



Dear fellow shareholders,

Needless to say, it has been an eventful year for Crown Energy, and I would like to send Christmas greetings and a short update to all of you.

Soon after I became CEO, we established several business objectives. As 2016 now draws to a close, we have basically achieved all those objectives, which is fulfilling as CEO. To me, the most important things we have achieved are:

- Farming-out Block 2B in South Africa to Africa Energy, the first farm-out deal for Crown Energy.
- Finding a strong new owner in Cement Fund, which contributed capital, knowledge and contacts. Cement Fund's contribution means that we are in fact a debt free company that also has the resources to do more business.
- Acquiring ESI, a cash-generating business.

All these steps were aimed at creating a larger company with revenues and cash flows – now we are almost there. At the extraordinary general meeting held on 12 December 2016, it was resolved to implement the deal with ESI, and the company's assets are now being transferred to the ESI Group in Luxembourg. I expect the deal to be entirely completed during the first quarter of 2017, but as previously announced, Crown Energy's financial statements will include revenues from the business as of 1 January, even if the deal is not yet closed.

This transaction broadens Crown Energy's activities in the oil and gas industry. The new Crown Energy will consist of two business areas.

In the *Energy* business area, value is created by finding and developing oil assets in early stages and then introducing suitable players in the oil sector to the projects for further development and production. This part of the business is familiar to us.

The new business area is called *Property Development and Services*. It will develop and provide customised solutions for accommodation and offices, along with value-added services such as security, transportation, telecommunications, catering etc., to international companies in the oil and gas industry.

The combination of operations in the two business areas creates several advantages. For example, the cash flow generated within Property Development and Services could be used to further develop exploration assets, and in addition, Crown Energy can now offer business related services in the form of tailored accommodation and offices to exploration and production partners associated with the assets.

This combination is unique and it is my belief that it will create substantial value for our shareholders. Of course, the process of integrating the two business streams and creating the new Crown Energy will be both demanding and intense, but I expect that we will soon see strategically interesting results from the deal. The new owners and the board are working on an expansionary strategy for 2017 and beyond.

Since we have taken all these steps in a relatively short period, the market may have found it difficult to see the big picture and the new company that Crown Energy is becoming. We will increase our visibility and presence in 2017 so more people get to know and understand our company's operations and potential.

My belief is that 2017 will be a year in which more people understand what a unique oil and gas industry company we have created and are building on. The fact that oil prices strengthened in 2016 also means that the industry is likely to get a much-needed boost after several years of low activity, which will benefit both of our business areas.

Finally, I would like to thank all our shareholders who invested both capital and effort in Crown Energy and wish you all a Merry Christmas and a Happy New Year!

With kind regards

Andreas Forssell,
President and CEO