approval of the two farmout agreements whereby Africa Energy transferred 62.5 per cent participating interest in the Exploration Right

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

Africa Energy completes farmout agreement for Block 2B (continued)

for Block 2B in consideration for a carry through the next exploration well, Gazania-1, and retained a 27.5 per cent participating interest in Block 2B. Azinam took 50% and Panoro took 10% both fully paying interests.

Azinam then became Operator of the ER and took over all the preparations for the drilling of the well, which was expected to spud by the end of 2021.

Under the terms of the two farmout agreements entered into with Azinam Limited ("Azinam") and Panoro Energy ASA ("Panoro"), Africa Energy farms-out 50 and 12.5 per cent respectively of its participating interest and transfer the Operatorship in Block 2B to Azinam.

Azinam is a private Southern Africa-focused oil and gas exploration company financially backed by Seacrest Capital. Azinam is part of a group of upstream oil and gas companies with extensive operating experience, including drilling multiple wells in the North Sea and sizeable oil production. Panoro is an Africa-focused independent oil and gas production and exploration company listed on the Oslo Stock Exchange. The Company's 10 per cent share is financed for the next well drilling and additional costs for well testing.

Global spread of COVID-19

From January 2020 until the release of these financial statements, the spread of the COVID-19 virus has had major effects on the global economy. During 2020, travel decreased drastically as a result of global restrictions and oil prices and stock exchanges around the world fluctuated significantly in valuations. Since the approval of vaccines in November oil prices and stock exchange valuations have increased. There has also been an increase, although small, in global travel. The rollout of vaccines from the end of 2020 has also had a positive effect. However, we see that different variants of covid, such as the delta strain, are still causing huge problems. Therefore, the long term effects of the pandemic remain difficult to foresee, and conditions change daily, which is why Simbo Petroleum No.2 Limited cannot quantify any effects that the virus has or could have on the Company's operations. However, the current oil price is buoyant, moving between the \$60's to \$70's. The long-term forecasts for the oil price are looking more bullish now. Therefore, it is unlikely that the Company's exploration assets may need to be written down. The Company is closely monitoring reports on COVID-19, the oil price and the situation in the countries in which we operate. The next financial update will be made in connection with the Parent company's interim report for Q3, which is scheduled to be presented on 20 November 2021.

GOING CONCERN

These financial statements have been prepared on a going concern basis due to the continued support of the ultimate parent company (Crown Energy AB (publ)), which is carried for the upcoming well. Crown Energy AB (publ) has provided a letter of support to the Company, confirming the availability of funds for a period of 12 months from the date of signing these financial statements.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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 (publ)'s webpage. Financial risks are described in Note 4 at page 45-49 the consolidated group financial statements for 2020.

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

DIRECTORS

The directors who have held office during the year from 1 January 2020 to the date of this report are as follows:

Alan Simonian
Andreas Forssell

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 year Directors' and Officers' liability insurance in respect of itself and its Directors.

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally

Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that so far as they are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the company's auditors are unaware. They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

INDEPENDENT AUDITORS

The auditors, Sayers Butterworth LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board:

21 September 2021



Alan Simonian – Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIMBO PETROLEUM NO.2 LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Simbo Petroleum No.2 Limited (the "company") for the year ended 31 December 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine

whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Burch (Senior Statutory Auditor)
for and on behalf of Sayers Butterworth LLP
Chartered Accountants and Statutory Auditors
3rd Floor, 12 Gough Square
London
EC4A 3DW

Date: 21 September 2021

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**


	Note	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Administrative expenses		(129,281)	(96,421)
Other operating income		213	939
OPERATING LOSS	3	(129,068)	(95,482)
Other interest receivable and similar income	4	-	109,673
Interest payable and similar expenses	5	(513,665)	(60,475)
		(642,733)	49,198
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(642,733)	(46,284)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(642,733)	(46,284)

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Note	2020 US\$	2019 US\$
FIXED ASSETS			
Intangible Assets	7	2,486,766	2,470,181
CURRENT ASSETS			
Cash at bank and in hand		531	5,218
TOTAL CURRENT ASSETS		531	5,218
Creditors: amounts falling due within one year	8	(159,011)	(155,747)
NET CURRENT LIABILITIES		(158,480)	(150,529)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,328,286	2,319,652
Creditors: amounts falling due after more than one year	9	(3,802,849)	(3,151,482)
NET LIABILITIES		(1,474,563)	(831,830)
CAPITAL AND RESERVES			
Called up share capital	10	15	15
Profit and loss account		(1,474,578)	(831,845)
TOTAL SHAREHOLDERS' DEFICIT		(1,474,563)	(831,830)

The financial statements were approved and authorised for issue by the Board of Directors on 21 September 2021 and were signed on its behalf by:


Alan Simonian - Director

STATEMENT OF CHANGES IN EQUITY**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital US\$	Profit and loss account US\$	Total shareholders' deficit US\$
AT 1 JANUARY 2019	15	(785,561)	(785,546)
Profit for the financial year	–	(46,284)	(46,284)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	(46,284)	(46,284)
AT 31 DECEMBER 2019	15	(831,845)	(831,830)
AT 1 JANUARY 2020	15	(831,845)	(831,830)
Loss for the financial year	–	(642,733)	(642,733)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	(642,733)	(642,733)
AT 31 DECEMBER 2020	15	(1,474,578)	(1,474,563)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 1 - GENERAL INFORMATION

The financial statements of Simbo Petroleum No.2 Limited (the "Company") for the year ended 31 December 2020 were authorised for issue by the board of directors 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 Suite A, 30 Barnes High Street, London SW13 9LW, England.

The functional and presentational currency of the company is \$ (US Dollars).

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

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 2.9.

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).
- 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 (statement of cash flow information), and
 - 134-136 (capital management disclosures).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

- 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.

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 (Crown Energy AB (publ)). Crown Energy AB (publ) has provided a letter of support to Simbo Petroleum No. 2 Limited, confirming the availability of funds for a period of 12 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.

2.3 Changes in accounting policies and disclosures

New and amended standards adopted by the Company

IFRS 16 is a new accounting standard that is effective for the year ended 31 December 2019 but has no material impact on the Company. There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2020 that have had a material impact on the company.

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. The reporting period ended 31 October 2014 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (continued)

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" or "Other operating costs".

2.5 Cash and cash equivalents

Cash and cash equivalents include 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets - exploration and evaluation assets (continued)

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 Statement of Comprehensive Income.

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 Statement of Comprehensive Income.

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, 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 2020, the Company's only asset, Block 2B in South Africa, is jointly owned and the working is 10 per cent. Simbo Petroleum No.2 Limited is not the operator. Exploration and evaluation are 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets - exploration and evaluation assets (continued)

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 Statement of Comprehensive Income. After completion of the transaction, the Company assesses whether the cash-generating units are impaired. Impairment losses impact the Statement of Comprehensive Income.

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 shareholders' 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Statement of Financial Position 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 Statement of Financial Position when contractual obligations have been fulfilled or are otherwise extinguished.

Financial assets and liabilities are offset and recognised at a net amount in the Statement of Financial Position 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 include 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.

2.9 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 Statement of Financial Position 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 Corporation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Judgement and key sources of estimation uncertainty (continued)

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 Corporation. Simbo Petroleum No.2 Ltd retained a 10% interest, with costs of drilling and, if applicable, testing of the next exploration well funded by Africa Energy Corporation. This means that Africa Energy Corporation received 30.5% interest in the block. Also, Africa Energy Corporation acquired the other partners' shares in the block, which means that Africa Energy Corporation took over the operatorship from previous operator. The transactions were subject to regulatory and South African Government approvals, as well as other 3rd Party Consents. These approvals and consents were received in October 2016 and the transaction could then be completed.

A farm-out can be made on conditions which actually could indicate an impairment need of the asset held to full interest. Especially in times of low and decreasing oil prices and the reluctance of investing in high-risk projects. The Company is of the view that the farm-out agreement was signed on terms that are reasonable, commercial and good, even if it of course might have received better terms if the circumstances in the industry were different.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 3 - OPERATING LOSS

The operating loss is stated after (debiting or crediting):

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Foreign exchange gains/(losses)	213	939
Auditor's remuneration	(12,484)	(12,913)

There were no employees during the year apart from the directors. Neither of the directors received any remuneration for their services to the company for the year.

NOTE 4 – OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Foreign exchange gains	-	109,673
	-	<u>109,673</u>

NOTE 5 - INTEREST PAYABLE AND SIMILAR EXPENSES

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Bank charges	(81)	(69)
Interest on intercompany loans	(55,883)	(51,261)
Foreign exchange losses	(449,749)	-
Interest on overdue taxation	(7,952)	(9,145)
	<u>(513,665)</u>	<u>(60,475)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 6 – TAX ON (LOSS)/PROFIT

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:

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
(Loss)/Profit before taxation	(642,733)	(46,284)
Income tax calculated as per current tax rate *	122,119	8,794
<u>Tax effects of:</u>		
Tax losses for which no deferred tax asset was recognized**	(121,722)	(13,227)
Research and development allowances	(397)	4,433
Utilised losses brought forward	-	-
Total tax charge	-	-

* Standard rate of corporation tax in UK for the year ended 31 December 2020 was 19%. Standard rate of corporation tax in UK for the year ended 31 December 2019 was 19%.

** No deferred tax is recognised. At the statement of financial position date, the company has unrecognized deferred tax of \$465,466. The ultimate realisation of deferred income tax assets is dependent on the generation of future available profit during the year in which those timing differences will reverse. At 31 December 2020, a deferred tax asset has not been recognised due to the uncertainty surrounding the availability of suitable future profits.

NOTE 7 - INTANGIBLE ASSETS

Intangible fixed assets represent after a farm-out in October 2016 a 10% interest in the licence Block 2B in South Africa. The farm-out transaction has not had any valuation impact on the exploration and evaluation asset. Cash payment received from Africa Energy Corporation has been recognised directly against the asset and the recognised share of the asset has been retained less the cash payment received. No revenue was recognised in conjunction with the farm-out as the cash payment did not exceed the carrying amount. Future payments were not recognised at the transaction date. No amortisation is taken during the exploration and development phase.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 7 - INTANGIBLE ASSETS (CONTINUED)

	Evaluation and exploration US\$
COST	
At 1 January 2020	2,470,181
Additions	16,585
At 31 December 2020	<u>2,486,766</u>
 NET BOOK VALUE	
At 31 December 2019	<u>2,470,181</u>
 At 31 December 2020	<u>2,486,766</u>

NOTE 8 – CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 US\$	2019 US\$
Accruals and deferred income	(12,999)	(13,110)
Taxation and social security - foreign	(146,012)	(142,637)
	<u>(159,011)</u>	<u>(155,747)</u>

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

	2020 US\$	2019 US\$
Amounts owed to group undertakings	(3,802,849)	(3,151,482)
	<u>(3,801,849)</u>	<u>(3,151,482)</u>

Amounts owed to group undertakings comprise loans and interest. Intercompany loans consist of loans to parent company Crown Energy Ventures Corporation and ultimate parent company Crown Energy AB (publ). The amounts outstanding are unsecured. No guarantees have been given or received. Amounts repayable to group companies carry interest of STIBOR (6 months) +2% per cent per annum charged on the outstanding loan balances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 10 - CALLED UP SHARE CAPITAL

Allotted, called up and fully paid:

Number:	Class:	US\$
1,000 (2019: 1,000)	Ordinary	<u>15</u>

Nominal value is 0.01 £.

NOTE 11 – ULTIMATE CONTROLLING PARTY

The immediate parent undertaking is Crown Energy Ventures Corporation.

The ultimate controlling party and the ultimate parent undertaking 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 Brahegatan 30, 114 37 Stockholm, Sweden or at webpage www.crownenergy.se.

NOTE 12 - EVENTS AFTER THE BALANCE SHEET DATE

Africa Energy signs farmout agreement for Block 2B

On April 20th 2021, Africa Energy Corp (“Africa Energy”), Simbo Petroleum No.2 Limited’s partner and also the Operator of Block 2B offshore South Africa, announced the formal approval of the two farmout agreements whereby Africa Energy transferred 62.5 per cent participating interest in the Exploration Right for Block 2B in consideration for a carry through the next exploration well, Gazania-1, and retained a 27.5 per cent participating interest in Block 2B. Azinam took 50% and Panoro took 10% both fully paying interests.

Azinam then became Operator of the ER and took over all the preparations for the drilling of the well, which was expected to spud by the end of 2021.

Under the terms of the two farmout agreements entered into with Azinam Limited (“Azinam”) and Panoro Energy ASA (“Panoro”), Africa Energy farms-out 50 and 12.5 per cent respectively of its participating interest and transfer the Operatorship in Block 2B to Azinam.

Azinam is a private Southern Africa-focused oil and gas exploration company financially backed by Seacrest Capital. Azinam is part of a group of upstream oil and gas companies with extensive operating experience, including drilling multiple wells in the North Sea and sizeable oil production. Panoro is an Africa-focused independent oil and gas production and exploration company listed on the Oslo Stock Exchange.

NOTE 13 – RESERVES

Profit and loss account

The profit and loss reserve include all current and prior period retained profits and losses.