

Company number: 05966431

Caspian Sunrise plc

**Annual report and financial statements
for the year ended 31 December 2021**

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DIRECTORS, REGISTERED OFFICE & ADVISERS

DIRECTORS

Mr C Carver	Chairman
Mr K Oraziman	Chief Executive Officer
Mr S Shin	Chief Operating Officer
Lord Limerick	Non-Executive Director
Mr A Oraziman	Non-Executive Director

Company Secretary	Mr C Carver FCA, FCT
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REGISTERED OFFICE

Registered Office and Business address	5 New Street Square, London EC4A 3TW
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Company Number	05966431
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ADVISERS

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Solicitors	Taylor Wessing LLP, 5 New Street Square, London EC4A 3TW
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Principal Banker	Barclays Bank, 1 Churchill Place, London, E14 5HP
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CHAIRMAN'S STATEMENT

Introduction

Our company has come through a difficult period in good shape and is set to prosper in the coming years.

We are producing record amounts of oil and selling it at prices greater than at any time since we commenced production. Debt has been paid down or converted to equity and we expect to declare our first dividend later this year. Further, by the end of 2022 we expect to have completed all the mandatory BNG work programme commitments.

With international oil prices well above \$100 per barrel the position is a world away from 2020, when we faced \$16 per barrel and limited interest in our oil. Over the same period the domestic price of oil has increased from approximately \$6 per barrel to approximately \$25 per barrel.

Russian sanctions

As with much of Kazakh oil production our oil is transported to international markets via the Russian pipeline network, emerging as "Urals Oil" as our oil was until very recently termed once mixed with Russian oil. While we have not experienced any significant issues in delivering our oil, recent prices for Urals Oil have been some \$25 - \$35 per barrel below Brent prices.

We firmly believe the Russian pipeline network will remain available to transport our Kazakh oil, however if that were not to be the case, or if the discount to Brent of our oil significantly widens, we would seek alternative distribution options avoiding Russia.

Other delivery destinations include China, Azerbaijan and Uzbekistan with each option involving additional transportation costs. An alternative would be to sell all oil produced on the domestic market. A better alternative would be to sell direct to one of the new mini refineries setting up in the region, which would eliminate a large part of the transportation and delivery costs.

Our expectation however, is that through natural market arbitrage led by those countries not signed up to Russian sanctions such as China, India and other Asian countries, the current discount will significantly reduce.

Also, with a new KEBCO designation for Kazakh oil and the EU confirming that Kazakh oil transported through the Russian pipeline systems is **not** subject to any sanctions we expect to be able to sell oil to our international oil trader partners in Kazakhstan at prices much closer to Brent.

We estimate the impact of the sanctions related Urals Oil discount to currently be of the order of \$30 million per annum based on current production volumes and prevailing international prices. Any reversal of the impact of the Urals Oil discount would flow directly to revenues and a large portion to profits.

As Kazakh economy is closely linked to the Russian economy the value of the Kazakh Tenge could decline against the dollar. While this would affect the price at which we account in US\$ for oil sold domestically it would also reduce the US\$ reported operating costs incurred in Tenge, which account for approximately 50% of the Group's total costs.

Strategy

To date

Since our IPO in 2007, the Group's strategy has been to exploit oil & gas opportunities in Central Asia, focusing on Kazakhstan where the management team has the most experience.

During that period we have successfully brought into production shallow structures at our flagship asset BNG. During the same period we have completed four of the six deep wells required under the BNG Contract Area work programme commitment, with a fifth well part drilled and the sixth underway and expected to complete in Q4 2022.

Going forward

Our focus will remain on exploiting oil and gas assets in Kazakhstan, in particular at our flagship BNG asset, prioritising production from the shallow structures.

CHAIRMAN'S STATEMENT (CONTINUED)

While we will continue to look at early-stage projects, such as in 2008 when we acquired our interest in BNG, our concentration will be on cashflow positive producing assets and for the right projects we would look beyond Kazakhstan.

A decade ago we looked at alternative energy projects but concluded the returns then available did not match those at BNG. The economics of alternative energy are now markedly better. We are therefore looking over time to become a diversified energy group rather than one focused solely on oil. In particular we are looking at wind energy projects.

Operational Review

BNG

Horizontal drilling

A big positive in the period under review and subsequently has been the successful introduction of horizontal drilling techniques.

Horizontal drilling has been used to improve the production of existing wells and will in the coming months be used in new wells at both the MJF structure and at South Yelemes, where we believe significant volumes of oil may lie at depths as shallow as 2,500 meters.

Shallow structures

All of the oil produced in 2021 was from the MJF structure. The production capacity at the MJF structure has increased to 3,750 bopd, with seven wells producing and a further two wells planned before the year end, including Well 141 which is due to re-enter production shortly following a horizontal drilling workover.

Following the award of the export status at the South Yelemes structure we have been able to re-open wells there, which were shut in for the whole of 2021. The production capacity of these existing wells is approximately 300 bopd. As noted above we plan to drill a new well at a depth of 2,500 meters exploiting horizontal drilling targeting oil in the dolomite.

Our target with these new wells is as soon as possible to increase production capacity to 5,000 bopd solely from our shallow structures.

Deep structures

The three deep wells drilled in previous years on the Airshagyl structure are Wells A5, A6 & A8. The existing deep well on the Yelemes Deep Structure is Well 801.

Funding constraints in the period under review limited the work that we could undertake to bring these wells into production. Little was achieved at Wells A5, A6 and 801. At Well A8, however we drilled from a depth of 4,500 meters to 5,400 meters identifying three oil bearing intervals covering in aggregate 140 meters.

Since the period end we perforated two of the three intervals identified as potentially oil bearing but neither flowed oil at commercial quantities. The rig used at A8 has been reallocated to drill a shallow well on the MJF structure.

A7 is the fourth deep well to be drilled on the Airshagyl structure and the fifth in total. It was spudded in late December 2021 with a planned Total Depth of 5,300 meters targeting oil in the Carboniferous and the Devonian. Drilling reached a depth of 2,150 meters before pausing to allow the rig to be used elsewhere.

The final deep well required under the BNG Work Programme commitment is Deep Well 802, which spudded in June 2022, with a Total Depth of 5,300 meters and will target oil in the Carboniferous and the Devonian and an initial target at a depth of 4,300 meters. At the date of this report drilling had reached 650 meters without incident.

Our approach to BNG

At BNG we have two proven and commercially viable shallow structures, MJF and South Yelemes, and two deep structures Airshagyl and Yelemes Deep with huge potential but to date with no production.

As noted above our plan is to prioritise production from the shallow structures with a series of new wells and workovers of existing wells.

CHAIRMAN'S STATEMENT (CONTINUED)

This does not mean we are moving away from the hugely prospective deep structures at BNG. We already have four deep wells drilled to their total depths, a fifth part drilled and a sixth underway. This is the final deep well required under the BNG work programme commitments, which are expected to be complete before the end of the year.

We continue to believe that the geological conditions at the super giant fields of Kashagan and Tengiz extend to the BNG Contract Area. If this is the case the potential volume of oil in these deep structures is vast and the implications on the Company's fortunes of one or more commercial deep wells would be transformational. We remain committed to bring as many as possible of these six deep wells into production. However, until we are successful in bringing at least one of these six deep wells into production, it is unlikely we will drill any further deep wells at BNG.

Given the current high oil price and the relatively low risk opportunities on our shallow structures our focus is now to maximise cashflow from production.

Own equipment

The move to own the drilling rigs and much of the other equipment previously rented has significantly improved operational efficiency and reduced operating costs. The Covid-19 related prolonged closure of the Chinese / Kazakh border and the sanctions on Russia have also underlined the importance of being self-reliant for rigs and drilling consumables.

Since the period end we have acquired a further workover rig with the \$750,000 consideration satisfied by the issue of approximately 19 million new shares.

The impact of Covid-19

Although there were several periods when the Almaty office was closed following staff testing positive for Covid-19, the impact on operations in the oilfields were far less pronounced than in 2020. More impactful was the Covid-19 related closure of the Chinese / Kazakh border and the resultant sharp rise in the price of equipment and consumables sourced from Russia. Happily, the Chinese / Kazakh border has reopened.

The impact of the drilling slow-down in 2020 became apparent in 2021 with no new wells coming on stream in the first half of 2021, resulting in a 2% fall in the volume of oil produced for the year as a whole.

3A Best

There was little progress at 3A Best in the period under review or subsequently. The farm-out announced in June 2021 was conditional on the renewal of the 3A Best Licence. We continue to work with the Kazakh authorities to renew the licence, following which we will assess its place within the Group. In the meantime, our investment in 3A Best has been fully provided for.

Caspian Explorer

During the period under review the Caspian Explorer was chartered for a safety related contract by the North Caspian Operating Company, the leading operator in the region. Daily rates for safety related work are much lower than for drilling contracts but the income from the charter covered the Caspian Explorer's costs for the year.

While we have serious interest in both safety related and drilling charters for 2023 no contracts have yet been signed, although a tender has been submitted for a 2023 drilling programme. We have also received several early-stage approaches to buy the Caspian Explorer.

Dividends

It has been our objective for some time to commence regular dividend payments. Not only will this reward shareholders for their continued support it should also signal to the wider investment community that the Group has moved to the next stage in its development.

We have worked to create sufficient distributable reserves to allow dividends to be paid. This required a formal Capital Reduction to cancel the share premium account and the deferred shares to boost distributable reserves. The Capital Reduction was approved by shareholders in April 2022 and approved by the UK High Court in June 2022.

In assessing the size and timing of any dividends the board will have regard to the matters disclosed in note 1.1, which include the Group's free cashflows and its existing and future financial commitments. The Board will also need to be satisfied there are no additional adverse impacts from Russian sanctions.

CHAIRMAN'S STATEMENT (CONTINUED)

Based on their current assessment and subject to the points noted above the Board anticipates declaring the first dividend later this year.

Board changes

On 4 March 2021 we were pleased to welcome Seokwoo Shin, Chief Operating Officer, to the Board as an executive director. He worked for the Korean National Oil Corporation from 1987 until 2018 with spells in Korea, the United Kingdom, Russia and most recently Kazakhstan, where he was responsible for KNOC's Kazakh oil fields. He joined Caspian Sunrise in 2018.

Employees

The Group currently employs 215 staff, including Directors, of whom 213 are based in Kazakhstan and split principally between the corporate offices in Almaty and in the field.

Outlook

We look forward to further increasing production from the shallow structures at BNG.

Even at current prices and despite the Urals Oil discount the company is doing well, however, as noted above, we do not expect the current discount for Urals Oil to apply to our oil for much longer. A drilling charter for the Caspian Explorer in 2023 would also make a material difference to the Group's trading. However, the greatest impact on the value of our Company would be success at our BNG deep structures.

Clive Carver
Chairman
24 June 2022

FINANCIAL REVIEW OF THE 12 MONTHS ENDED 31 DECEMBER 2021

Revenue

Revenue in 2021 increased by approximately 75 per cent to approximately 25 million (2020: \$14.3 million).

Oil prices

International export prices rose steadily from approximately \$50 per barrel at the start of 2021 to approximately \$77 per barrel by the year end. Over the same period domestic prices rose from approximately \$6 per barrel to approximately \$25 per barrel.

Production volumes

Production volume in 2021 was at 533,857 barrels some 2.2% lower than in 2020, reflecting the limited investment in workovers and new wells during the height of the Covid-19 restrictions in 2020.

International vs Domestic sales

The proportion of oil sold on the international market in 2021 was similar to that in 2020 as the export status at South Yelemes was not received until late December 2021.

Gross profit

Gross profit increased by approximately 106 per cent to approximately \$19.4 million (2020: \$9.4 million), principally as the result of the increase in the oil price.

Selling expenses

Selling expenses increased by approximately 94% at \$7.6 million (2020: \$3.9 million) and are mainly export and customs duties, which are typically based on achieved oil prices.

Operating loss

The operating loss was \$4.0 million (2020: \$0.7 million) This includes a provision in respect of the carrying value of 3A Best of \$12.5 million.

Other administrative expenses

The Board's pay reductions introduced in 2020 continued through 2021 and throughout H1 2022, with the result that in the period under review General and Administrative expenses fell a further 11% to \$3.3 million (2020: \$3.7 million).

Tax charge

The tax charge reduced to \$0.7 million (2020: \$1.8 million). and the reduction in the tax charge reflected lower provisions for Kazakh withholding tax on intercompany loans with taxes on trading being covered by past losses.

Loss for the year

The loss for the year after tax was \$5.5 million, after the \$12.5 million provision in respect of 3A Best. (2020: loss of \$3.5 million).

Oil and gas assets

Unproven oil & gas assets

The carrying value of unproven oil and gas assets fell by approximately \$15.3 million to approximately \$46.2 million (2020: \$61.4 million) largely as the result of the \$12.5 million provision in respect of 3A Best and exchange rate differences of approximately \$3.5 million.

The approval for export sales from the South Yelemes which was granted in December 2021 required further information to be supplied in the following 6 months for the formal export licence to be confirmed. Accordingly, at 31 December 2021 the South Yelemes asset has remained as part of unproven oil & gas assets and will be moved to proven oil and gas assets in the 2022 financial statements.

Plant, property and equipment

The value of plant property and equipment increased by approximately \$4.3 million to approximately \$57.1 million (2020: \$52.8 million), reflecting the acquisition in the year of drilling rigs and equipment.

FINANCIAL REVIEW OF THE 12 MONTHS ENDED 31 DECEMBER 2021 (CONTINUED)

Other receivables

Other receivables fell from approximately \$6.2 million to approximately \$4.9 million principally as the result of lower pre-payments. Receivables due in more than one year were approximately \$4.3 million (2020: \$4.2 million) and are principally Kazakh VAT related.

Cash position

At the year-end we had cash balances of approximately \$0.4 million (2020: \$0.3 million). This reflects the continuing extremely tight working capital position following the impact of Covid-19.

Liabilities

Trade and other payables under 12 months

Trade and other payables increased to approximately \$13.2 million (2020: 11.0 million), largely as the result of higher tax due on oil sales. Short term borrowings provided by the Oraziman family increased to \$6.4 million (2020: \$5.6 million) and the provisions for payments in less than 12 months stayed broadly similar at approximately \$8.7 million (2020: \$9.3 million) of which the provision for BNG licence payments was \$3.2 million in both years.

On 9 March 2022, following the period end Independent Shareholders approved the conversion of approximately \$6.2 million due to the Oraziman family into 139,729,446 new ordinary shares.

BNG historic costs

We have continued to pay down the historic costs assessed against BNG. At 31 December 2021, of the original \$32 million levied in 2019 approximately \$22.5 million remains to be paid over the next seven years.

Cashflows

During the period under review approximately \$24.3 million was received from customers and approximately \$16.6 million paid out to suppliers, creditors and staff with a further \$0.7 million spent on unproven oil and gas assets and \$7.1 million spent on property, plant and equipment, resulting in cash balances at the year increasing slightly from \$0.3 million to \$0.4 million.

Going Concern

The financial position of the Group and the Company has improved in the past year and as at 1 June 2022 the Group had cash of \$1 million.

- At current oil prices, even with the Urals Oil price discount, the Company enjoys positive operational cash flows
- Deep Well 802 is the final well required under the BNG work programme. Any further deep wells drilled at BNG will be on a discretionary basis
- As is the case for the MJF structure, the South Yelemes structure with current production of approximately 300 bopd is now able to sell most of its oil at international prices
- \$6.2 million of debt has been converted to equity

Nevertheless, with net current liabilities of approximately \$22 million as at 31 December 2021, the assessment of going concern needs to be properly considered. The Board have assessed cash flow forecasts prepared for a period of at least 12 months from the of approval of the financial statements and assessed the risks and uncertainties associated with the operations and funding position, including the potential further effects of the COVID-19 pandemic. These cash flows, which include the payment of discretionary dividend, are dependent on a number of key factors including:

- The Group's cashflow is sensitive to oil price and volume sold. This is impacted by its current reliance on exporting a portion of its oil sales through the Russian pipeline network. If due to sanctions on Russia, this pipeline network is no longer available, or the discount on oil exported through this network increased over a prolonged period, to continue to generate positive cash the Group would either seek alternative distribution routes via Uzbekistan, Azerbaijan or China or alternatively sell all oil produced on the domestic market or to one of the new mini refineries opening in the region, where prices are typically better than the domestic price and buyers collect the oil from the wellhead. As none of these alternatives have yet been tested, if the oil price achieved or volume sold declined, these factors could result in the Group requiring additional funding.

FINANCIAL REVIEW OF THE 12 MONTHS ENDED 31 DECEMBER 2021 (CONTINUED)

- The Group continues to forward sell its domestic production and receive advances from oil traders with \$1.8m currently advanced and the continued availability of such arrangements is important to working capital. Whilst the Board anticipate such facilities remaining available given its trader relationships and recent oil price increases, should they be withdrawn or reduced more quickly than forecast cash flows allow then additional funding would be required.
- The Group has \$6.0m of liabilities due on demand under social development program and \$0.4m of BNG licence payments due within the forecast period to the Kazakh government. Whilst the Board has forecasted the payment of BNG licence payments, there are no payments planned for social development program within the forecast period as the Board expects additional payment deferrals to be approved. Should the deferrals not occur additional funding would be required.

These circumstances continue to indicate the existence of a material uncertainty which may cast significant doubt about the Group and the Company's ability to continue as a going concern and therefore may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group and the Company was unable to continue as a going concern.

Notwithstanding the material uncertainty described above, after making enquiries and assessing the progress against the forecast, projections and the status of the mitigating actions referred to above, the Directors have a reasonable expectation that the Group and the Company will continue in operation and meet its commitments as they fall due over the going concern period. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Clive Carver
Chairman
24 June 2022

OUR OIL & GAS ASSETS

BNG CONTRACT AREA

Introduction

The Group's principal asset is its 99% interest in the BNG Contract Area. We first took a stake in the BNG Contract Area in 2008, as part of the acquisition of 58.41% of portfolio of assets owned by Eragon Petroleum Limited.

In 2017, we increased our stake to 99% upon the completion of the merger with Baverstock GmbH. Since 2008, more than \$100 million has been spent at BNG.

The BNG Contract Area is located in the west of Kazakhstan 40 kilometers southeast of Tengiz on the edge of the Mangistau Oblast, covering an area of 1,561 square kilometers of which 1,376 square kilometers has 3D seismic coverage acquired in 2009 and 2010. We became operators at BNG in 2011, since when we have identified and developed both shallow and deep structures.

Shallow structures

There are two confirmed and producing shallow structures at BNG.

MJF structure

The first wells were drilled on the MJF structure in 2016, since when it has produced in aggregate approximately 2.7 million barrels. We have embarked on a programme of redrilling the older wells using horizontal drilling techniques to increase production. At the date of this report work at three of the older wells has been completed.

In 2013, we announced the discovery of the MJF structure and have subsequently drilled eight wells of which seven are currently producing with an aggregate capacity of approximately 3,750 bopd.

The productive Jurassic aged reservoir consists of stacked pay intervals with most ranging in thickness from two meters to 17 meters. The current mapped lateral extent of the MJF field is now approximately 13km². The producing wells range in depth from 2,192 meters to 2,450 meters.

In December 2018, we applied to move the MJF structure, which was part of the overall BNG licence, from an appraisal licence to a full production licence, under which the majority of the oil produced from the MJF wells may be sold by reference to world rather than domestic Kazakh prices. The full production licence became effective in July 2019, with the first revenues based on international prices received in August 2019.

Following the award of the MJF export licence the Kazakh regulatory authorities assessed historic costs of \$32 million against the MJF structure, repayable quarterly over a 10-year period, of which approximately \$22 million remained payable at 31 December 2021.

Wells 154 and 153 were the first new wells drilled using horizontal techniques both targeting a Middle Jurassic reservoir. Recently Well 142 recommenced production following use of horizontal drilling and is producing at approximately 1,400 bopd.

All of the oil produced in 2021 was from the MJF structure. In 2021 we produced 533,857 barrels of oil at an average of 1,462 bopd (2020: 545,667 barrels at an average of 1,495 bopd).

South Yelemes structure

The first wells were drilled on the South Yelemes structure during the Soviet era, with test production commencing in 1994.

Well 54 was intermittently active between periods of being shut in to allow pressure to be restored. There are three other wells at South Yelemes (805, 806 & 807). Since 2010 the South Yelemes shallow structure has produced approximately 350,000 barrels.

No production was allowed at this structure between May 2020 when we submitted our application to upgrade the structure to export status in late December 2021. We are now able to sell most of the oil produced from the South Yelemes structure by reference to international rather than domestic prices.

OUR OIL & GAS ASSETS (CONTINUED)

South Yelemes structure (Continued)

Until recently these older wells were the only wells on the BNG Contract Area to use artificial lift to assist the oil to flow to the surface. We believe the structure may have untapped quantities of oil at higher levels than previously explored, which we intended to explore with horizontal drilling targeting a Dolomite reservoir.

Deep structures

We have identified two deep structures at the BNG Contract Area. The first is the Airshagyl structure, which extends to 58 km². The second is the Yelemes Deep structure which extends over an area of 36 km².

Airshagyl structure

Three deep wells have been drilled on the Airshagyl structure, A5, A6 & A8 a fourth A7 was spudded in December 2021.

A5

Well A5 was spudded in July 2013 and drilled to a total depth of 4,442 meters with casing set to a depth of 4,077 meters to allow open-hole testing. Core sampling revealed the existence of a gross oil-bearing interval of at least 105 meters from 4,332 meters to at least 4,437 meters. For 15 days the well produced at the rate of approximately 3,000 bopd before production fell to approximately 1,000 bopd, leading to the well being shut in for remedial treatment.

Limited rig availability resulted in little work on this well in 2021 or subsequently. We remain believers in the well and intend to drill a new side-track from a depth of 4,500 meters when a rig becomes available.

A6

Deep Well A6 was spudded in 2015 and drilled to a depth of 4,528 meters. Initially problems in perforating the well prevented it being put on test. Latterly the issue has been blockages from unrecovered drilling fluid. During the year under review there was no significant progress with the well. Further development work will depend on rig availability and a decision on which acid formulation to use.

A8

Deep Well A8 was spudded in 2018 with a planned Total Depth of 5,300 meters, initially targeting the same pre-salt carbonates that were successfully identified in the Deep Well A5 at depths of 4,342 meters but with a prime target being the deeper carbonate of the Devonian to Mississippian ages towards the planned Total Depth of 5,300 meters.

During 2021 we decided to resume drilling towards the original objective in the Devonian. Drilling reached a final depth of 5,400 meters in early December. Neither of the two intervals of interest perforated resulted in commercial quantities of oil with pressures below the levels expected. Accordingly, work has stopped at A8 and the rig has been reassigned.

New wells

New Deep Well A7 was spudded in December 2021, with a planned Total Depth of 5,300 meters but primarily targeting an interval at a depth of 5,300 meters. In March 2022 drilling at A7 was paused at a depth of 2,150 meters to allow the rig to be used to drill a horizontal well on the shallow South Yelemes structure.

Yelemes Deep structure

Deep Well 801 was drilled in 2014 / 2015 to a depth of 5,050 meters. During the year the year under review there was no progress with the well. As with Deep Well A6 on the Airshagyl structure further development work will depend on rig availability.

Deep Well 802 was spudded in June 2022, with a planned Total Depth of 5,300 meters. At the date of this report drilling had reached 650 meters without incident. This will be the final deep well required under the BNG work programme.

Deep well drilling issues

Sub-surface conditions at the two discovered deep structures at BNG present significant technical challenges in drilling and completing the wells. These are the extremely high temperature and extreme pressure that exist below the salt layer. At the Airshagyl structure the salt layer is typically found at depths between 3,700 and 4,000 meters where at the Yelemes Deep structure the salt layer is typically found at depths between 3,000 and 3,500 meters.

OUR OIL & GAS ASSETS (CONTINUED)

Deep well drilling issues (Continued)

The extreme pressure below the salt layer requires the use of high-density drilling fluid to maintain control of the well during drilling. The high-density drilling fluid's principal role is to help prevent dangerous blow-outs. The attributes of the high-density barite weighted drilling fluid, which allow the wells to be controlled during the drilling phase, act against us when we attempt to clear the well for production.

To the extent that drilling fluids, which include solid particles added to increase density, are not fully recovered they can form a barrier between the wellbore and the reservoir impeding the flow of hydrocarbons into the well.

3A BEST

In January 2019, we acquired 100% of the 3A Best Group JSC, a Kazakh corporation owning an existing Contract Area of some 1,347 sq. km located near the Caspian port city of Aktau.

The Contract Area, which has been designated by the Kazakh authorities as a strategic national asset, surrounds and goes below the established shallow field at Dunga, currently owned by Total Energies, which we believe to be producing at the rate of approximately 15,000 bopd.

In June 2021, we announced a farm out of 15% of the 3A Best Contract Area in return for our new partners assuming responsibility for the current 3A Best work programme commitments. However, the farm out was conditional on the deferral of obligations under the licence and the extension of the license which are yet to be granted. We also granted our new partners an option to acquire the remaining 85%, exercisable after completion of the current work programme commitments, at a price to be determined by an independent expert.

We continue to work with the Kazakh authorities to renew the 3A Best licence. Until we are successful on this the farm-out will not proceed. Our investment in 3A Best has been fully provided for.

LICENCES & WORK PROGRAMMES AND RESERVES

LICENCES & WORK PROGRAMMES

BNG

BNG LLP Ltd holds three contracts for a subsoil use. The first is the appraisal contract, covering the full extent of the BNG Contract Area (except the MJF and South Yelemes structures), originally issued in 2007 and successively extended until 2024.

The second is the export contract covering just the MJF structure which runs to 2043 and the third is the export contract covering the South Yelemes structure, which runs to 2046. Under the MJF and South Yelemes licences the majority of oil produced may be sold by reference to international rather than domestic prices.

Wells A7 and 802 are the final two deep wells required under the BNG work programme commitments. Well A7 was spudded in December 2021 and Well 802 was spudded in June 2022.

3A Best

The licence renewal at 3A Best was delayed as the result of outstanding social payments due from the assets previous owners. We continue to work with the Kazakh authorities to renew the 3A Best licence.

RESERVES

BNG

In 2011 Gaffney Cline & Associates (“GCA”) undertook a technical audit of the BNG license area and subsequently Petroleum Geology Services (“PGS”) to undertake depth migration work, based on the 3D seismic work carried out in 2009 and 2010.

The work of GCA resulted in confirming total unrisks resources of 900 million barrels from 37 prospects and leads mapped from the 3D seismic work undertaken in 2009 and 2010. The report of GCA also confirmed risked resources of 202 million barrels as well as Most-Likely Contingent Resources of 13 million barrels on South Yelemes.

In September 2016 GCA assessed the reserves attributable to the BNG shallow structures (MJF & South Yelemes). Between then and the end of 2021, approximately 3.0 mmbbls of oil were produced, which under financial reporting rules are deducted from the assessment of reserves as at 31 December 2021.

BNG	As at 31 December 2021 mmbbls	As at 31 December 2020 mmbbls
Shallow P1	15.1	15.6
Shallow P2	26.3	26.8

Despite the last external review of the Group’s reserves being in 2016, the Board considers their assessment as set out in the above table to be valid.

CASPIAN EXPLORER

Introduction

In 2020 we acquired the Caspian Explorer, a drilling vessel designed specifically for use in the shallow northern Caspian Sea where traditional deep water rigs cannot be used. We believe it to be the only vessel of its type operating in the Caspian Sea.

The principal ways of exploring in such shallow waters are either from a land base or using a specialist shallow drilling vessel such as the Caspian Explorer, which we believe to be the only one of its class operational in the Caspian Sea.

Land based options typically involve either the creation of man-made islands from which to drill as if onshore or less commonly drilling out from an onshore location. Both are expensive compared to the use of a specialist drilling platform such as the Caspian Explorer.

The Caspian Explorer was conceived of by a consortium of leading Korean companies including KNOC, Samsung and Daewoo Shipbuilding. The vessel was assembled in the Ersay shipyard in Kazakhstan between 2010 and 2011 for a construction cost believed to be approximately \$170 million. The total costs after fit-out are believed to have been approximately \$200 million. We understand a replacement would today cost in excess of \$300 million and take several years to become operational.

The Caspian Explorer became operational in 2012 at a time of relatively low oil prices and reduced exploration activity in the Northern Caspian Sea.

In June 2021 we announced the first charter for the Caspian Explorer since it has been a part of the Group. The charter was with the North Caspian Operating Company (“NCOC”), which is the principal operator in the region, comprising the Republic of Kazakhstan working through KazMunaiGas (KMG), and international oil companies including Shell, ExxonMobil, Eni, Total and CNPC, the consortium operating the Kashagan field. The charter has been completed and payment received.

We have submitted a tender for a drilling charter in 2023.

Operational characteristics

The Caspian Explorer:

- operates principally between May and November as the Northern Caspian Sea is subject to winter ice
- operates in depths between 2.5 meters and 7.5 meters
- can drill to depths of 6,000 meters
- typically has a crew to operate the drilling vessel of 20
- has accommodation for approximately 100
- costs approximately \$100,000 per month while moored in port
- is generally able to pass on other costs incurred while operational to the clients hiring the vessel

Commercial activity

- In 2017, the Caspian Explorer was hired out to a KazMunaiGas / Indian state oil company joint venture for \$28 million after costs and drilled one exploration well to a depth of 3.5 km.
- In 2018, the Caspian Explorer was hired out KazMunaiGas for up to \$24 million drilling one exploration well to a depth of 1.8 km.
- The Caspian Explorer did not operate in 2019 or in 2020. In 2021 \$1.2 million was received for a safety related charter
- A tender is outstanding for a 2023 drilling contract at prices broadly consistent with the rates achieved in 2017 and 2018

QUALIFIED PERSON & GLOSSARY

Qualified Person

Mr. Assylbek Umbetov, a member Association of Petroleum Engineers, has reviewed and approved the technical disclosures in these financial statements.

Glossary

SPE – the Society of Petroleum Engineers

Bopd – barrels of oil per day mmbbls – million barrels.

Proven reserves

Proven reserves (P1) are those quantities of petroleum which, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.

If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered.

If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

Probable reserves

Probable reserves are those additional reserves which analysis of geosciences and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated proved plus probable reserves (2P).

In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

Possible reserves

Possible reserves are those additional reserves which analysis of geosciences and engineering data indicate are less likely to be recovered than probable reserves.

The total quantities ultimately recovered from the project have a low probability to exceed the sum of proved plus probable plus possible (3P), which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

Contingent resources

Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies.

Contingent resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality.

Contingent resources are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

Prospective resources

Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.

Potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects.

THE KAZAKH OIL AND GAS LICENCING AND TAXATION ENVIRONMENT

Introduction

Oil & gas is a heavily regulated industry throughout the world, with strict rules on licencing and taxation. Set out below is a summary of the position in Kazakhstan.

Licensing

Exploration licences

The initial licence to develop a field is typically an exploration licence where the focus is on completing agreed work programmes. Exploration licence are typically two years in duration and it is usual for there to be several consecutive two-year exploration licence extensions agreed during the exploration phase.

Appraisal licences

In the event the project appears commercial, the exploration licence is usually upgraded to an appraisal licence.

Under an appraisal licence, oil produced incidentally while exploring and assessing may be sold but only at domestic prices. Taxation under an appraisal licence is limited with only modest deductions. Changes to the legislation in the last few years has reduced the length of appraisal licences from six to five years, with a concession of reduced social obligation payments.

Full production licences

To sell oil by reference to world prices requires either the Contract Area as a whole or a particular structure has to be upgraded to a full production licence. Under a full production licence there is only limited scope to develop areas not already drilled. Additionally, a significant minority portion of production typically remains at domestic prices although the majority is sold by reference to world prices.

Taxes

There are five different taxes that apply to Kazakh oil & gas producers. Each has its own basis of calculation with some being related to profits, others by reference to world oil prices and yet others by reference to the volume of oil sold.

The overall impact is that as world prices increase so does the percentage taken by the Kazakh state.

STRATEGIC REPORT

Introduction

This strategic report comprises: the Group's objectives; the strategy; the business model; and a review of the Group's business using key performance indicators. The Chairman's statement, which also forms the main part of the strategic review, contains a review of the development and performance of the Group's business during the financial year, and the position of the Group's business at the end of that year. Additionally, a summary of the principal risks and uncertainties facing the business is set out immediately after the Directors' report.

Objectives

The Group's objective is to create shareholder value from the development of oil and gas projects and associated activities.

The Group has a number of secondary objectives, including promoting the highest level of health and safety standards, developing our staff to their highest potential and being a good corporate citizen in our chosen countries of operations.

Strategy

The Group's long-term strategy is to build an attractive portfolio of oil and gas exploration and production assets initially in Central Asia, and in particular Kazakhstan where the board has the greatest experience. Additionally, the Group will seek to exploit associated opportunities where the board believes it can add significant value and contribute towards the success of the Group as a whole.

This strategy has been refined during the year under review and subsequently to favour cash producing assets and to seek to exploit alternative energy project, specifically wind energy project.

The Group's principal asset is its 99 per cent interest in BNG. Additionally, the Group owns a 100 per cent interest in the 3A Best Contract Area, of which subject to licence renewal it has agreed to sell 15% to fund existing 3A Best work programme commitments and granted an option for the sale of the remaining 85% at a valuation to be assessed by an independent expert. The Group also owns a 100% interest in the Caspian Explorer, a shallow water drilling vessel designed for the Northern parts of the Caspian Sea.

Business model

The business model is straightforward. To take assets at any stage of the development cycle and to improve them to the point they contribute to the Group's profitability or that they may be sold on at a profit to provide funding for additional development.

Our main asset BNG has been developed over the past 14 years with more than \$100 million spent and is set to be a very substantial asset for many years to come.

While we seek to grow our asset portfolio with appropriately timed acquisitions we are also prepared and able to sell assets when their value to others exceeds the value we can see. This was the case in 2015, when, in poor market conditions, we sold our then second asset Galaz for a headline price of \$100 million, which represented a profit of \$15 million on our interest in the asset, and which provided \$33 million to re-invest into BNG.

Further growth by acquisition

When appropriate the Group will consider acquiring additional assets or related businesses where the Board believes they would increase shareholder value, including by providing funding or infrastructure to develop the Group's other assets.

In Kazakhstan the Directors believe the Group is exceptionally well placed through its local presence to identify and buy undervalued oil and gas assets on an opportunistic basis.

Climate Change

Other than a general move away from fossil fuels, the Board is not aware of any indications that the impact of climate change is likely to have a material impact on the Group's business over the short and medium terms. We believe the current need for oil will continue for at least the next decade.

STRATEGIC REPORT (CONTINUED)

Key performance indicators

The Non-Financial Key Performance Indicators are:

- Operational (wells drilled at end of year) 2021: 18 (2020: 17)
- Aggregate production for 2021 was 533,857 barrels (2020: 545,667) a decrease of approximately 2.2%
- Reserves at 31 December 2021 P1 15.1 mmbbls & P2 26.3 mmbbls (2020: P1 15.6 mmbbls & P2 26.8 mmbbls)

The Financial Key Performance Indicators are:

- Revenue: up 75% at \$25.0 million (2020: \$14.3 million)
- Operating loss \$4.0 million (2020: loss of \$0.7 million) after a \$12.5 million provision in respect of 3A Best
- Loss after tax for the year \$5.5 million (2020: \$3.5 million)
- Cash at bank: \$0.4 million (2020: \$0.3 million)
- Total assets: \$114 million (2020: \$125.6 million)
- Exploration assets \$46.3 million (2020: \$61.4 million)
- Plant, property & equipment \$57.1 million (2020: \$52.8 million)

Current production capacity

- 4,000 bopd

Assets & Reserves

Details of the Group's assets and reserves are set out in the Chairman's statement.

Financial

At current international prices and with current levels of production the income from export sales is sufficient to cover all day-to-day Group operations; and G&A costs; the costs of the two new deep wells A7 & 802; and to fund planned dividend payments.

In the event any of the six deep wells drilled or being drilled start to produce oil in commercial quantities the associated revenues should transform the Group's cash flows. The same would be the case in the event the Caspian Explorer is chartered for drilling projects at market rates.

Drilling wells at a rate faster than could be funded from oil sales, would require additional funding, as would any acquisitions to be funded by cash. Potential sources of such funding would include: further advances from local oil traders for the sale of oil yet to be produced; industry funding in the form of partnerships with larger industry players; further support from existing shareholders; and equity funding from financial institutions. Additionally, funding may be available from selected asset sales.

Dividends

For some years it has been the policy of the Board to work towards a position where meaningful dividends can be paid. This requires not only consistently profitable trading but also a corporate reorganisation to create distributable reserves. New corporate subsidiaries have been incorporated in the UAE, with a view improving and simplifying the Group structure and easing the future payment of dividends. The final step was the approval of shareholders and the UK Court of a Capital Reduction. Shareholder approved the Capital Reduction in April 2022, which was approved by the UK High Court in June 2022.

The Group's then expects to declare and pay dividends on a regular basis, subject to the comments set out in the Chairman's Statement.

S 172 Statement

The Board is mindful of the duties of directors under S.172 of the Companies Act 2006.

Directors act in a way they consider, in good faith, to be most likely to promote the success of the Company for the benefit of its members. In doing so, they each have regard to a range of matters when making decisions for the long term success of the Company.

Our culture is that of treating everyone fairly and with respect and this extends to all our principal stakeholders. Through engaging formally and informally with our key stakeholders, we have been able to develop an understanding of their needs, assess their perspectives and monitor their impact on our strategic ambition.

STRATEGIC REPORT (CONTINUED)

As part of the Board's decision-making process, the Board and its Committees consider the potential impact of decisions on relevant stakeholders whilst also having regard to a number of broader factors, including the impact of the Company's operations on the community and environment, responsible business practices and the likely consequences of decisions on the long term.

Our objective is to act in a way that meets the long term needs of all our main stakeholder groups. However, in so doing we pay particular regard to the longer term needs of shareholders.

We engage with investors on our financial performance, strategy and business model and until the Covid-19 virus struck our Annual General Meeting provided an opportunity for investors to meet and engage with members of the Board.

The Board continues to encourage senior management to engage with staff, suppliers, customers and the community in order to assist the Board in discharging its obligations.

During 2021 the Board was particularly mindful of the impact of the ongoing Covid-19 pandemic when making decisions. This has impacted all areas of decision making and is not limited to ensuring that its impact on employees, contractors, suppliers and the communities in which we operate is factored into any decision, but also to ensure that its reputational, financial and other impact is also considered.

Further details of how the Directors have had regard to the issues, factors and stakeholders considered relevant in complying with S 172 (1) (a)-(f), the methods used to engage with stakeholders and the effect on the Group's decisions during the year can be found throughout this report and in particular at page 4 (in relation to decision-making), page 18 (where the Group's strategy, objectives and business model are addressed), page 21 (in relation to employees) the ESG report on page 26 (in relation to social and environmental matters).

We seek to attract and retain staff by acting as a responsible employer. The health and safety of our employees is important to the Company and an area we have to regularly report on the Kazakh regulatory authorities.

We continue to provide support to communities and governments through the provision of employment, the payment of taxes and supporting social and economic development in the surrounding areas, both through social investment and local procurement. We have contributed to a range of social programmes for well over a decade.

We have established long-term partnerships that complement our in-house expertise and have built a network of specialised partners within the industry and beyond.

Clive Carver
Chairman
24 June 2022

DIRECTORS REPORT

The Directors present their annual report on the operations of the Company and the Group, together with the audited financial statements for the year ended 31 December 2021.

The Strategic report forms part of the business review for this year.

Principal activity

The principal activity of the Group is oil and gas exploration and production.

Results and dividends

The consolidated statement of profit or loss is set out on page 45 and shows a \$5.5 million loss for the year after tax (2020: loss US\$3.5 million).

Subject to the comments set out in the Chairman's Statement, the Directors expect to declare the Company's first dividend later this year.

Review of the year

The review of the year and the Directors' strategy are set out in the Chairman's Statement and the Strategic Report.

Events after the reporting period

Other than the operational and financial matters set out in these financial statements there have been no material events between 31 December 2021, and the date of this report, which are required to be brought to the attention of shareholders. Please refer to note 28 of these financial statements for further details.

Board changes

On 4 March 2021, Seokwoo Shin, Chief Operating Officer joined the Board as an executive director.

Employees

Staff employed by the Group are based primarily in Kazakhstan.

The recruitment and retention of staff, especially at management level, is increasingly important as the Group continues to build its portfolio of oil and gas assets. As well as providing employees with appropriate remuneration and other benefits together with a safe and enjoyable working environment, the Board recognises the importance of communicating with employees to motivate them and involve them fully in the business.

For the most part, this communication takes place at a local level and staff are kept informed of major developments through email updates. They also have access to the Group's website.

The Group has taken out full indemnity insurance on behalf of the Directors and officers.

Health, safety and environment

It is the Group's policy and practice to comply with health, safety and environmental regulations and the requirements of the countries in which it operates, to protect its employees, assets and environment.

Charitable and Political donations

During the year the Group made no charitable or political donations.

Directors and Directors' interests

The Directors of the Group and the Company who held office during the period under review and up to the date of the Annual Report are as follows:

Directors' interests

Director	Number of Ordinary Shares	
	As at 31 December 2021	As at 31 December 2020
Clive Carver	2,245,000	2,245,000
Kuat Oraziman*	nil	41,485,330
Edmund Limerick	7,911,583	7,911,583
Aibek Oraziman**	592,857,583	528,476,278
Seokwoo Shin	nil	nil

* taken together on 31 December 2021 the Oraziman Family, comprising Kuat Oraziman, Aibek Oraziman, Aidana Urazimanova, the Estate of the late Rafik Oraziman, Altynbek Boltazhan and Boltazhan Kerimbayev held 949,815,346 shares representing 45% of the issued share capital shares.

Since the year end and following the \$6.2 million Debt Conversion completed in March 2021 the Oraziman family hold 1,089,544,792 shares representing 48.41% of the issued share capital.

** comprises 492,836,151 shares held direct plus 100,021,432 shares held by Akku Investments in which Aibek Oraziman has a 50% interest. The entry as at 31 December 2020 was made on the basis that all shares held by Aibek Oraziman and Aidana Urazimanova were pooled in Akku Investments, in which Aibek Oraziman had a 50% interest.

Biographical details of the Directors are set out on the Company's website www.caspiansunrise.com.

Details of the Directors' individual remuneration, service contracts and interests in share options are shown in the Remuneration Committee Report.

Other shareholders over 3% at the date of this report

Shareholder	Shares held	%
Aidana Urazimanova***	496,703,756	22.07
Dae Han New Pharm Co Limited	224,830,964	9.99
Al Marri Family	221,625,001	9.85

*** comprises 396,682,324 shares held direct plus 100,021,432 shares held by Akku Investments in which Aidana Urazimanova has a 50% interest.

Financial instruments

Details of the use of financial instruments by the Group and its subsidiary undertakings are contained in note 25 of the financial statements.

Statement of disclosure of information to auditor

The Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditor for the purposes of their audit and to establish that the auditors are aware of that information.

The Directors are not aware of any relevant audit information of which the auditor is unaware.

Auditor BDO LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next Annual General Meeting.

Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with UK adopted international accounting standards.

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 Group and Company and of the profit or loss of the Group for that period.

The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the London Stock Exchange AIM Market.

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 they have been prepared in accordance with UK adopted international accounting standards subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006.

They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Group's website, www.caspiansunrise.com has recently been updated and readers of these financial statements are encouraged to visit the website. The maintenance and integrity of the Group's website is the responsibility of the Directors.

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions.

The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Responsibility statement

The Directors confirm that to the best of their knowledge

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties
- the Annual Report and the financial statements taken as a whole, are fair balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Clive Carver
Chairman
24 June 2022

PRINCIPAL AND OTHER RISKS AND UNCERTAINTIES FACING THE BUSINESS

Introduction

Risk assessment and evaluation is an essential part of the Group's planning and an important aspect of the Group's internal control system.

Oil & gas exploration and production is a dangerous activity and as such is necessarily subject to an extremely rigorous health and safety regime. The Board aims to identify and evaluate the risks the Group faces or is likely to face in future both from its immediate activities and from the wider environment. This helps to inform and shape the Group's strategy and to quantify its tolerance to risk.

Operational success generally helps to mitigate financial risks. Increases in production as new wells come on stream generates cash and improves the Group's financial position, which can then lead to further operational success.

As the Group develops, its approach to risk management and mitigation will be refined. In due course we plan to include a formal risk register including all the principal operational and non-operational risks to the business. Such a risk register would be reviewed and assessed at least once a year by our new Corporate Governance Committee.

The Group is subject to various risks relating to political, economic, legal, social, industry, business and financial conditions. The following risk factors, which are not exhaustive, are particularly relevant to the Group's business activities and are listed in the Board assessment in the order of greatest potential impact.

Risk	Description	Mitigation
Operating risk	Oil & gas exploration and production is a dangerous activity. The Group is exposed to risks such as well blowouts, fire, pollution, bad weather and equipment failure.	The Group ensures that it adopts best in class industry operating standards and complies with rigorous health & safety regulations. The Group also seeks to work with contractors who can demonstrate similar high standards of safety.
Exploration risk	Despite the success of the BNG shallow structures, there can be no assurance the Group's exploration activities in the BNG deep structures or anywhere else will be successful.	The Group seeks to reduce this risk by acquiring and evaluating 3D seismic information before committing to drill exploration and appraisal wells. The Group also seeks to engage suitably skilled personnel either as employees or contractors to undertake detailed assessments of the areas under exploration.
Political Risk	Political division which leads to civil disorder is likely to have an adverse impact on the Group's operations.	Widespread disorder had been absent since the Group's formation until the beginning of 2022, when the Group together with other operators was forced to suspend operations due to civil unrest. The importance of the oil & gas industry to the Kazakh economy makes a prolonged suspension of operations unlikely, as was the case earlier this year.
Russian sanctions	The sanctions imposed on Russia may affect both the Group's ability to transport its oil and the price at which the oil may be sold. It may also affect the Group's ability to source equipment and other consumables required to produce oil.	Like most oil produced in Kazakhstan the Company's oil is transported to international buyers via the Russian oil pipeline network, and has until recently emerged as "Urals Oil", which has traded at about a \$30-35 discount to Brent. The recent decision by the Kazakh authorities to re designate oil produced in Kazakhstan as Kazakhstan Export Blend Crude Oil ("KEBCO") and the confirmation from the European Union that oil produced in Kazakhstan and transported via the Russian pipeline network is <u>not</u> subject to sanctions is expected to mitigate the impact of Russian sanctions. In the event the Russian pipelines are unavailable or the discount to Brent widens further the Company would seek to distribute its oil using alternative routes, although this would likely be at a higher cost. Equipment and consumables typically sourced from Russia will need to be found elsewhere, typically China.

<p>Permitting risks</p>	<p>Every stage of the Group's operations requires the approval of the industry regulators.</p> <p>While the Group enjoys good working relationships with the Kazakh regulatory authorities there can be no assurances that the laws and regulations and their reinterpretation will not change in future periods and that, as a result, the Group's activities would be affected.</p>	<p>Regulatory delays are inevitable and common place.</p> <p>Our experienced Kazakh workforce has both a thorough knowledge of the complex rules and a detailed practical understanding of the workings of each of the regulatory bodies with whom we need to deal. Accordingly, we believe we are well placed to minimise the financial impact of regulatory delays.</p> <p>Covid-19 has resulted in work programmes being deferred from one year to another, as was the case at the BNG Contract Area, and management have detected a more lenient approach from the Kazakh regulatory authorities.</p>
<p>Covid-19 risk</p>	<p>Measures introduced to tackle the Covid-19 pandemic may adversely affect the Group's performance.</p>	<p>As set out more fully in the Chairman's Statement and the Strategic Report the impact to date was extensive both financially in the sharp decline in revenues and operationally as getting crews, equipment and consumables to site has proved difficult under extensive lockdown restrictions.</p> <p>While we have learnt how best to deal with the day-to-day impact of measures to limit to spread of Covid-19 it is not possible to know how long the impact of Covid-19 will last and its long term impact on the Group.</p>
<p>Pricing risk</p>	<p>We operate in an industry where the international price is set by world markets and the domestic price is set by the Kazakh regulatory authorities.</p>	<p>We have no influence on the price at which can sell our oil.</p> <p>Greater storage and or financial hedging would provide some protection against adverse price movements but would be expensive and short lived.</p> <p>It would only be with international oil prices below \$50 per barrel for a prolonged period that we would need to consider costs cutting to match income and expenditures.</p>
<p>Environmental risk</p>	<p>There would be serious consequences in the event of a polluting event.</p>	<p>The Group maintains compliance with all applicable regulatory standards and practices.</p> <p>Further information is set out in the Environmental, Social and Governance Report</p>
<p>Exchange rate risk</p>	<p>Movements in exchange rates may result in actual losses or in the results reported in the Group financial statements.</p>	<p>The Group's income is denominated in US\$ and its expenditure is denominated in US\$ and Kazakh Tenge.</p> <p>In the year under review the Tenge maintained its exchange rate against the US\$. Since the year end the Kazakh Tenge has fallen by approximately 2.2% against the US \$.</p> <p>Any decline in the Kazakh Tenge against the US\$ affects the US\$ reported income for domestic sales which transacted in Tenge. However, in such circumstances the Group generally benefits as international income is unaffected but approximately 50% of the Group's costs are incurred in Tenge reducing the US\$ reported operating costs.</p> <p>Given the relative strengths of the US\$ and the Kazakh Tenge, the Group has decided not to seek to hedge this foreign currency exposure.</p>
<p>Supplier risk</p>	<p>Continued operations depend on regular deliveries to site of consumables, such as water, food, heating oil and replacement parts for our drilling equipment. Delays in such deliveries to site could impact production volumes.</p>	<p>We have been operating the BNG Contract Area for almost a decade during which we have encountered numerous supply issues, all of which have been overcome.</p> <p>With the impact of Covid-19 apparently receding, we are confident in dealing with whatever delivery issues occur.</p>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

This report covers our ESG approach and performance for the year ended 31 December 2021.

ENVIRONMENTAL

Introduction

Oil and gas exploration and production is a long-term activity requiring effective environmental stewardship. We have operated in Kazakhstan now for more than 15 years and have only been able to do so by complying with all applicable environmental standards.

We recognise that society is transitioning towards a low-carbon future, and we support this goal. However, we believe that oil will continue to play an important role in the global economy for many years to come, and new sources of oil supply will be required for a sustainable energy transition.

Climate change

Assessing the risks

We have no particular insights into assessing climate control risks beyond those underpinning the regulations in Kazakhstan. We therefore look to the Kazakh regulatory authorities to set the standards to which we work.

Compliance with the standards

We seek to comply with all relevant Kazakh environmental requirements, including environmental laws and regulations and industry guidelines.

Specific initiatives

- We seek to recycle gas produced as a by-product at BNG to power the Contract Area's day-to-day operations.
- We seek wherever possible to avoid flaring, which in any event is a regulated activity.
- Our workers at the BNG Contract Area are drawn from the local community, lessening the transportation carbon footprint.
- We make extensive use of existing oil pipelines to move our oil.
- Largely as the result of Covid-19 restriction the use of international travel for management and board meetings has been severely restricted with no full face to face board meetings for more than 24 months.

Health and safety

Our daily operations prioritise health and safety and protecting the environment and we seek to comply with all applicable health and safety related regulations.

SOCIAL

Since the Group's formation in 2006, the social obligations payments made principally to the authorities in the regions in which the group operates have funded a range of projects for the benefit of the local communities concerned.

GOVERNANCE

Introduction

Overall responsibility over the Group's corporate governance, risk management, market disclosure and related obligations rests with the Board.

The Governance & Risk Committee comprises Clive Carver, Edmund Limerick and Aibek Oraziman with Clive Carver acting as chairman. The committee intends to meet at least once a year to review the Group's governance procedures compared to accepted industry best practice.

At the appropriate time the Board plans to include a formal risk register including all the principal operational and non-operational risks to the business to be considered by the Governance & Risk Committee.

Share dealing policy

The Group has adopted and operates a share dealing code for Directors and employees in accordance with the AIM Rules.

Internal controls

The Board acknowledges responsibility for maintaining appropriate internal control systems and procedures to safeguard the shareholders' investments and the assets, employees and the business of the Group. The Board also intends to periodically review the Group's financial controls and operating procedures.

Internal audit

The Board does not consider it appropriate for the current size of the Group to establish an internal audit function. However, this will be kept under review.

Bribery and corruption

The Bribery Act 2010 came into force on 1 July 2011.

The Company is committed to acting ethically, fairly and with integrity in all its endeavours and compliance with legislation is monitored. The principal terms of the Bribery Act have been translated into Russian and circulated to our Kazakh based staff. Consideration of the Bribery Act is a standing item at board meetings.

The Company's culture

Our culture might best be described as one where we strive for commercial success while treating others fairly and with respect. The Board firmly believes that sustained success will best be achieved by following this simple philosophy. Accordingly, in dealing with each of the Groups principal stakeholders, we encourage our staff to operate in an honest and respectful manner. We also believe in getting proper value for money spent and believe this goes hand in hand with being a low-cost operator.

Kazakhstan plays an important part in the Group's culture. It is where we operate; where almost all staff are based; it is the nationality of most staff and of the majority of shareholders.

The Group is committed to promoting a culture based on ethical values and behaviours across the business. Policies are in place covering key matters such as equality, protection of sensitive information, conflicts of interest, whistleblowing and health and safety as well as environmental concerns.

QCA Code

Caspian Sunrise, in line with most AIM companies, elected to apply the rules of the Quoted Companies Alliance (QCA) Corporate Governance Code ("QCA Code"), which is based around 10 broad principles.

Principle 1	Objective
Establish a strategy and business model which promotes long term value for shareholders	<p>Caspian Sunrise's objective is to create shareholder value from the development of oil and gas projects and associated activities.</p> <p>The Group has a number of secondary objectives, including promoting the highest level of health and safety standards, developing our staff to their highest potential and being a good corporate citizen in our chosen countries of operations.</p> <p>Strategy</p> <p>The Group's long-term strategy is to build an attractive portfolio of oil and gas exploration and production assets in Central Asia, in particular Kazakhstan where the board has the greatest experience. Additionally, the Group will seek to exploit associated opportunities where the board believes it can add significant value and contribute towards the success of the Group as a whole.</p> <p>Our business model</p> <p>Our business model is to invest in and develop promising oil and gas projects.</p> <p>Growth in long term value will be measured by a sustainable appreciation in the share price.</p> <p>Principal assets</p> <p>The Group's principal asset is its interest in the BNG Contract Area, which is in the west of Kazakhstan, 40 kilometres southeast of Tengiz on the edge of the Mangistau Oblast.</p> <p>The Group also has 100% interests in the 3A Best Contract and the Caspian Explorer drilling vessel.</p>

	Further acquisitions are expected.
<p>Principle 2</p> <p>Seek to understand and meet shareholder needs and expectations</p>	<p>Shareholder communications</p> <p>The Company communicates with its shareholders via RNS announcements, its website, formal company meetings and periodic investor presentations.</p> <p>The need to avoid selectively releasing price sensitive information often limits our ability to provide the answers many investors seek.</p> <p>The Company’s management meets prospective institutional investors from time to time to assess the availability of large-scale institutional funding to advance the company’s plans.</p> <p>Our shareholders</p> <p>A large proportion of the Company’s shares are held by a relatively small group, namely: The Oraziman family (48%); other Kazakh shareholders (5%); Korean shareholders (10%); shareholders in the UAE (10%); with the remaining (27)% being principally UK based investors.</p> <p>There is a contact form available for investors to use on the website: https://www.caspiansunrise.com/contact/contact-form/</p>
<p>Principle 3</p> <p>Take into account wider stakeholder and social responsibilities and their implications for long term success</p>	<p>Our stakeholders</p> <p>In addition to our shareholders the Company regards its employees and their families, local and national government and its shareholders to be the core of the wider stakeholder group.</p> <p>Employees</p> <p>Almost all staff employed by the Group are based in Kazakhstan. The Group draws most of its field workers from the Mangistau region where alternative employment opportunities are limited. At our head office in Almaty we employ further staff, some of whom hold highly skilled positions.</p> <p>As well as providing employees with appropriate remuneration and other benefits together with a safe and enjoyable working environment, the Board recognises the importance of communication with employees to motivate them and involve them fully in the business. For the most part, this communication takes place at a local level, but staff are kept informed of major developments through email updates and staff meetings.</p> <p>Local communities</p> <p>The Group has provided significant financial support to this region for over a decade by way of social payments sometimes delivered in the form of medical or educational facilities for the local population.</p> <p>Part of our work programme obligations are paid in the form of contributions to local social programmes. We are pleased to have assisted in the development of these projects and look forward to contributing to others in the coming years.</p> <p>Kazakh Government agencies and regulators</p> <p>The Kazakh authorities are responsible for granting licences to explore for and produce oil. Licences are awarded subject to agreed work programmes being adhered to over the period of each licence renewal. This includes compliance with rules designed to preserve the environment.</p> <p>Caspian Sunrise has an extremely high proportion of Kazakh nationals in our workforce and among our core shareholder group. The Board believes that this helps create a positive relationship with the Kazakh authorities and has assisted in the Group’s day-to-day dealings with the regulators.</p> <p>External stakeholders</p> <p>Many additional jobs have been funded in the Company’s suppliers, partners and professional advisers.</p>

	<p>Feedback The Company considers feedback from its stakeholders in its decisions and actions.</p>
<p>Principle 4</p> <p>Embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	<p>Risk assessment</p> <p>Oil & gas exploration and production is a dangerous activity and as such is necessarily subject to an extreme health and safety regime. Risk assessment and evaluation is an essential part of the Company’s planning and an important aspect of the Company’s internal control system.</p> <p>It is planned to introduce a formal risk register, including all the principal operational and non-operational risks to the business. Such a risk register would be reviewed and assessed at least once a year by the Audit Committee.</p> <p>A summary of the principal risks facing the Group are set out in the Principal Risks section on page 24 of these Financial Statements.</p>
<p>Principle 5</p> <p>Maintain the board as a well-functioning, balanced team led by the chair</p>	<p>Board composition</p> <p>The board comprises three executive directors and two non-executive directors.</p> <p>Executive directors At the executive level Kuat Oraziman, Chief Executive Officer, and Seokwoo Shin Chief Operating Officer run the Company’s operations in Kazakhstan with Clive Carver, Executive Chairman, taking the lead on all non-operational matters including financial matters and all aspects related to the listing of the Company’s shares on AIM, Corporate Governance compliance and Investor Relations.</p> <p>Kuat Oraziman is a trained geologist and member of the academy of sciences. He has more than 27 years oil and gas experience in Kazakhstan.</p> <p>Seokwoo Shin for the Korean National Oil Corporation from 1987 until 2018 with spells in Korea, the United Kingdom, Russia and most recently Kazakhstan, where he was responsible for KNOC’s Kazakh oil fields. He joined Caspian Sunrise in 2018.</p> <p>Clive Carver is a fellow of the Institute of Chartered Accountants in England and Wales (FCA) and a fellow of the Association of Corporate Treasurers (FCT). While working in the UK broking industry Clive gained more than 15 years’ experience as a Qualified Executive under the AIM Rules having led the Corporate Finance departments of several of the larger and more active Nominated Adviser firms.</p> <p>Non-executive directors Edmund Limerick, Senior Independent Non-executive director is a Russian speaking former lawyer and investment banker who ran an institutional investment fund focused on Central Asia.</p> <p>Aibek Oraziman, is the Company’s largest shareholder with 26.3%. He has more than 12 years oil and gas experience in Kazakhstan, including 3 years in the field at Aktobe working for a local oil company.</p> <p>The board believes it possesses the skills required to build a successful and durable oil and gas business focused on Kazakhstan.</p> <p>The board meets a minimum of four times each year supported by periodic telephone meetings. At such meetings the board receives a report from Kuat Oraziman on all matters operational and from Clive Carver on all non-operational matters.</p> <p>The board also has a list of standing items, including compliance with the UK Bribery Act, litigation and existence of open and closed periods for director dealings, which are considered at each meeting.</p> <p>The number of board meetings attended each year by the directors is set out in the Directors’ report which forms part of the Annual Report and Financial Statements.</p>

	<p>Departures from the Code</p> <p><i>Executive Chairman</i> The principal reason advanced by proponents of the Code that the Chairman be non-executive is to split the roles of Chairman and Chief Executive Officer as combining them puts too much control in one pair of hands. This is not the case with our Company where the Chief Executive Officer’s family is the largest shareholder, with some 48%.</p> <p>Clive Carver was appointed Non-Executive Chairman of the Company in 2006 in the lead-up to the IPO the following year. In 2012 he was appointed Executive Chairman at the same time as Kuat Oraziman moved from Non-Executive Director to Chief Executive Officer.</p> <p>In the past decade, Clive Carver has served as non-executive chairman of seven AIM listed companies. In addition, his 15 years as a Qualified Executive and head of active corporate finance departments make him a very suitable candidate to be Chairman, notwithstanding his executive status.</p> <p><i>Non-Executive Directors’ participation in Option Schemes</i> In common with many AIM listed companies we actively encourage non-executive directors to participate in the Company’s option schemes. Proponents of the Code believe this affects the independence of the non-executive directors concerned.</p> <p>We believe that independence is a matter of independence of mind, judgement and integrity. We consider our non-executives’ ability to act independently to be unaffected by the level of participation in the Company’s option scheme.</p> <p><i>Size of the board – requiring the involvement of Executive Directors in the various board committees</i> With only two non-executive directors it is inevitable that the board committees will comprise executive and non-executive directors. The Company accepts this is not a long-term solution and at the appropriate time will look to appoint an additional non-executive director.</p>
<p>Principle 6</p> <p>Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</p>	<p>Experience</p> <p>The experience of the directors and the operational board is set out in the response to principle 5 above and in the Annual Report and Financial Statements.</p> <p>Operational skills are maintained through an active day to day interaction with leading international consultancies and contractors engaged to assist in the development of the Company’s assets.</p> <p>Non-operational skills are maintained principally via the Company’s interaction with its professional advisers plus the experience gained from sitting on the boards of other commercial enterprises.</p> <p>As the Company develops and moves from predominantly an oil exploration company to a balanced production and exploration company, the board will periodically re-assess the adequacy of the skills on both the main board and the operational board. Where gaps are found, new appointments will be made.</p>
<p>Principle 7</p> <p>Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</p>	<p>Performance</p> <p>The Company currently does not evaluate board performance on a formal basis. However, it will in the near term seek to formalise the assessment of both executive and non-executive board members.</p> <p>The Company is aware of its need to facilitate succession planning and the board evaluation process will form part of this going forward.</p>
<p>Principle 8</p> <p>Promote a corporate culture that is based on ethical values and behaviours</p>	<p>Culture</p> <p>Our culture can best be described as one where we strive for commercial success while treating others fairly and with respect. The board firmly believes that sustained success will best be achieved by following this simple philosophy.</p>

	<p>Accordingly, in dealing with each of the Company's principal stakeholders, we encourage our staff to operate in an honest and respectful manner.</p> <p>Operating with integrity is clearly good business and forms an important part of the annual assessment of staff and in setting their pay for future periods.</p>
<p>Principle 9</p> <p>Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</p>	<p>Governance</p> <p>The Company believes that its governance structures and processes are consistent with its current size and complexity. The Board is aware that it must continue to review its practices as the Company evolves and grows.</p> <p>The executive members of the Board have overall responsibility for managing the day-to-day operations of the Company and the Board as a whole is responsible for implementing the Company's strategy.</p> <p>The Audit Committee typically meets before each set of results (interim and final) are published and the Remuneration Committee typically meets at least once a year, when the Financial Statements for the Full year results are approved. All Committee members attend these meetings.</p> <p>Our Report and Accounts contain report from the Chairman of the Remuneration. and the Audit Committee.</p> <p>The appropriateness of the Company's governance structures will be reviewed annually in light of further developments of accepted best practice and the development of the Company.</p>
<p>Principle 10</p> <p>Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>	<p>Communications</p> <p>The Company reports formally to its shareholders and the market twice each year with the release of its interim and full year results.</p> <p>The Annual Report and Financial Statements set out how the corporate governance of the Company has been applied in the period under review including the work undertaken by the Audit Committee and the Remuneration Committee.</p> <p>The Annual Report and Financial Statements contain full details of the principal events of the relevant period together with an assessment of current trading and prospects. They are sent to shareholders and made available on the Company's website to anyone who wishes to review them.</p> <p>The Board already discloses the result of general meetings by way of RNS announcements, disclosing the voting numbers.</p> <p>The Company's website also contains all the information prescribed for an AIM Company under Rule 26.</p> <p>Further details of the Company's dialogue with its shareholders are set out under Principle 2 above</p> <p>Employee stakeholders are regularly updated with the development of the Company and its performance.</p> <p>We are in almost constant communication with our Governmental and regulatory stakeholders via their involvement in our day-to-day operational activities.</p>

Board composition, skills and capabilities

- Between 1 January 2021 and 4 March 2021 the Board comprised one executive director and three non-executive directors.
- Between 4 March 2021 and 31 December 2021, the Board comprised two executive directors and three non-executive directors.
- From 1 January 2022 the Board comprised three executive directors and two non-executive directors

Clive Carver, Executive Chairman

Clive is a fellow of the Institute of Chartered Accountants in England and Wales (FCA) and a fellow of the Association of Corporate Treasurers (FCT). He is an experienced public company director having been chairman of a number of AIM companies in recent years.

Kuat Oraziman, Chief Executive Officer

Kuat Oraziman runs the Company's operations in Kazakhstan. Kuat Oraziman is a trained geologist and member of the Academy of Sciences. He has more than 27 years oil and gas experience in Kazakhstan.

Seokwoo Shin, Chief Operating Officer

Seokwoo Shin was educated at Sungkyunkwan University in Korea. He worked for the Korean National Oil Corporation from 1987 until 2019 with spells in Korea, the United Kingdom, Russia and most recently Kazakhstan, where he was responsible for KNOC's Kazakh oil fields. He joined Caspian Sunrise in 2018 and on 4 March 2021 was appointed the board as chief Operating Officer.

Edmund Limerick, Senior Non-Executive Director

Edmund is a Russian speaking former lawyer and investment banker who ran an institutional investment fund focused on Central Asia. Edmund was called to the Bar in 1987 and served as an officer in the Foreign & Commonwealth Office until 1992 with postings in Paris, Dakar and Amman. He was an international corporate lawyer at Clifford Chance, Freshfields and Milbank Tweed (where he headed the Moscow Office) before joining Deutsche Bank as a director in Moscow, London and Dubai. In 2006, he joined Altima Partners where he managed the Altima Central Asia Fund, focusing on Kazakhstan. Edmund has served as a director of Caspian Sunrise plc since 2010, and chairs the Audit and Remuneration Committees.

Aibek Oraziman, Non-executive director

Aibek Oraziman was educated in Kazakhstan and in the United Kingdom. He more than 12 years oil and gas experience in Kazakhstan, including 3 years in the field at Aktobe working for a local oil company. He was appointed to the Caspian Sunrise board on 21 August 2020.

The Board believes it possesses the skills required to build a successful and durable oil and gas business focused on Kazakhstan.

Board and committee meetings

Attendances of Directors at board and committee meetings convened in the year, and which they were eligible to attend in person or by phone, are set out below:

Director	Board meetings attended	Remuneration Committees attended	Audit Committee attended
Clive Carver	6 of 6	1 of 1	3 of 3
Kuat Oraziman	6 of 6	N/A	N/A
Edmund Limerick	6 of 6	1 of 1	3 of 3
Seokwoo Shin	5 of 5	N/A	N/A
Aibek Oraziman	6 of 6	1 of 1	2 of 3

Note: Seokwoo Shin joined the board on 4 March 2021

The Board has established the following committees:

Audit Committee

The Audit Committee which comprises Edmund Limerick, Aibek Oraziman and Clive Carver, with Edmund Limerick acting as Chairman, determines and examines any matters relating to the financial affairs of the Group including the terms of engagement of the Group's auditors and, in consultation with the auditor, the scope of the audit.

The Audit Committee receives and reviews reports from the management and the external auditor of the Group relating to the annual and interim amounts and the accounting and internal control systems of the Group. In addition, it considers the financial performance, position and prospects of the Group and the Company and ensures they are properly monitored and reported on.

Remuneration Committee

The Remuneration Committee, which comprises Edmund Limerick Aibek Oraziman and Clive Carver, with Edmund Limerick acting as Chairman, reviews the performance of the senior management, sets and reviews their remuneration and the terms of their service contracts and considers the Group's bonus and option schemes.

Board committee membership in 2021

Director	Audit Committee		Remuneration Committee		Corporate Governance Committee	
	Served from	Served to	Served from	Served to	Served from	Served to
Clive Carver	1 January	31 December	1 January	31 December	1 January	31 December
Kuat Oraziman	N/A	N/A	N/A	N/A	N/A	N/A
Edmund Limerick	1 January	31 December	1 January	31 December	1 January	31 December
Seokwoo Shin	N/A	N/A	N/A	N/A	N/A	N/A
Aibek Oraziman	1 January	31 December	1 January	31 December	1 January	31 December

Clive Carver
24 June 2022

REMUNERATION COMMITTEE REPORT

Remuneration Committee

The Remuneration Committee comprises Edmund Limerick, Aibek Oraziman and Clive Carver and is chaired by Edmund Limerick.

Remuneration policy

The Group's and the Company's policy is to provide remuneration packages that will attract, retain and motivate its executive Directors and senior management. This consists of a basic salary, ancillary benefits and other performance-related remuneration appropriate to their individual responsibilities and having regard to the remuneration levels of comparable posts. However, the Covid-19 impact on the Group's finance required the Directors to accept very significant reductions in the amounts received which continued throughout 2021 and the first six months of 2022.

The Remuneration Committee determines the contract term, basic salary, and other remuneration for the members of the Board and the senior management team.

Service contracts

Details of the current Directors' service contracts are as follows:

Executive	Date of service agreement / appointment letter	Date of last renewal of appointment
Clive Carver	20 March 2019	21 June 2019
Kuat Oraziman	6 December 2019	19 June 2018
Edmund Limerick	25 January 2019	13 June 2017
Aibek Oraziman	21 August 2020	N/A
Seokwoo Shin	4 March 2021	N/A

Notwithstanding their service agreements or letters of appointment the directors who served throughout the period under review have agreed until further notice to restrict their remuneration to approximately 25% of previous amounts without any accrual for the 75% sacrificed.

Basic salary and benefits

The basic salaries of the Directors who served during the financial year are established by reference to their responsibilities and individual performance.

Directors	Role	2021 Salary / fees US\$	2021 Share options US\$	2021 Total US\$	2020 Total US\$
Clive Carver	Chairman	120,000	-	120,000	311,800
Kuat Oraziman	CEO	142,055	-	142,055	251,393
Seokwoo Shin	COO	54,025	-	54,025	-
Edmund Limerick	Non-executive	15,600	-	15,600	51,159
Tim Field	Non-executive	-	-	-	49,859
Aibek Oraziman	Non-executive	-	-	-	-
Total		331,680	-	331,680	664,211

Share option amounts refer to the IFRS 2 accounting charge.

There were no company pension contributions in respect of any director

Bonus schemes

All Executive Directors are eligible for consideration of participation in the Company bonus scheme. However, as in previous years no bonuses are payable in respect of the year ended 31 December 2021 (2020: nil).

Long term incentives

Share options

The current interests as at approval of accounts of the current Directors in share options agreements are as follows:

Directors	Granted	Exercise price	Expiry Date
Clive Carver	2,400,000	4p	14 December 2023
Clive Carver	3,000,000	20p	21 August 2024
Kuat Oraziman	3,000,000	20p	21 August 2024
Edmund Limerick	750,000	20p	21 August 2024
Edmund Limerick	1,000,000	20p	5 June 2029
Seokwoo Shin	nil	Nil	N/A

There were no options exercised in 2021. On 26 November 2021, the exercise date for the options held by Clive Carver were extended from 14 December 2021 to 14 December 2023.

Cash based incentives

In May 2019, we introduced a cash based long term incentive arrangements for the senior management team since 2012, Kuat Oraziman and Clive Carver.

Under these arrangements, provided the share price growth exceeds pre-set targets starting at 17.23p, then for every \$500 million increase in the Group's market capitalisation above \$300 million, as adjusted to take account of dividends paid, both Kuat Oraziman and Clive Carver, would receive payments of \$3 million each.

The principal hurdles under these arrangements are set out in the table below.

Market cap threshold \$' billion	Share price target Pence per share	Pay-out rate (each) %	Pay-out amount (each) \$' million
0.8	17.23	0.6	3.0
1.3	20.67	0.6	3.0
1.8	24.81	0.6	3.0
2.3	29.77	0.6	3.0
2.8	35.72	0.6	3.0

The scheme continues beyond the numbers in the table such that with the threshold for market capitalisation increasing at the rate of \$0.5 billion and the corresponding share price threshold increasing from the earlier threshold by a constant factor of 1.2.

Each threshold must be sustained for at least 30 consecutive days for the awards to be triggered. There may be only one pay-out for each market capitalisation threshold crossed no matter how many times it is crossed.

Whilst the Incentive Scheme is in place neither of the recipients will be granted any further options.

On behalf of the Directors of Caspian Sunrise plc

Edmund Limerick
Chairman of Remuneration Committee
24 June 2021

AUDIT COMMITTEE REPORT

The Audit Committee

The Audit Committee, which comprises Edmund Limerick, Clive Carver and Aibek Oraziman, with Edmund Limerick acting as Chairman, determines and examines any matters relating to the financial affairs of the Group including the terms of engagement of the Group's auditors and, in consultation with the auditor, the scope of the audit.

Role and responsibilities

The Audit Committee is responsible for monitoring the integrity of the Company's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Group's internal control and risk management systems.

In addition, it considers the financial performance, position and prospects of the Group and the Company and ensures they are properly monitored and reported on. It oversees the relationship with the Auditor (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings).

Meetings

The committee met on three occasions during the year under review.

Internal audit

The Board and the Audit Committee do not consider it appropriate for the current size of the Group to establish an internal audit function. However, this will be kept under review. Attendance at Audit Committee meetings Please see the table in the preceding Corporate Governance Report for attendance by the members of the Audit Committee.

On behalf of the Directors of Caspian Sunrise plc

Edmund Limerick
Chairman of Audit Committee
24 June 2022

Independent auditor's report to the members of Caspian Sunrise plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Caspian Sunrise plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Parent Company Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Parent Company Statement of Financial Position, the Consolidated and Parent Company Statements of Cash Flows and 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 UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent 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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty in relation to going concern

We draw attention to note 1.1 in the financial statements concerning the Group and the Parent Company's ability to continue as a going concern. Note 1.1 highlights that Group and Parent Company's ability to meet its liabilities and commitments as they fall due without additional funding is sensitive to the oil prices realised and volumes sold which is impacted by its ability to export a portion of its oil sales through the Russian pipeline network. Note 1.1 also highlights that the Group and Parent Company is dependent upon the deferral of financial obligations, the continued availability of oil trader advances and the continued support of certain creditors together with other matters set out therein. These factors are outside the control of the Group and the Parent Company and there is no certainty that any funding that may therefore be required can be secured within the necessary timescales. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We consider going concern to be a Key Audit Matter based on our assessment of the risk and the effect on our audit.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting, and our response to this key audit matter included:

- We obtained management’s base case cash flow forecast and a reasonable plausible downside cash flow forecast and critically assessed the key inputs. In doing so, we compared oil prices to market data, production levels to recent performance trends and operating costs to historical data.
- We discussed the potential impact of sanctions against Russia on the Group’s operations with management and the Audit Committee including their assessment of risks and uncertainties associated with areas such as production disruption, commodity price volatility and the impact on the availability of funding. This included considering the Group’s reliance on selling oil through the Russian pipeline network, and should this no longer be a viable export route, the alternatives available to the Group.
- We formed our own assessment of risks and uncertainties based on our understanding of the business and oil sector.
- We evaluated the completeness of forecast licence related expenditure against the licence work programs and payments due under the 3A Best licence. We held discussions with management and the Audit Committee regarding the status of such applications.
- We compared the forecast cash payments in respect of the BNG production licence award against the \$32m assessment received from the Government payable in instalments over 10 years. We ensured that the relevant instalments are included in the forecast.
- We considered the appropriateness of the Board’s judgement regarding the availability of sufficient oil trader funding through the forecast period. In doing so, we considered factors such as the production profile, oil price trends, the terms of the arrangements and the history of transactions with the oil traders.
- We reviewed the agreement that converted the loans provided from the Group’s largest shareholder and his connected companies to equity after the period end.
- We assessed the validity of any mitigating actions identified by the Directors including drilling new wells.
- We reviewed the adequacy and completeness of the disclosure included within the financial statements in respect of going concern against the requirement of the accounting standards and the results of our audit testing.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	<i>83% (FY20: 83%) of Group loss before tax, 100% (FY20:100%) of Group revenue and 96% (FY20: 92%) of Group total assets.</i>		
Key audit matters		2021	2020
	Carrying value of oil and gas assets	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	BNG production licence payment obligations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Going concern	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Materiality	<i>Group financial statements as a whole</i>		
	US\$1.9m (2020: US\$1.9m) based on 1.7% (2020: 1.5%) of total assets		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group’s system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group’s operations principally comprise oil and gas exploration and production in Kazakhstan. We assessed there to be four significant components comprising BNG, 3A Best, Caspian Explorer and the Parent Company. These components, which were subject to full scope audit procedures, represent the principal business units.

Non-BDO member firms performed a full scope audit of BNG, 3A Best and Caspian Explorer in Kazakhstan, under our direction and supervision as Group auditors. The audit of the Parent Company and the Group consolidation were performed in the United Kingdom by the Group audit team.

The remaining components of the Group were considered non-significant and these components were principally subject to analytical review procedures by the Group audit team.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- Detailed Group reporting instructions were sent to the component auditors, which included the significant areas to be covered by the audit.
- We reviewed the component auditor’s work papers in Kazakhstan, reviewed Group reporting submissions received and held regular calls with the component audit teams during the planning and completion phases of their audit to discuss significant findings from their audit.
- We held calls and meetings with members of Group and component management to discuss accounting and audit matters arising.
- The Group audit team was actively involved in the direction of the audits performed by the component auditors, along with the consideration of findings and determination of conclusions drawn. We performed additional procedures in respect of the significant risk areas where considered necessary.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter		How the scope of our audit addressed the key audit matter
<p><i>Carrying value of oil and gas assets</i></p> <p>As at 31 December 2021, the Group’s oil and gas assets related to the BNG exploration and production licence. These were carried at US\$103.3m as shown in notes 12 and 13.</p>	<p>At each reporting period end, management are required to assess the non-current assets for indicators of impairment and, where such indicators exist, perform an impairment test.</p> <p>In performing the impairment indicator review for the unproven oil and gas assets in the exploration phase, management are required to make a number of judgements as detailed in notes 1.8 and 2.1. In respect of the 3A Best oil and gas assets, as detailed in note 2.1 the company is working with the Kazakh authorities to renew its licence at 3A best and as a result has impaired this asset in full.</p> <p>In respect of the BNG production and exploration licences as detailed in notes 2.1 and 2.3 management assessed there was no impairment</p>	<p><u>3A Best</u></p> <p>We assessed if the \$12.5m impairment in respect of the 3A Best unproven oil and gas assets was in accordance with applicable accounting standards. Audit procedures performed included reviewing correspondence from the Government regarding licence payment obligations and the licence withdrawal for related subsoil use contract.</p> <p><u>BNG production and exploration assets</u></p> <p>We inspected the licences to confirm valid title and assessed the compliance with the licence conditions through review of correspondence with the authorities and inquiries of management.</p> <p>For the exploration licence, we inspected budgets and work programs submitted to the Kazakh authorities to confirm that further drilling and exploration is planned for the licence. We considered the results of exploration activity in the period for</p>

	<p>trigger and the carrying amounts were recoverable.</p> <p>Given the judgment, estimation and the disclosures required by management, we considered this area to be a key focus for our audit and hence a key audit matter.</p>	<p>indications that the licences would be abandoned or that the recoverable value would be below cost.</p> <p>For the production licence we reviewed management's impairment indicator analysis and formed our own assessment of potential impairment indicators as at 31 December 2021. As part of the impairment indicator analysis, we evaluated management's ceiling test by assessing the inputs into the net present value forecasts. In doing so, we compared the oil price forecasts as at 31 December 2021 to market consensus forecasts and compared operational production and cost assumptions to the 2015 Competent Person's Report, historical data and other third party sources. We recalculated the discount rate and performed sensitivity analysis in respect of significant inputs.</p> <p>We relied on our previous years' work on evaluation of the independence and competence of the Competent Person as a management expert and assessed if any changes were required.</p> <p>Key observations: We found management's conclusion that the carrying value of the 3A Best, BNG oil and gas assets to be appropriate. We found the judgments made by management to be reasonable.</p>
<p><i>BNG production licence payment obligations</i></p> <p>Under the terms of the BNG licence, on award of the production contract the Group incurred an obligation for payments under the licence as detailed in note 2.7 and 21.</p>	<p>Whilst management has contested the quantum to be paid, a final judgement has been made by the Government authorities for a total payment of \$32m payable in quarterly fixed instalments over 10 years. Management recorded a provision of \$22.5m as at 31 December 2021 which is net of amounts already paid and a discount for the time value of money.</p> <p>Given the estimation required in determining the applicable discount rate, this was considered to be a focus for our audit and a key audit matter.</p>	<p>We reviewed the terms of the licence to confirm that a payment obligation was triggered upon award of the contract.</p> <p>We reviewed correspondence with the relevant authorities regarding the assessment of the quantum of the remaining payment due and the terms of payment which formed the basis for the amounts recorded as a provision.</p> <p>We recalculated the amount recorded as a provision by agreeing payments already made to bank statements, recalculating the discount for the time value of money and comparing the discount rate used to market bond yield data for instruments with a similar term and risk.</p> <p>Key observations: We found the judgments and estimates made by management in respect of the BNG production licence payment obligations to be appropriate.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021 US\$	2020 US\$	2021 US\$	2020 US\$
Materiality	1,900,000	1,900,000	1,300,000	1,500,000
Basis for determining materiality	1.7% of total assets	1.5% of total assets	70% of Group materiality	80% of Group materiality
Rationale for the benchmark applied	We have determined an asset-based measure is appropriate as the Group continues to focus on developing its oil and gas projects that requires significant capital expenditure.			
Performance materiality	1,200,000	1,200,000	800,000	1,000,000
Basis for determining performance materiality	65% of Group Materiality considering the nature of activities and historic audit adjustments.		65% of Parent Company Materiality considering the nature of activities and historic audit adjustments.	

Component materiality

We set materiality for each significant component of the Group based on a percentage of between 26% and 68% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from US\$500,000 to US\$1,300,000. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of US\$38,000 (2020: US\$95,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none">• the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none">• adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or• the Parent Company 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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 Group's and the Parent 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 Group or the Parent 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and the Parent company. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (UK adopted international accounting standards, the Companies Act 2006, the AIM rules and the QCA Corporate Governance Code), the significant laws and regulations of Kazakhstan relating to the oil and gas industry, local taxation legislation and environmental regulations, and the terms and requirements included in the Group's production and exploration licences.

Our procedures included the following:

- We gained an understanding of how the Group is complying with those legal and regulatory frameworks by making inquiries of Management and the Audit Committee, and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of board minutes and other supporting documentation;
- We directed the auditors of the significant components to ensure an assessment is performed on the extent of the component's compliance with the relevant local and regulatory framework; and
- We reviewed the financial statement disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations noted above.

We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be management override of controls and revenue recognition.

Our procedures included:

- Testing the appropriateness of journal entries made through the year by applying specific criteria to detect possible irregularities and fraud;
- Reviewing the licences to assess the extent to which the Group was in compliance with the conditions of the licence and considering management's assessment of the impact of instances of non-compliance where applicable;
- Performing a detailed review of the Group's year end adjusting entries and investigating any that appear unusual as to nature or amount and agreeing to supporting documentation;
- For significant and unusual transactions, particularly those occurring at or near year-end, obtaining evidence for the rationale of these transactions and the sources of financial resources supporting the transactions;
- Assessing the judgements made by management when making key accounting estimates and judgements, and challenging management on the appropriateness of these judgements (refer to key audit matters above); and
- Communicating relevant potential fraud risks to all engagement team members and remaining alert to any indications of fraud throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Acloque (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London,
United Kingdom

24 June 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Profit or Loss

	Notes	Year to 31 December 2021 US\$'000	Year to 31 December 2020 US\$'000
Revenue	4	24,996	14,298
Cost of sales		(5,624)	(4,864)
Gross profit		19,372	9,434
Selling expense		(7,578)	(3,897)
Impairment of unproven oil and gas assets	12	(12,464)	-
Provision for expected credit losses of long-term assets	16	-	(2,551)
Share-based payments		-	(22)
Other administrative costs		(3,332)	(3,662)
Total administrative expenses		(3,332)	(6,235)
Operating loss	5	(4,002)	(698)
Finance cost	8	(859)	(1,067)
Finance income	9	24	20
Loss before taxation		(4,837)	(1,745)
Tax charge	10	(709)	(1,748)
Loss after taxation from continuing operations		(5,546)	(3,493)
Loss for the year from discontinued operations		-	-
Loss for the year		(5,546)	(3,493)
Loss attributable to owners of the parent		(5,554)	(3,413)
Loss attributable to non-controlling interest		8	(80)
Loss for the year		(5,546)	(3,493)
<i>Basic and diluted loss per ordinary share (US cents)</i>		(0.26)	(0.18)

The notes on pages 52 to 82 are essential part of these financial statements

Consolidated Statement of Comprehensive Income

	Year ended 31 December 2021 US\$000	Year ended 31 December 2020 US\$000
Loss after taxation	(5,546)	(3,493)
Other comprehensive income:		
Exchange differences on translating foreign operations	(6,863)	403
Total comprehensive loss for the year	(12,409)	(3,090)
Total comprehensive loss attributable to:		
Owners of parent	(12,417)	(3,010)
Non-controlling interest	8	(80)

The notes on pages 52 to 82 are essential part of these financial statements

Consolidated Statement of Changes in Equity

	Share capital US\$'000	Share premium US\$'000	Deferred shares US\$'000	Cumulative translation reserve US\$'000	Other reserves US\$'000	Merger reserve US\$'000	Retained deficit US\$'000	Total attributable to the owner of the Parent US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
Total equity as at 1 January 2021 (restated)	30,804	164,313	64,702	(55,240)	(2,362)	11,454	(150,685)	62,986	(5,809)	57,177
Loss after taxation	-	-	-	-	-	-	(5,554)	(5,554)	8	(5,546)
Exchange differences on translating foreign operations and recycling of exchange differences on disposal of subsidiaries	-	-	-	(6,863)	-	-	-	(6,863)	-	(6,863)
Total comprehensive income/(loss) for the year	-	-	-	(6,863)	-	-	(5,554)	(12,417)	8	(12,409)
Shares issue (note 18)	264	486	-	-	-	-	-	750	-	750
Shares issued to employees and consultants (note 18)	50	18	-	-	-	57	-	125	-	125
Total equity as at 31 December 2021	31,118	164,817	64,702	(62,103)	(2,362)	11,511	(156,239)	51,444	(5,801)	45,643

	Share capital US\$'000	Share premium US\$'000	Deferred shares US\$'000	Cumulative translation reserve US\$'000	Other reserves US\$'000	Merger reserve US\$'000	Retained deficit US\$'000	Total attributable to the owner of the Parent US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
Total equity as at 1 January 2020 (as previously reported)	28,120	246,299	64,702	(55,643)	(2,362)	-	(220,477)	60,639	(5,729)	54,910
Adjusted (note 3)	-	(83,066)	-	-	-	83,066	-	-	-	-
Total equity as at 1 January 2020 (restated)	28,120	163,233	64,702	(55,643)	(2,362)	83,066	(220,477)	60,639	(5,729)	54,910
Loss after taxation	-	-	-	-	-	-	(3,413)	(3,413)	(80)	(3,493)
Exchange differences on translating foreign operations and recycling of exchange differences on disposal of subsidiaries	-	-	-	403	-	-	-	403	-	403
Total comprehensive income/(loss) for the year	-	-	-	403	-	-	(3,413)	(3,010)	(80)	(3,090)
Shares issue (restated)	2,095	-	-	-	-	1,571	-	3,666	-	3,666
Merger reserve transfer (restated) (note 3)	-	-	-	-	-	(73,183)	73,183	-	-	-
Debts to equity conversion (note 18)	112	246	-	-	-	-	-	358	-	358
Shares placing in cash (note 18)	477	834	-	-	-	-	-	1,311	-	1,311
Arising on employee share options	-	-	-	-	-	-	22	22	-	22
Total equity as at 31 December 2020 (restated)	30,804	164,313	64,702	(55,240)	(2,362)	11,454	(150,685)	62,986	(5,809)	57,177

Equity

Equity	Description and purpose
Share capital	The nominal value of shares issued
Share premium	Amount subscribed for share capital in excess of nominal value
Deferred shares	The nominal value of deferred shares issued
Cumulative translation reserve	Gains/losses arising on retranslating the net assets of overseas operations into US Dollars, less amounts recycled on disposal of subsidiaries and joint ventures
Other reserves	Fair value of warrants issued and capital contribution arising on discounted loans
Merger reserve	The excess of the fair value of the issues share capital over the nominal value of these shares issued for acquisition of at least 90 percent equity holding in subsidiaries.
Retained deficit	Cumulative losses recognised in the consolidated statement of profit or loss, adjustments on the acquisition of non-controlling interests and transfers in respect of share based payments
Non-controlling interest	The interest of non-controlling parties in the net assets of the subsidiaries

The notes on pages 52 to 82 are essential part of these financial statements

Parent Company Statement of Changes in Equity

	Share capital US\$'000	Share premium US\$'000	Deferred shares US\$'000	Merger reserve US\$'000	Retained deficit US\$'000	Total attributable to the owner of the Parent US\$'000
Total equity as at 1 January 2021 (restated)	30,804	164,313	64,702	11,454	(169,398)	101,875
Total comprehensive loss for the year	-	-	-	-	(1,805)	(1,805)
Shares issue (note 18)	264	486	-	-	-	750
Shares issued to employees and consultants (note 18)	50	18	-	57	-	125
Arising on employee share options	-	-	-	-	-	-
Total equity as at 31 December 2021	31,118	164,817	64,702	11,511	(171,203)	100,945

	Share capital US\$'000	Share premium US\$'000	Deferred shares US\$'000	Merger reserve US\$'000	Retained deficit US\$'000	Total attributable to the owner of the Parent US\$'000
Total equity as at 1 January 2020 (as previously reported)	28,120	246,299	64,702	-	(138,167)	200,954
Adjusted (note 3)		(83,066)	-	83,066	-	-
Total equity as at 1 January 2020 (restated)	28,120	163,233	64,702	83,066	(138,167)	200,954
Total comprehensive loss for the year	-	-	-	-	(104,436)	(104,436)
Shares issue (restated)	2,095	-	-	1,571	-	3,666
Merger reserve transfer (restated) (note 3)	-	-	-	(73,183)	73,183	-
Debts to equity conversion (note 18)	112	246	-	-	-	358
Shares placing in cash (note 18)	477	834	-	-	-	1,311
Arising on employee share options	-	-	-	-	22	22
Total equity as at 31 December 2020 (restated)	30,804	164,313	64,702	11,454	(169,398)	101,875

Equity	Description and purpose
Share capital	The nominal value of shares issued
Share premium	Amount subscribed for share capital in excess of nominal value
Deferred shares	The nominal value of deferred shares issued
Other reserves	Capital contribution arising on discounted loans
Merger reserve	The excess of the fair value of the issues share capital over the nominal value of these shares issued for acquisition of at least 90 percent equity holding in subsidiaries.
Retained deficit	Cumulative losses recognised in the profit or loss

The notes on pages 52 to 82 are essential part of these financial statements

Consolidated Statement of Financial Position

Company number 5966431	Notes	Group 2021 US\$'000	Group 2020 (restated) US\$'000	Group 2019 (restated) US\$'000
Assets				
Non-current assets				
Unproven oil and gas assets	12	46,137	61,413	60,040
Property, plant and equipment	13	57,134	52,845	51,326
Other receivables	16	4,263	4,246	5,745
Restricted use cash		634	241	241
Total non-current assets		108,168	118,745	117,352
Current assets				
Inventories	15	664	392	384
Other receivables	16	4,950	6,195	5,663
Cash and cash equivalents	17	429	329	4,060
Total current assets		6,043	6,916	10,107
Total assets		114,211	125,661	127,459
Equity and liabilities				
Capital and reserves attributable to equity holders of the parent				
Share capital	18	31,118	30,804	28,120
Share premium		164,817	164,313	163,233
Deferred shares	18	64,702	64,702	64,702
Other reserves		(2,362)	(2,362)	(2,362)
Merger reserve		11,511	11,454	83,066
Retained deficit		(156,239)	(150,685)	(220,477)
Cumulative translation reserve		(62,103)	(55,240)	(55,643)
Equity attributable to the owners of the Parent		51,444	62,986	60,639
Non-controlling interests	27	(5,801)	(5,809)	(5,729)
Total equity		45,643	57,177	54,910
Current liabilities				
Trade and other payables	19	13,240	11,012	14,836
Short - term borrowings	20	6,425	5,600	4,050
Provision for BNG licence payment	21	3,178	3,178	3,178
Other current provisions	21	5,482	6,117	6,304
Total current liabilities		28,325	25,907	28,368
Non-current liabilities				
Deferred tax liabilities	23	6,463	6,629	7,244
Provision for BNG licence payment	21	19,290	21,887	24,216
Other non-current provisions	21	487	413	428
Other payables	19	14,003	13,648	12,293
Total non-current liabilities		40,243	42,577	44,181
Total liabilities		68,568	68,484	72,549
Total equity and liabilities		114,211	125,661	127,459

Approved by the Board and authorized for issue:

Clive Carver,
Chairman,
24 June 2022

Company number: 5966431

The notes on pages 52 to 82 are essential part of these financial statements

Parent Company Statement of Financial Position

Company number 05966431	Notes	Company 2021 US\$'000	Company 2020 (restated) US\$'000	Company 2019 (restated) US\$'000
Assets				
Non-current assets				
Investments in subsidiaries	14	15,487	15,487	223,781
Other receivables	16	88,559	89,265	10,704
Total non-current assets		104,046	104,752	234,485
Current assets				
Other receivables	16	10	9	7
Cash and cash equivalents	17	4	3	87
Total current assets		14	12	94
Total assets		104,060	104,764	234,579
Equity and liabilities				
Capital and reserves attributable to equity holders of the parent				
Share capital	18	31,118	30,804	28,120
Share premium		164,817	164,313	163,233
Deferred shares	18	64,702	64,702	64,702
Merger reserve		11,511	11,454	83,066
Retained deficit		(171,203)	(169,398)	(138,167)
Equity attributable to the owners of the Parent		100,945	101,875	200,954
Total equity		100,945	101,875	200,954
Current liabilities				
Short-term borrowings	20	2,382	2,069	1,814
Trade and other payables	19	733	820	31,811
Total current liabilities		3,115	2,889	33,625
Non-current liabilities				
Total non-current liabilities		-	-	-
Total liabilities		3,115	2,889	33,625
Total equity and liabilities		104,060	104,764	234,579

The Company incurred a loss for the year ended 31 December 2021 in the amount of US\$ 1,805,000 (2020: loss of US\$ 104,436,000).

Approved by the Board and authorized for issue:

Clive Carver,

Chairman,
24 June 2022

Company number: 05966431

The notes on pages 52 to 82 are essential part of these financial statements

Consolidated and Parent Company Statements of Cash Flows

	Notes	Group 2021 US\$'000	Group 2020 US\$'000	Company 2021 US\$'000	Company 2020 US\$'000
Cash flows from operating activities					
Cash received from customers		24,308	10,807	-	-
Payments made to suppliers for goods and services		(15,509)	(11,124)	(834)	(1,263)
Payments made to employees		(1,051)	(1,423)	(163)	(399)
Net cash flow from operating activities		7,748	(1,740)	(997)	(1,662)
Cash flows from investing activities					
Purchase of property, plant and equipment		(7,136)	(3,019)	-	-
Additions to unproven oil and gas assets		(719)	(1,520)	-	-
Transfers from/(to) restricted use cash		(393)	-	-	-
Advances repaid by subsidiaries		-	-	840	302
Advances issued to subsidiaries		-	-	-	(35)
Net cash flow from investing activities		(8,248)	(4,539)	840	267
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital		-	1,311	-	1,311
Loans received from third parties	26	600	1,237	158	-
Net cash flow from financing activities		600	2,548	158	1,311
Net increase/(decrease) in cash and cash equivalents		100	(3,731)	1	(84)
Cash and cash equivalents at the beginning of the year		329	4,060	3	87
Cash and cash equivalents at the end of the year	17	429	329	4	3

The notes on pages 52 to 82 form part of these financial statements

Notes to the Financial Statements

General information

Caspian Sunrise plc (“the Company”) is a public limited company incorporated and domiciled in England and Wales. The address of its registered office is 5 New Street Square, London, EC4A 3TW. These consolidated financial statements were authorised for issue by the Board of Directors on 24 June 2022.

The principal activities of the Group are exploration and production of crude oil.

1 Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

1.1 Basis of preparation

The Group’s and Parent’s financial statements have been prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006

Going concern

The financial position of the Group and the Company has improved in the past year and as at 1 June 2022 the Group had cash of \$1 million.

- At current oil prices, even with the Urals Oil price discount, the Company enjoys positive operational cash flows
- Deep Well 802 is the final well required under the BNG work programme. Any further deep wells drilled at BNG will be on a discretionary basis
- As is the case for the MJF structure, the South Yelemes structure with current production of approximately 300 bopd is now able to sell most of its oil at international prices
- \$6.2 million of debt has been converted to equity

Nevertheless with net current liabilities of approximately \$22 million as at 31 December 2021, the assessment of going concern needs to be properly considered. The Board have assessed cash flow forecasts prepared for a period of at least 12 months from the of approval of the financial statements and assessed the risks and uncertainties associated with the operations and funding position, including the potential further effects of the COVID-19 pandemic. These cash flows, which include the payment of discretionary dividend, are dependent on a number of key factors including:

- The Group’s cashflow is sensitive to oil price and volume sold. This is impacted by its current reliance on exporting a portion of its oil sales through the Russian pipeline network. If due to sanctions on Russia, this pipeline network is no longer available, or the discount on oil exported through this network increased over a prolonged period, to continue to generate positive cash the Group would either seek alternative distribution routes via Uzbekistan, Azerbaijan or China or alternatively sell all oil produced on the domestic market or to one of the new mini refineries opening in the region, where prices are typically better than the domestic price and buyers collect the oil from the wellhead. As none of these alternatives have yet been tested, if the oil price achieved or volume sold declined, these factors could result in the Group requiring additional funding.
- The Group continues to forward sell its domestic production and receive advances from oil traders with \$1.8m currently advanced and the continued availability of such arrangements is important to working capital. Whilst the Board anticipate such facilities remaining available given its trader relationships and recent oil price increases, should they be withdrawn or reduced more quickly than forecast cash flows allow then additional funding would be required.
- The Group has \$6.0m of liabilities due on demand under social development program and \$0.4m of BNG licence payments due within the forecast period to the Kazakh government. Whilst the Board has forecasted the payment of BNG licence payments, there are no payments planned for social development program within the forecast period as the Board expects additional payment deferrals to be approved. Should the deferrals not occur additional funding would be required.

These circumstances continue to indicate the existence of a material uncertainty which may cast significant doubt about the Group and the Company’s ability to continue as a going concern and therefore may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group and the Company was unable to continue as a going concern.

Notwithstanding the material uncertainty described above, after making enquiries and assessing the progress against the forecast, projections and the status of the mitigating actions referred to above, the Directors have a reasonable expectation that the Group and the Company will continue in operation and meet its commitments as they fall due over the going concern period. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit or loss in these financial statements.

The preparation of financial statements in conformity with IFRSs requires the Management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements.

The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in note 2.

1.2 New and revised standards and interpretations to be updated

The Group applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and effect of the changes that result from the adoption of these new standards are described below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

Several other amendments and interpretations apply for the first time in 2021, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

a) New standards, interpretations and amendments adopted from 1 January 2021

Interest Rate Benchmark Reform – IBOR ‘phase 2’ (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2021. The amendments provide relief respect of loans whose contractual terms are affected by interest benchmark reform. There is no impact on the current reporting period.

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- Amendments IFRS 17 Insurance contracts (Initial Application of IFRS 17 and IFRS 9 – Comparative Information)
- Amendments to IAS 1 Presentation of Financial Statements (Classification of Liabilities as Current or Non-Current)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1.3 Basis of consolidation

Subsidiary undertakings are entities that are directly or indirectly controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee. The consolidated financial statements present the results of the Company and its subsidiaries (“the Group”) as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The purchase method of accounting is used to account for the acquisition of subsidiary undertakings by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill.

1.4 Operating Loss

Operating loss is stated after crediting all operating income and charging all operating expenses, but before crediting or charging the financial income or expenses.

1.5 Foreign currency translation

1.5.1 Functional and presentational currencies

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in US Dollars (“US\$”), which is the Group’s presentational currency. Beibars Munai LLP, Munaily Kazakhstan LLP, BNG Ltd LLP and Roxi Petroleum Kazakhstan LLP, 3A_Best Group JSC, and Caspian Technical Services LLP subsidiary undertakings of the Group during the period, undertake their activities in Kazakhstan and the Kazakh Tenge is the functional currency of these entities. The functional currency for the Company, Beibars BV, Ravninnoe BV, Galaz Energy BV, BNG Energy BV and Eragon Petroleum FZE is USD as USD reflects the underlying transactions, conducts and events relevant to these companies.

1.5.2 Transactions and balances in foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (“foreign currencies”) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items, including the parent’s share capital, that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

1.5 Foreign currency translation (continued)

1.5.3 Consolidation

For the purpose of consolidation all assets and liabilities of Group entities with a functional currency that is not US\$ are translated at the rate prevailing at the reporting date. The profit or loss is translated at the exchange rate approximating to those ruling when the transaction took place. Exchange difference arising on retranslating the opening net assets from the opening rate and results of operations from the average rate are recognised directly in other comprehensive income (the "cumulative translation reserve"). On disposal of a foreign operator, related cumulative foreign exchange gains and losses are reclassified to profit and loss and are recognized as part of the gain or loss on disposal.

1.6 Current tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

In case of the uncertainty of the tax treatment, the Group assess, whether it is probable or not, that the tax treatment will be accepted, and to determine the value, the Group use the most likely amount or the expected value in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

Withholding tax payable at Kazakhstan

According to requirements of the Tax Code of Kazakhstan, withholding taxes payable for non-residents should be withheld from the total amount of interest income of non-residents and paid to the government when interest is paid (in cash) to non-residents. The companies should pay taxes from non-residents' interest income derived from sources in the Republic of Kazakhstan on behalf of these non-residents.

1.7 Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax liabilities are generally recognised for all taxable temporary differences. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences can be utilised.

1.8 Unproven oil and gas assets

The Group applies the full cost method of accounting for exploration and unproven oil and gas asset costs, having regard to the requirements of IFRS 6 'Exploration for and Evaluation of Mineral Resources'. Under the full cost method of accounting, costs of exploring for and evaluating oil and gas properties are accumulated and capitalised by reference to appropriate cost pools. Such cost pools are based on license areas. The Group currently has two cost pools.

Exploration and evaluation costs include costs of license acquisition, technical services and studies, seismic acquisition, exploration drilling and testing, but do not include costs incurred prior to having obtained the legal rights to explore an area, which are expensed directly to the profit or loss as they are incurred.

Plant and equipment assets acquired for use in exploration and evaluation activities are classified as property, plant and equipment. However, to the extent that such asset is consumed in developing an unproven oil and gas asset, the amount reflecting that consumption is recorded as part of the cost of the unproven oil and gas asset.

The amounts included within unproven oil and gas assets include the fair value that was paid for the acquisition of partnerships holding subsoil use in Kazakhstan. These licenses have been capitalised to the Group's full cost pool in respect of each license area.

Exploration and unproven oil and gas assets related to each exploration license/prospect are not amortised but are carried forward until the technical feasibility and commercial feasibility of extracting a mineral resource are demonstrated.

Commercial reserves are defined as proved oil and gas reserves.

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

Proven oil and gas properties

Once a project reaches the stage of commercial production and production permits are received, the carrying values of the relevant exploration and evaluation asset are assessed for impairment and transferred to proven oil and gas properties and included within property plant and equipment. The costs transferred comprise direct costs associated with the relevant wells and infrastructure, together with an allocation of the wider unallocated exploration costs in the cost pool such as original acquisition costs for the field.

Proven oil and gas properties are accounted for in accordance with provisions of the cost model under IAS 16 “Property Plant and Equipment” and are depleted on unit of production basis based on commercial reserves of the pool to which they relate.

As part of the Kazakh licencing regime, upon award of a production contract in respect of the BNG licence area, an obligation to make a payment to the licencing authority is triggered, settled over a 10 year period in equal quarterly instalments. Such payments are considered to form a cost of the licence and are capitalised to proven oil and gas assets and subsequently depreciated on a units of production basis in accordance with the Group’s depreciation policy. In circumstances where the amount assessed by the authorities is contested, the Group records a provision discounted using a Kazakh government bond yield with a term approximating the payment profile and the discount is unwound over the payment term and charged to finance costs. Payments made are charged against the provision.

Impairment

Exploration and unproven intangible assets are reviewed for impairments if events or changes in circumstances indicate that the carrying amount may not be recoverable as at the reporting date. Intangible exploration and evaluation assets that relate to exploration and evaluation activities that are not yet determined to have resulted in the discovery of the commercial reserve remain capitalised as intangible exploration and evaluation assets subject to meeting a pool-wide impairment test as set out below.

In accordance with IFRS 6 the Group firstly considers the following facts and circumstances in their assessment of whether the Group’s exploration and evaluation assets may be impaired, whether:

- the period for which the Group has the right to explore in a specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned;
- exploration for and evaluation of hydrocarbons in a specific area have not led to the discovery of commercially viable quantities of hydrocarbons and the Group has decided to discontinue such activities in the specific area; and
- sufficient data exists to indicate that although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale.

If any such facts or circumstances are noted, the Group perform an impairment test in accordance with the provisions of IAS 36. The aggregate carrying value is compared against the expected recoverable amount of the cash generating unit, being the relevant cost pool. The recoverable amount is the higher of value in use and the fair value less costs to sell.

An impairment loss is reversed if the asset’s or cash-generating unit’s recoverable amount exceeds its carrying amount.

Impairment of development and production assets and other property, plant and equipment

At each balance sheet date, the Group reviews the carrying amounts of its PP&E to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value less costs to sell is determined by discounting the post-tax cash flows expected to be generated by the cash-generating unit, net of associated selling costs, and takes into account assumptions market participants would use in estimating fair value including future capital expenditure and development cost for extraction of the field reserves. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Workovers/Overhauls and maintenance

From time to time a workover or overhaul or maintenance of existing proven oil and gas properties is required, which normally falls into one of two distinct categories. The type of workover dictates the accounting policy and recognition of the related costs:

Capitalisable costs – cost will be capitalised where the performance of an asset is improved, where an asset being overhauled is being changed from its initial use, the assets’ useful life is being extended, or the asset is being modified to assist the production of new reserves.

Non-capitalisable costs – expense type workover costs are costs incurred as maintenance type expenditure, which would be considered day-to-day servicing of the asset. These types of expenditures are recognised within cost of sales in the statement of comprehensive income as incurred. Expense workovers generally include work that is maintenance in nature and generally will not increase production capability through accessing new reserves, production from a new zone or significantly extend the life or change the nature of the well from its original production profile.

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

1.9 Abandonment

Provision is made for the present value of the future cost of the decommissioning of oil wells and related facilities. This provision is recognised when the asset is installed. The estimated costs, based on engineering cost levels prevailing at the reporting date, are computed on the basis of the latest assumptions as to the scope and method of decommissioning. The corresponding amount is capitalised as a part of the oil and gas asset and, when in production is amortised on a unit-of-production basis as part of the depreciation, depletion and amortisation charge. Any adjustment arising from the reassessment of estimated cost of decommissioning is capitalised, while the charge arising from the unwinding of the discount applied to the decommissioning provision is treated as a component of the interest charge.

1.10 Restricted use cash

Restricted use cash is the amount set aside by the Group for the purpose of creating an abandonment fund to cover the future cost of the decommissioning of oil and gas wells and related facilities and in accordance with local legal rulings.

Under the Subsoil Use Contracts the Group must place 1% of the value of exploration costs in an escrow deposit account, unless agreed otherwise with the Ministry of Energy. At the end of the contract this cash will be used to return the field to the condition that it was in before exploration started.

1.11 Property, plant and equipment

All property, plant and equipment assets are stated at cost or fair value on acquisition less accumulated depreciation. Depreciation is provided on a straight-line basis, at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life. Expected useful economic life and residual values are reviewed annually.

The annual rates of depreciation for class of property, plant and equipment are as follows:

- | | |
|------------------|----------------|
| - motor vehicles | over 4-5 years |
| - other | over 2-4 years |

The Group assesses at each reporting date whether there is any indication that any of its property, plant and equipment has been impaired. If such an indication exists, the asset's recoverable amount is estimated and compared to its carrying value.

1.12 Investments (Company)

Investments in subsidiary undertakings are shown at cost less allowance for impairment. Long-term advances to subsidiaries are discounted at estimated market rate of interest with the difference between a fair value and a face value of the advance being recorded within investments. Loan are amortised cost is assessed for expected credit loss under IFRS 9.

1.13 Financial instruments

The Group classifies financial instruments, or their component parts on initial recognition, as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

Financial assets

Financial assets are classified as either financial assets at amortised cost, at fair value through other comprehensive income (“FVTOCI”) or at fair value through profit or loss (“FVPL”) depending upon the business model for managing the financial assets and the nature of the contractual cash flow characteristics of the financial asset.

A loss allowance for expected credit losses is determined for all financial assets, other than those at FVPL, at the end of each reporting period. The Group applies a simplified approach to measure the credit loss allowance for any trade receivables using the lifetime expected credit loss provision. The lifetime expected credit loss is evaluated for each trade receivable taking into account payment history, payments made subsequent to year end and prior to reporting, past default experience and the impact of any other relevant and current observable data. The Group applies a general approach on all other receivables classified as financial assets. The general approach recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. The Group derecognises financial liabilities when the Group’s obligations are discharged, cancelled or have expired.

The Group’s financial assets consist of cash and other receivables. Cash and cash equivalents are defined as short term cash deposits which comprise cash on deposit with an original maturity of less than 3 months. Other receivables are initially measured at fair value and subsequently at amortised cost.

The Group’s financial liabilities are non-interest bearing trade and other payables, other interest bearing borrowings. Non-interest bearing trade and other payables and other interest bearing borrowings are stated initially at fair value and subsequently at amortised cost.

Where a loan is renegotiated on substantially different terms, this is treated as an extinguishment of the original financial liability and the recognition of a new financial liability with a gain or loss recorded in the income statement. In accordance with IFRS 9, following a modification or renegotiation of a financial asset or financial liability that does not result in de-recognition, an entity is required to recognise any modification gain or loss immediately in profit or loss. Any gain or loss is determined by recalculating the gross carrying amount of the financial liability by discounting the new contractual cash flows using the original effective interest rate. The difference between the original contractual cash flows of the liability and the modified cash flows discounted at the original effective interest rate is recorded in the income statement.

Share capital issued to extinguish financial liabilities is fair valued with any difference to the carrying value of the financial liability taken to the profit or loss.

1.14 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

1.15 Other provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.16 Share capital

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

1.17 Share-based payments

The Group has used shares and share options as consideration for services received from employees.

Equity-settled share-based payments to employees and others providing similar services are measured at fair value at the date of grant. The fair value determined at the grant date of such an equity-settled share-based instrument is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of the shares that will eventually vest.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair value determined at the grant date of such an equity-settled share-based instrument is expensed since the shares vest immediately. Where the services are related to the issue of shares, the fair values of these services are offset against share premium where permitted.

Fair value is measured using the Black-Scholes model. The expected life used in the model has been adjusted based on the Management’s best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

1.18 Warrants

Warrants are separated from the host contract as their risks and characteristics are not closely related to those of the host contracts. Where the exercise price of the warrants is in a different currency to the functional currency of the Company, at each reporting date the warrants are valued at fair value with changes in fair values recognised through profit or loss as they arise. The fair values of the warrants are calculated using the Black-Scholes model. Where the warrant exercise price is in the same currency as the functional currency of the issuer and involve the issuance of a fixed number of shares the warrants are recorded in equity.

1.19 Revenue

Revenue from contracts with customers is recognised when or as the Group satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of oil sold by the Group usually coincides with title passing to the customer. The Group satisfies its performance obligations at a point in time.

Under the terms of domestic oil sales arrangements, the performance obligation is satisfied when the local refinery provides the seller and the customer with the act of acceptance of crude oil of quantity and quality according to the agreement between the parties.

Under the terms of export sales arrangements, the performance obligation is satisfied when the Ocean Bill of Lading is issued by the transport company that reflects the fact of boarding the crude oil of specified quantity and quality on the tanker.

Revenue is measured at the fair value of the consideration received, excluding value added tax ("VAT") and other sales taxes or duty. Royalties are not included in revenue, they are paid on production and recorded within cost of sales.

Payments in advance by oil traders are recorded initially as deferred revenue, reflecting the nature of the transaction. Subsequently, the deferred revenue is reduced and revenue is recorded, as sales are made under the Group's revenue recognition policy with the performance obligation satisfied.

Revenue from the use by third parties of the Caspian Explorer will be recognised when the contracted services are performed.

1.20 Cost of sales

The Group started to calculate the cost of sales on crude oil sold during 2019 because its asset BNG has received the production license on part of its contract territory in July 2019. On the rest of its territory (%) BNG continues to work under Exploration license. During test production on Exploration cost of sales cannot be reliably estimated and therefore a cost of sales equal to revenue is recognised and credited to the unproven oil and gas assets.

1.21 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decisions, has been identified as the Board of Directors. The Group has one operating segment being oil exploration and production in Kazakhstan and therefore one reporting segment. The Group has several cost pools divided based on the different contractual territory of its assets. As the activity of all cost pools is the same (oil exploration and production) and all of them operate geographically in Kazakhstan, the Group reports one segment in its financials.

1.22 Interest receivable and payable

Interest income and expense are reported on an accrual basis using the effective interest rate method.

1.23 Forward Sales

Advance payments are taken for oil to be sold on the domestic market with the liability reduced over time as oil is delivered based on the then prevailing domestic oil price.

1.24 Exchange rates

For reference the year end exchange rate from sterling to US\$ was 1.35 and the average rate during the year was 1.38. The year-end exchange rate from KZT to US\$ was 431.67 and the average rate during the year was 426.03.

1.25 Merger reserve

Merger reserve represents the excess of the fair value of the issued share capital over the nominal value of these shares issued for acquisition of investments in subsidiaries where the Company has secured at least 90 percent equity holding in accordance with section 612 of the Companies Act 2006. The Company allocates merger reserve to the retained earnings/deficit account on disposal of the investment the reserve relates to or if this investment is written down for impairment.

Notes to the Financial Statements (continued)

2 Critical accounting estimates and judgements

In the process of applying the Group's accounting policies, which are described in note 1, Management has made the following judgements and key assumptions that have the most significant effect on the amounts recognised in the financial statements.

2.1 Carrying value of exploration and evaluation costs (note 12)

Under the full cost method of accounting for exploration and evaluation costs, such costs are capitalised as intangible assets by reference to appropriate cost pools, and are assessed for impairment on a concession basis based on the impairment indicators detailed in accounting policy note 1.8. As at 31 December 2021, the Group assessed the exploration and evaluation assets disclosed in note 11 and determined that no indicators of impairment existed at a cost pool level in respect of the BNG cost pool. The Group also considered whether the factors that gave rise to the original impairment loss no longer existed and reversal of the impairment is appropriate. In forming this assessment, the Board considered the oil reserves and resources associated with the licence area, the results of exploration activity to date, the successful transition to production of the MJF licence area in the previous year and the net present value of the shallow structures, the status of licences and future plans for the licence areas. In forming its assessment, the Board considered the Group's commitments under the licence detailed in note 21 and the impact of outstanding obligations. Having undertaken this assessment the Group concluded that no indicators of impairment existed and that no reversal in respect of previous impairment provisions attributable to the unproven oil and gas assets of US\$9,479,000 was yet appropriate given the absence of a significant breakthrough on the deep structures at 31 December 2021.

The Board is working with the Kazakh authorities to renew the licence at 3A Best, following which the Board will assess 3A Best's position in the Group. While the Board remains confident that the licence will be renewed on favourable terms, the Group cannot currently make any progress with the asset. Accordingly, the Board has decided to impair the asset in full, resulting in a \$12.5 million impairment charge in 2021.

The Beibars cost pool remains impaired based on the continuance of the force majeure. The Group has decided to formally relinquish any interest in Beibars.

2.2 Transfer of costs to proven oil and gas assets (prior year) (note 12 & 13)

Judgment has been applied in assessing that the MJF area assets meets the criteria for reclassification to proven oil and gas assets under the Group's accounting policy in note 1.8. In concluding that it was appropriate to transfer the asset to proven oil and gas assets management took account of the award of a production licence enabling exports and sales at international prices together with the production volumes. In August 2019 BNG has received the required production license for its MJF structure and got the export permission starting September 2019. According to the approach above BNG moved the related O&G assets to the production stage in August 2019 and accordingly started charging DD&A expense. The Board considers the remaining BNG contract area to remain in an exploration phase given the level of wells and production relative to plans for the field, the exploration status of the licence and the requirement to sell its test oil in the domestic market which represents a substantial discount to the international market such that production is primarily a by product of continued exploration and appraisal.

2.3 Recoverability of proven oil and gas assets (note 13)

The proven oil and gas assets, representing the MJF structure, have been assessed for indicators of impairment at 31 December 2021 including assessment of the discounted cash flows indicated by the Group's field plan. This analysis required judgment and estimation in determining forecast prices as at 31 December 2021 based on conditions existing at that time, future production and reserves, operating costs and development costs for the field and the discount rate. The forecasts demonstrated significant headroom with prices based on forward prices of \$51 bbl adjusted for net back adjustments, reserves calculated using the most recent Competent Person's report and discount rates run at 10% and 15%. Having undertaken this assessment the Group concluded that no indicators of impairment existed.

2.4 Recoverability of VAT (note 16)

The Group holds VAT receivables of \$3.8 million (2020: \$3.8million) as detailed in note 16 which are anticipated to be primarily recovered through offset of future VAT payable in accordance with Kazakh legislation. Management have assessed the recoverability of the asset based on forecast levels of VAT payables which demonstrate that the balance will be recovered within 2 years (2020: 3 years). This required estimates regarding future production, oil prices and expenditure.

2.5 Decommissioning (note 21)

Provision has been made in the accounts for future decommissioning costs to plug and abandon wells in note 21. The costs of provisions have been added to the value of the unproven oil and gas asset and will be depreciated on a unit of production basis.

The decommissioning liability is stated in the accounts at discounted present value and accreted up to the final expected liability by way of an annual finance charge. The Group has potential decommissioning obligations in respect of its interests in Kazakhstan. The extent to which a provision is required in respect of these potential obligations depends, inter alia, on the legal requirements at the time of decommissioning, the cost and timing of any necessary decommissioning works, and the discount rate to be applied to such costs. Actual costs incurred in future periods may substantially differ from the amounts of provisions. In addition, future changes in environmental laws and regulations, estimates of deposit useful lives and discount rates may affect the carrying value of this provision.

Notes to the Financial Statements (continued)

2 Critical accounting estimates and judgements (continued)

2.6 Acquisition of Caspian Explorer (prior year, note 22)

Judgment was required in assessing the accounting treatment for the purchase of Caspian Explorer as an asset purchase rather than a business combination. In forming this assessment, management elected to make the optional concentration test according to IFRS. 80% of the total assets of the acquired entities were represented by the carrying value of the submersible drilling rig and related assets (the barge). Therefore, the management concluded that the fair value of the gross assets acquired were concentrated in a single identifiable asset (group of assets). As such, the fair value of the purchase consideration was allocated to the assets and liabilities acquired, costs associated with the transaction capitalised and no deferred tax arose on the transaction.

Judgment has been applied in assessing whether impairment of the asset is required at 31 December 2021 noting that the scrap value of the barge plus the cost of the separate drilling rig supported by a clear comparable sale approach as well as the future expected cash flows and supports the recoverability of the vessel's carrying value.

2.7 Provision for BNG licence payments (note 12, 13, 21)

As part of the Kazakh licencing regime, upon award of a production contract in respect of the BNG licence area, an obligation to make a payment to the licencing authority was triggered, settled over a 10 year period in equal quarterly instalments. Judgment was required in assessing the appropriate accounting policy for the transaction including assessment of the terms of the arrangement. Such payments are considered to form a cost of the licence and are capitalised to proven oil and gas assets. As at 31 December 2021, the Group was contesting the amount levied by the authorities although at the date of these financial statements final judgment has been made against the company. As such, a provision for the amounts due has been made based on the received judgment. Estimation was also required in selecting an appropriate discount rate for the provision and a rate of 2.7% has been applied, based on US dollar Eurobonds yields in Kazakhstan with a comparable term.

2.8 Uncertain tax positions (note 23)

As detailed in note 23, judgment has been applied in assessing the extent to which tax treatments adopted by the Group historically will be accepted or rejected by the relevant tax authority and the resulting measurement of uncertain tax positions in circumstances where it is probable that the treatment will be challenged.

2.9 Indemnity receivables in relation to 3A Best acquisition

Under the terms of the SPA for 3A Best, the three vendors provided indemnities that obligations related to the period prior to acquisition would be reimbursed. Judgment has been applied in assessing the recoverability of the indemnity receivables, which included assessment of the terms of the SPA, confirmations received from the vendors and assessments of the ability to meet such payments. The Board while still intending to obtain full recovery has made a provision for two thirds of the amounts due on the expected credit losses as at 31 December 2021 (note 16).

2.10 Recoverability of investments (note 14)

The recoverability of investments is dependent upon the future production of the subsidiaries from existing producing assets and unproven exploration assets, and future prices achieved, which will determine if any provision is required against investments. The directors have assessed the impairment indicators, and made judgements in reflection to recoverability and make impairments as appropriate. The management has estimated that no additional provision was required in 2021 (provision of US\$145.7m was recognised in 2020).

2.11 Estimation of credit losses of receivables from subsidiaries (note 16)

In the parent company there are substantial receivables from the subsidiaries. Management has used judgement to determine to the expected credit losses against these receivable's which involves estimates of over the ability of the subsidiaries to repay these loans. Management has estimated an expected credit loss was required of US\$20.7m at the year end (2020: US\$19.9m).

Notes to the Financial Statements (continued)

3 Prior period adjustment

An error was identified in the accounting for several acquisitions of subsidiaries in 2017-2020 for the issue of shares in which no share premium should have been recorded. The premium over the nominal value of shares issued should have instead been credited to a merger reserve, which is an unrealised profit. A portion of this unrealised profit became realised on the impairment of the acquired assets during 2020 and in accordance with the accounting policy it should have been transferred from merger reserve to retained earnings.

Given the error occurred prior to the beginning of the comparative period, it has been corrected by restating each of the affected financial statement line items as at 1 January 2020 and 31 December 2020 as per tables below. There is no impact on profit or loss or other comprehensive income:

Parent Company Balance Sheet lines

	1 January 2020	Correction of merger reserve	1 January 2020 restated
Share premium	246,299	(83,066)	163,233
Merger reserve	-	83,066	83,066

	31 December 2020	Correction of merger reserve	31 December 2020 restated
Share premium	248,950	(84,637)	164,313
Merger reserve	-	11,454	11,454
Retained deficit	(242,581)	73,183	(169,398)

Group Balance Sheet lines

	1 January 2020	Correction of merger reserve	1 January 2020 restated
Share premium	246,299	(83,066)	163,233
Merger reserve	-	83,066	83,066

	31 December 2020	Correction of merger reserve	31 December 2020 restated
Share premium	248,950	(84,637)	164,313
Merger reserve	-	11,454	11,454
Retained deficit	(223,868)	73,183	(150,685)

Notes to the Financial Statements (continued)

4 Segment reporting & revenue

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments and making strategic decisions, has been identified as the Board of Directors.

The Group operated in two operating segments during 2021: Exploration for and production of crude oil and drilling services at the Caspian shelf using the submersible drilling rig. Both operating segments perform their activities and generate revenues in Kazakhstan.

BNG Ltd. LLP mainly presents the Exploration and production. Total revenue from crude oil sales generated by BNG in 2021 was US\$ 23,725,000, net operating income for the year was US\$4,968,000. 100% of the Group's oil revenue was derived from three major customers (two local market operators – 15% and the export trader – 85%). The revenue split of oil sales in 2021 between the domestic traders (Petroleum Operating LLP, Petro Synthesis) and the export trader (Euro-Asian Oil SA) was US \$3,691,000 and US \$20,034,000 respectively.

KC Caspian Explorer (KCCE) LLP, presenting the drilling services operating segment, historically provided drilling services at Kazakh section of Caspian Sea shelf for the third party oil and gas operators. Before acquisition in 2020 the vessel, equipped with the drilling rig, provided exploration services on total US \$38,000,000 (US \$21m in 2017 and US \$17m in 2018). In 2021 the KCCE vessel has provided NCOG, Kashagan oil field operator, with the services not related to drilling services. At the standalone financial accounts of KCEE the property plant and equipment valued at US \$34,000,000 and minor payables to third parties. Information about the revenues of the segment for the period is provided below.

Revenue

The Group's revenues are derived from the sale of oil in Kazakhstan. After moving part of O&G assets into Production phase The Group started to receive export revenues in September 2019.

Under the terms of sales on the local market, the performance obligation is the supply of oil and the performance obligation is satisfied at a point in time, being the delivery of oil to the refinery. Control passes to the customer at this point with title and risk transferred.

Under the terms of export sales control over the oil delivered is with the Group until the customer confirms it has been shipped on the board of the tanker. When advances are received from oil traders for delivery of future production at specified prices, deferred revenue is recorded and the liability reduced as oil is delivered.

Where advances are made for future production and the financing component of such transactions is material, a finance charge is recorded based on the market rate of interest.

During 2021 KCCE LLP provided services for North Caspian Operating Company (NCOG), the operator of Kashagan offshore oil field. KCCE provided the vessel for training purposes on Caspian Shelf. The total related revenue comprised US\$1.27 million with direct cost of US \$656 thousand.

No trade receivables or accrued income was applicable at year end (2020: \$Nil).

Below is the summary of the results of the segments during 2021:

	Caspian Explorer \$000	Oil & Gas assets \$000	Corporate allocated \$000	Total \$000
External revenues	1,271	23,725	–	24,996
Cost of sales	(656)	(4,968)	–	(5,624)
Gross profit	615	18,757	–	19,372
Administrative expenses	(867)	(1,230)	(1,235)	(3,332)
Selling expense	–	(7,578)	–	(7,578)
Impairment of unproven oil and gas assets	–	(12,464)	–	(12,464)
Segment operating loss	(252)	(2,515)	(1,235)	(4,002)
Finance income	13	11	–	24
Finance costs	–	(575)	(284)	(859)
Loss before income tax	(239)	(3,079)	(1,519)	(4,837)
Total assets	2,621	111,489	101	114,211
Total liabilities	100	60,556	7,912	68,568

Notes to the Financial Statements (continued)

5 Operating loss

Group operating loss for the year has been arrived after charging:

	Group 2021 US\$'000	Group 2020 US\$'000
Impairment of unproven oil and gas assets (note 12)	(12,464)	-
Staff costs (note 7)	(1,051)	(1,256)
Depreciation of property, plant and equipment (note 13)	(3,557)	(1,688)
Auditor remuneration (note 6)	(212)	(188)
Share based payment remuneration (note 7)	-	(22)
Expected credit loss provision against amount due in respect of 3A Best (note 16)	-	(2,551)

6 Group Auditor's remuneration

Fees payable by the Group to the Company's auditor BDO and its member firms in respect of the year:

	Group 2021 US\$'000	Group 2020 US\$'000
Fees for the audit of the annual financial statements	153	146
Audit related services	-	5
Other services – tax related	11	9
	164	160

Fees payable by the Group to Grant Thornton and its associates in respect of the year:

	Group 2021 US\$'000	Group 2020 US\$'000
Auditing of accounts of subsidiaries of the Company	48	28
	48	28

7 Employees and Directors

Staff costs during the year	Group 2021 US\$'000	Company 2021 US\$'000	Group 2020 US\$'000	Company 2020 US\$'000
Wages and salaries	1,051	315	1,256	432
Social security costs	72	-	56	-
Pension costs	102	-	83	-
Share-based payments	-	-	22	22
	1,225	315	1,417	454

Payroll expenses were not capitalized in 2021 (2020: US\$8,275) and expensed as cost of sales in the amount of US\$254,000 (2020: US\$ 258,510).

Average monthly number of people employed (including executive Directors)	Group 2021	Company 2021	Group 2020	Company 2020
Technical	14	-	9	-
Field operations	170	-	145	-
Finance	7	1	8	2
Administrative and support	24	3	19	2
	215	4	181	4

Directors' remuneration	Group 2021 US\$'000	Group 2020 US\$'000
Director's emoluments	332	643
Share-based payments	-	22
	332	665

The Directors are the key management personnel of the Company and the Group. Details of Directors' emoluments and interests in shares are shown in the Remuneration Committee Report. The highest paid director had emoluments totalling US\$142,000 (2020: US\$312,000).

Notes to the Financial Statements (continued)

8 Finance cost

	Group 2021 US\$'000	Group 2020 US\$'000
Loan interest payable	237	368
Unwinding of discount on BNG licence payment provision (note 21)	616	685
Unwinding of discount on provisions (note 21)	6	14
	859	1,067

9 Finance income

	Group 2021 US\$'000	Group 2020 US\$'000
Interest income at BNG LLP and KC Caspian	24	20

10 Taxation

Analysis of charge for the year	Group 2021 US\$'000	Group 2020 US\$'000
Current tax charge	709	1,748
Deferred tax charge	-	-
	709	1,748
	Group 2021 US\$'000	Group 2020 US\$'000
Loss before tax	(4,837)	(1,745)
Tax on the above at the standard rate of corporate income tax in the UK 19% (2020 19%)	(919)	(332)
<i>Effects of:</i>		
Non-deductible expenses	(1,310)	-
Withholding tax on interest expense	709	1,748
Utilization of tax losses not previously recognized	(1,730)	(1,070)
Unrecognised tax losses carried forward	3,959	1,402
	709	1,748

11 Loss per share

Basic loss per share is calculated by dividing the income/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year including shares to be issued.

There is no difference between the basic and diluted loss per share as the Group made a loss for the current and prior year. Dilutive potential ordinary shares include share options granted to employees and directors where the exercise price (adjusted according to IAS33) is less than the average market price of the Company's ordinary shares during the period.

The calculation of loss per share is based on:

	2021	2020
The basic weighted average number of ordinary shares in issue during the year	2,097,978,787	1,871,288,151
The loss for the year attributable to owners of the parent from continuing operations (US\$'000)	(5,554)	(3,413)
The loss for the year attributable to owners of the parent from discontinued operations (US\$'000)	-	-

There were 2,500,000 potentially dilutive instruments in the year (2020: 2,500,000).

Notes to the Financial Statements (continued)

12 Unproven oil and gas assets

COST		Group US\$'000
Cost at 1 January 2020		69,694
Additions		1,520
Sales from test production net of cost of sales		(149)
Foreign exchange difference		(173)
Cost at 31 December 2020		70,892
Additions		719
Foreign exchange difference		(3,579)
Cost at 31 December 2021		68,032
ACCUMULATED IMPAIRMENT		Group US\$'000
Accumulated impairment at 1 January 2020		9,654
Foreign exchange difference		(175)
Accumulated impairment at 31 December 2020		9,479
Impairment related to 3A-Best (100%)		12,464
Foreign exchange difference		(48)
Accumulated impairment at 31 December 2021		21,895
Net book value at 1 January 2020		60,040
Net book value at 31 December 2020		61,413
Net book value at 31 December 2021		46,137

Unproven oil and gas assets represent license acquisition costs and subsequent exploration expenditure in respect of the licenses held by Kazakh group entities. The carrying values of those assets at 31 December 2021 were 100% represented by BNG Ltd LLP (2020: US\$49,892,000). 100% cost of the unproven oil and gas assets related to 3A Best-Group JSC of US\$ 12,464,000 was impaired at the Group level after received a notification from the Ministry of Energy of Kazakhstan that due to the fact the Subsoil Use contract has not been prolonged in July 2020 the named contract deemed expired starting that date (note 21).

The Directors have carried out an impairment review of these assets on a cost pool level as detailed in note 2.1.

A previous impairment provision amount of US\$12,068,000 (US\$ 9,654,000 net of deferred tax) was partly reversed in 2019. The reversal of US\$ 2,414,000 has been made by the means of reclassification to proved oil and gas assets in 2019. At 31.12.2021 the balance of accumulated impairment was US\$ 21,895,000.

Notes to the Financial Statements (continued)

13 Property, plant and equipment

Following the commencement of commercial production in July 2019 the Group reclassified part of BNG assets from unproven oil and gas assets to proven oil and gas assets.

Group	Proved oil and gas assets	Motor Vehicles	Other	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Cost at 1 January 2020	43,318	56	8,334	51,708
Additions	1,366	-	19	1,385
Acquisitions (Caspian Explorer) (note 22)	-	-	2,837	2,837
Foreign exchange difference	(962)	-	(13)	(975)
Cost at 31 December 2020	43,722	56	11,177	54,955
Additions	1,757	2,198	4,938	8,893
Disposals	-	-	(11)	(11)
Acquisitions	-	-	53	53
Foreign exchange difference	(550)	(128)	(212)	(890)
Cost at 31 December 2021	44,929	2,126	15,945	63,000
Depreciation at 1 January 2020	130	39	213	382
Charge for the year	1,230	8	450	1,688
Foreign exchange difference	30	-	10	40
Depreciation at 31 December 2020	1,390	47	673	2,110
Charge for the year	1,339	482	1,736	3,557
Disposals	-	-	(7)	(7)
Foreign exchange difference	42	40	124	206
Depreciation at 31 December 2021	2,771	569	2,526	5,866
Net book value at:				
01 January 2020	43,188	17	8,121	51,326
31 December 2020	42,332	9	10,504	52,845
31 December 2021	42,158	1,557	13,419	57,134

Notes to the Financial Statements (continued)

14 Investments (Company)

Investments	Company US\$'000
Cost	
At 1 January 2020	288,034
Increase in investments	3,666
Reclassification related to intercompany restructuring	(66,259)
At 31 December 2020	225,441
Increase in investments	-
At 31 December 2021	225,441
Impairment	
At 1 January 2020	64,253
Impairment	145,701
At 31 December 2020	209,954
Impairment	-
At 31 December 2021	209,954
<i>Net book value at:</i>	
31 December 2020	15,487
31 December 2021	15,487

During 2020 the Company acquired 100% interest at Caspian Explorer for US\$3,666,000 by means of issuing the Company's shares. The carrying value of the investments has been assessed by the Directors including the fair value associated with the asset (please see note 22 for the transaction details).

During 2020 the Group simplified its intragroup loans as follows: (i) the Company acquired Eragon Petroleum Limited's long term receivable of \$18.9m due from BNG Ltd LLP in exchange for a loan payable to Eragon Petroleum Limited; (ii) the Company's long term receivables from BNG Ltd LLP were transferred to Eragon FZE in exchange for a receivable from Eragon FZE; (iii) Eragon UK declared a dividend of \$49.3m to Caspian Sunrise plc which it settled by offset against receivables due from Caspian Sunrise (see note 19). The receivable from Eragon FZE is repayable on demand but is classified as long term because this reflects the expected timing of actual funds flow. As part of the restructuring US\$ 66m at the Company's standalone accounts were reclassified from the investments to the receivables from subsidiaries (note 16).

The directors review the investments for the recoverability on a regular basis, together with the associated cash flows of each company, and assess their impairment. Based on this assessment the Company considers that the carrying value of the investments may not be fully recoverable as the subsidiaries may not generate sufficient future profits and accordingly, these amounts have been impaired. The Company recorded no impairment in relation to the investments in 2021 (impairment charge for 2020: \$145.7m).

Notes to the Financial Statements (continued)

14 Investments (Company, continued)

Direct investments

Name of undertaking	Country of incorporation	Effective holding and proportion of voting rights held at 31 December 2021	Effective holding and proportion of voting rights held at 31 December 2020	Registered address	Nature of business
Eragon Petroleum Limited	United Kingdom	100%	100%	5 New Street Square London EC4A 3TW	Holding Company
Eragon Petroleum FZE	Dubai	100%	100%	CN-135789, Jebel Ali, Dubai, UAE	Management Company
Prosperity Petroleum LTD	Dubai	100%	100%	CN-135789, Jebel Ali, Dubai, UAE	Management Company
Beibars BV	Netherlands	100%	100%	Utrechtseweg 79 1213 TM Hilversum The Netherlands	Holding Company
Ravninnoe BV	Netherlands	100%	100%	Utrechtseweg 79 1213 TM Hilversum The Netherlands	Holding Company
Roxi Petroleum Kazakhstan LLP	Kazakhstan	100%	100%	152/140 Karasay Batyr Str., Almaty, Kazakhstan	Management Company

Indirect investments held by Eragon Petroleum Limited

Name of undertaking	Country of incorporation	Effective holding and proportion of voting rights held at 31 December 2021	Effective holding and proportion of voting rights held at 31 December 2020	Registered address	Nature of business
Galaz Energy BV	Netherlands	100%	100%	Utrechtseweg 79 1213 TM Hilversum The Netherlands	Holding Company
BNG Energy BV	Netherlands	100%	100%	Utrechtseweg 79 1213 TM Hilversum The Netherlands	Holding Company

14 Investments (Company, continued)

Indirect investments held by Eragon Petroleum FZE

Name of undertaking	Country of incorporation	Effective holding and proportion of voting rights held at 31 December 2021	Effective holding and proportion of voting rights held at 31 December 2020	Registered address	Nature of business
BNG Ltd LLP	Kazakhstan	99%	99%	152/140 Karasay Batyr Str., Almaty, Kazakhstan	Oil Production Company
3A-Best Group JSC	Kazakhstan	100%	100%	152/140 Karasay Batyr Str., Almaty, Kazakhstan	Exploration Company
CTS LLP	Kazakhstan	100%	100%	152/140 Karasay Batyr Str., Almaty, Kazakhstan	Drilling & Service Company
Sur Nedr LLP*	Kazakhstan	100%	-	152/140 Karasay Batyr Str., Almaty, Kazakhstan	Drilling & Service Company
SK-NS Aktau LLP*	Kazakhstan	100%	-	152/140 Karasay Batyr Str., Almaty, Kazakhstan	Drilling & Service Company

*During 2021 CTS LLP has acquired 100% interest in Sur Nedr and SK-NS Aktau LLP, the 2 companies with drilling licenses and minor assets on their balances. The consideration paid for 100% interest at the companies was insignificant cash payment (nominal value of the share capital).

Indirect investments held by Prosperity Petroleum LTD

Name of undertaking	Country of incorporation	Effective holding and proportion of voting rights held at 31 December 2021	Effective holding and proportion of voting rights held at 31 December 2020	Registered address	Nature of business
KC Caspian LLP**	Kazakhstan	100%	100%	152/140 Karasay Batyr Str., Almaty, Kazakhstan	Drilling Vessel owner

**During 2020 the Company has acquired 100% interest in Prosperity Petroleum Ltd and KC Caspian LLP, the companies owning submersible drilling vessel (pls see note 21 for details).

In both cases above the management of the Group considered the acquisitions as the asset acquisitions.

Indirect investments held by Beibars BV

Name of undertaking	Country of incorporation	Effective holding and proportion of voting rights held at 31 December 2018	Effective holding and proportion of voting rights held at 31 December 2017	Registered address	Nature of business
Beibars Munai LLP	Kazakhstan	50%	50%	152/140 Karasay Batyr Str., Almaty, Kazakhstan	Exploration Company

Beibars Munai LLP is a subsidiary as the Group is considered to have control over the financial and operating policies of this entity. Its results have been consolidated within the Group.

Notes to the Financial Statements (continued)

15 Inventories

	Group 2021 US\$'000	Group 2020 US\$'000
Materials and supplies	664	392
	664	392

16 Other receivables

	Group 2021 US\$ '000	Group 2020 US\$ '000	Company 2021 US\$ '000	Company 2020 US\$'000
Amounts falling due after one year:				
Prepayments made	448	435	-	-
VAT receivable	3,815	3,811	51	53
Intercompany receivables (note 14)	-	-	88,508	89,212
	4,263	4,246	88,559	89,265
Amounts falling due within one year:				
Prepayments made	1,294	2,187	10	9
Other receivables*	3,665	4,008	-	-
	4,950	6,195	10	9

The VAT receivables relate to purchases made by operating companies in Kazakhstan and will be recovered through VAT payable resulting from sales to the local market.

*US\$1,275,000 out of US\$3,665,000 (2020: US\$4,008,000) at Other receivables of the Group accounts represent the amounts reimbursable by the vendors of 3A Best under the indemnities provided on acquisition of the exploration asset. At 31 December 2021 the amount is shown net of provision for expected credit losses: during 2020 the amount has been impaired on US\$2,551,000 or 2/3 of the originally recognised due to the uncertainty of the 100% recoverability the receivable in future periods.

The current intercompany receivables are interest free.

Inter-company receivables has been assessed for expected credit losses considering factors such as the status of underlying licenses, reserves, financial models and future risks and uncertainties. The provision substantially refers to balances considered credit impaired. Inter-company receivables from the subsidiaries in the table above are shown net of provisions of US\$20.7 million (2020: US\$19.9 million). The movement in the expected credit loss provision related to the inter-company receivables was as follows:

Denomination	Group 2021 US\$'000	Group 2020 US\$'000	Company 2021 US\$'000	Company 2020 US\$'000
As at 1 January	-	-	19,912	12,913
Charge	-	-	797	6,999
As at 31 December	-	-	20,709	19,912

The Company recognised US\$ 797,000 of expected loss on provisions in relation to its receivables from subsidiaries in 2021 (2020: loss of US\$ 6,999,000).

Notes to the Financial Statements (continued)

17 Cash and cash equivalents

	Group 2021 US\$'000	Group 2020 US\$'000	Company 2021 US\$'000	Company 2020 US\$'000
Cash at bank and in hand	429	329	4	3

Funds are held in US Dollars, Sterling and Kazakh Tenge currency accounts to enable the Group to trade and settle its debts in the currency in which they occur and in order to mitigate the Group's exposure to short-term foreign exchange fluctuations. All cash is held in floating rate accounts.

Denomination	Group 2021 US\$'000	Group 2020 US\$'000	Company 2021 US\$'000	Company 2020 US\$'000
US Dollar	45	292	4	1
Sterling	-	2	-	2
Kazakh Tenge	384	35	-	-
	429	329	4	3

18 Called up share capital

Group and Company

	Number of ordinary shares	US\$'000	Number of deferred shares	US\$'000
Balance at 1 January 2020	1,882,660,885	28,120	373,317,105	64,702
Shares issued to the directors to repay salary debts	8,938,570	112	-	-
Shares issued in exchange of £1m cash	36,363,629	477	-	-
Acquisition of 100% interest at KC Caspian Explorer (note 21)	160,256,410	2,095	-	-
Balance at 31 December 2020	2,088,219,494	30,804	373,317,105	64,702
Shares issued to repay intermediary services	3,017,956	42	-	-
Shares issued to repay new rig acquisition	18,972,164	264	-	-
Bonus paid to employees	562,500	8	-	-
Balance at 31 December 2021	2,110,772,114	31,118	373,317,105	64,702

Caspian Sunrise Plc has authorised share capital of £100,000,000 divided into 6,640,146,055 ordinary shares of 1p each and 373,317,105 deferred shares of 9p each.

On 6 July 2020 the Company has issued total 8,938,570 ordinary shares at 3.2 pence per share in settlement of outstanding salary and expenses. On 4 August 2020 the Company raised £1 million through placing of 36,363,629 new ordinary shares to new and existing investors at an issue price of 2.75 pence per share. The cash has entirely been spent on repayments to the Company creditors.

During 2021 the Company made the following issues of its ordinary shares to cover the incurred during 2021 debts. 1) 3,017,956 ordinary shares as the payment of the intermediary services for the deal to buy 100% interest at Prosperity Petroleum Ltd and KC Caspian LLP. 2) 18,972,164 new ordinary shares as the consideration paid to the third party owner of the workover rig. The total consideration was US\$750,000. 3) 562,500 new ordinary shares issued to the staff member (below board level) as the reward for successful drilling works.

19 Trade and other payables – current

	Group 2021 US\$'000	Group 2020 US\$'000	Company 2021 US\$'000	Company 2020 US\$'000
Trade payables	2,684	2,892	64	191
Taxation and social security	2,977	1,629	20	22
Accruals	152	136	106	109
Other payables	3,502	3,369	485	382
Intercompany payables	-	-	58	116
Advances received (deferred revenue)	3,925	2,986	-	-
	13,240	11,012	733	820

As at 31 December 2021 and 31 December 2020, the Group received a significant amount of prepayments from the oil traders in relation to increasing production on the BNG oil field.

Notes to the Financial Statements (continued)

During 2020 the Group simplified its intragroup loans as follows: (i) the Company acquired Eragon Petroleum Limited's long term receivable of \$18.9m due from BNG Ltd LLP in exchange for a loan payable to Eragon Petroleum Limited; (ii) the Company's long term receivables from BNG Ltd LLP were transferred to Eragon FZE in exchange for a receivable from Eragon FZE; (iii) Eragon UK declared a dividend of \$49.3m to Caspian Sunrise plc which it settled by offset against receivables due from Caspian Sunrise (see note 14).

19 Trade and other payables – non-current

	Group 2021 US\$'000	Group 2020 US\$'000	Company 2021 US\$'000	Company 2020 US\$'000
Intercompany payables	-	-	-	-
Taxation	14,003	13,648	-	-
	14,003	13,648	-	-

Taxation payable relate to withholding tax accrued on the interest expense at the BNG subsidiary level.

20 Short-term borrowings

	Group 2021 US\$'000	Group 2020 US\$'000	Company 2021 US\$'000	Company 2020 US\$'000
Akku Investments LLP	4,433	-	2,224	-
Mr. Oraziman	1,424	3,624	-	777
Other borrowings	568	1,976	158	1,292
	6,425	5,600	2,382	2,069

At the start of 2021 the entities of the Group had the following loans payable: US\$ 1,125,000 loan payable by Eragon Petroleum FZE to Mr. K. Oraziman, (7% interest bearing); US\$ 777,000 loan payable by Caspian Sunrise plc to Mr. K. Oraziman, (7% interest bearing); interest free loans provided by Mr. K. Oraziman to Kazakh subsidiaries on total US\$ 1,733,000. Other borrowings provided by the entities controlled by Oraziman family: US\$ 672,000 loan provided by Fosco BV to BNG LLP, US\$ 1,293,000 provided by Vertom International NV and Kernhem International BV to Caspian Sunrise plc.

During 2021 major part of the loans payable by the Group to Mr. K. Oraziman and the related companies were assigned to Akku Investment LLP, the company controlled by the Oraziman family. Akku Investments provided no new loans during the period. Mr. K. Oraziman provided additional US\$ 229,000 of loans to BNG and CTS LLPs during 2021 (nominated in KZT, interest free). Another US\$ 568,000 of new loans provided by the entities controlled by the Oraziman family other than Akku Investments (loans by Vertom International NV (US\$488,000, 7%) and Herie NV (US\$ 80,000, 7%) to the Group entities in 2021.

Notes to the Financial Statements (continued)

21 Provisions and contingencies

Group only	BNG licence payments*	Liabilities under Social Development Program and historical cost	Abandonment fund	2020 Total
	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2020	27,394	6,154	578	34,126
Increase in provision	-	-	91	91
Change in estimate	-	-	(81)	(81)
Paid in the year	(3,014)	-	-	(3,014)
Unwinding of discount	685	-	14	699
Foreign exchange difference	-	(181)	(45)	(226)
Balance at 31 December 2020	25,065	5,973	557	31,595
Non-current provisions	21,887	-	413	22,300
Current provisions	3,178	5,973	144	9,295
Balance at 31 December 2020	25,065	5,973	557	31,595

Group only	BNG licence payments*	Liabilities under Social Development Program and historical cost	Abandonment fund	2021 Total
	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2021	25,065	5,973	557	31,595
Increase in provision	-	-	103	103
Change in estimate	-	-	(34)	(34)
Paid in the year	(3,140)	(618)	-	(3,758)
Unwinding of discount	616	-	6	622
Foreign exchange difference	(73)	(14)	(4)	(91)
Balance at 31 December 2021	22,468	5,341	628	28,437
Non-current provisions	19,290	-	487	19,777
Current provisions	3,178	5,341	141	8,660
Balance at 31 December 2021	22,468	5,341	628	28,437

*The subsoil use contract held by BNG Ltd for the Yelemes field stipulates that it must make a payment to the Kazakhstan Government upon award of a production contract after commercial feasibility. The Kazakhstan Government has assessed the amount payable as a total of US\$32.5m. The sum is paid on a quarterly basis from 1 July 2019 in equal instalments and the final payment is due to be paid on 1 April 2029. The payments have been discounted to their net present value. This discounted value has been capitalised as Property, plant and equipment (note 13) and will be amortised over the productive period. Any changes in estimated payments and discount rate are dealt with prospectively and result in a corresponding adjustment to property plant and equipment.

Amounts in relation to Subsoil Use Contracts are included in the table above and relate to the licence areas disclosed below:

a) BNG Ltd LLP

BNG Ltd LLP a subsidiary, signed a contract #2392 dated 7 June 2007 with the Ministry of Energy and Mineral Resources of RK for exploration at Airshagyl deposit, located in Mangistau region. According to the latest Amendments BNG is required to pay around US\$ 231,650 annually for social programs of Mangistau Region for the period from 7 June 2018 to 7 June 2024. Also, it is required to pay 1% of investments under the Contract on production during the period based on the results of the previous year. For the exploration period extended to June 2024, the amount of the commitments under the work program according to the Contract on exploration is US\$ 28 million dollars. BNG is also required to invest in training of Kazakh personnel not less than 1% of annual amount of investments. Another requirement of the company is to accumulate funds for the Site Restoration by transferring annually 1% of annual exploration costs to a special deposit in accordance with the Contract on exploration. As at 31 December 2021 BNG was in compliance with all the requirements listed above.

On 11 July 2019, BNG Ltd LLP has signed the Production contract with the Ministry of Energy of Republic of Kazakhstan on the part of the territory. The Contract is valid during 25 years till 2043.

Notes to the Financial Statements (continued)

21 Provisions and contingencies (continued)

b) 3A-Best Group JSC

As at 31 December 2020 3A-Best had the following debts related to its SSU contract: US\$2,500,000 of social development payment and about \$US 1,000,000 of the debts related to previous years' work program obligations. According to the Addendum #8 to the Contract signed by the company on January 20 2020 3A-Best has agreed the following schedule of payments related to the social development and the work program related to previous SSUC extension(s):

- To make payment of US\$580,000 quarterly during 6 quarters till June 2021;
- To drill 2 shallow wells with the total depth of 5,750 meters during the period January-June 2020;
- To make investments of approximately US\$2,350,000 during the period January-June 2020.

The above mentioned debt was still payable at 31 December 2021. The company did not meet all the above in full but made some payments and tried to find a solution of the situation. During 2021 the Group received a notification from the Ministry of Energy of Kazakhstan that due to the fact the Subsoil Use contract has not been prolonged in July 2020 the named contract deemed expired starting that date.

The Board is working with the Kazakh authorities to renew the licence at 3A Best, following which the Board will assess 3A Best's position in the Group. While the Board remains confident that the licence will be renewed on favourable terms, the Group cannot currently make any progress with the asset. Accordingly, the Board has decided to impair the asset in full, resulting in a \$12.5 million impairment charge in 2021.

Notes to the Financial Statements (continued)

22 Purchase of Caspian Explorer

On 19 October 2020 the Company announced the completion of the transaction to acquire Caspian Explorer, the entities (Prosperity Petroleum Limited and KC Caspian Explorer LLP) owning a drilling vessel that designed to operate in the shallow waters of the northern Caspian Sea. The consideration has been satisfied by the issue of 160,256,410 new Caspian Sunrise shares at a price of 1.75p per share (the "Consideration Shares"). The acquisition was approved by independent shareholders in February 2020. Management has analysed the structure of the transaction and the underlying activities and concluded that the transaction represents an asset purchase.

The fair value of the identifiable assets and liabilities of Caspian Explorer as at the date of acquisition were:

	US\$'000
Property, Plant and Equipment	2,837
Other non-current assets	96
Other current assets*	833
Total assets	3,766
Trade and other payables	100
Total liabilities	100
Total identifiable net assets at fair value	3,666
<i>Total value of shares issued as consideration</i>	<i>3,666</i>

* US \$ 530,000 of this amount was receivable from EPC-Munai LLP at the date of acquisition, the related party to the Company. At 31 December 2021 the amount reduced to US\$516,000 subject to updated KZT/USD exchange rate (note 26.1).

23 Deferred tax

Deferred tax liabilities comprise:

	Group 2021 US\$'000	Group 2020 US\$'000
Deferred tax on exploration and evaluation assets acquired	6,463	6,629
	6,463	6,629

The Group recognises deferred taxation on fair value uplifts to its oil and gas projects arising on acquisition. These liabilities reverse as the fair value uplifts are depleted or impaired.

The movement on deferred tax liabilities was as follows:

	Group 2021 US\$'000	Group 2020 US\$'000
At beginning of the year	6,629	7,244
Foreign exchange	(166)	(615)
	6,463	6,629

As at 31 December 2021 the Group has accumulated deductible tax expenditure related to BNG expenditure of approximately US\$65 million (31 December 2020 US\$85 million) available to carry forward and offset against future profits. This represents an unrecognised deferred tax asset of approximately US\$13 million (31 December 2020: US\$17 million). Given the uncertainties regarding such deductions and the developing nature of the relevant tax system no deferred tax asset is recorded. Beibars have tax losses carried forward of US\$5.1 million (31 December 2020: US\$5.1 million). This asset is fully impaired and there is insufficient certainty of future profitability to utilise these deductions.

Notes to the Financial Statements (continued)

24 Share option scheme and LTIP scheme

During the year the Group and the Company had in issue equity-settled share-based instruments to its Directors and certain employees. Equity-settled share-based instruments have been measured at fair value at the date of grant and are expensed on a straight-line basis over the vesting period, based on an estimate of the shares that will eventually vest. Options generally vest in three equal tranches over the three years following the grant.

The options were issued to Directors and employees as follows:

	Number of options granted	Number of options expired	Options exercised	Total options outstanding	Weighted average exercise price in pence (p) per share
As at 31 December 2020	91,458,226	(59,768,226)	(15,300,000)	16,390,000	15
Directors	-	(4,590,000)	-	(4,590,000)	-
Employees and others	-	(450,000)	-	(450,000)	-
As at 31 December 2021	91,458,226	(64,808,226)	(15,300,000)	11,350,000	11

11,350,000 outstanding options as at 31 December 2021 are exercisable.

The range of exercise prices of share options outstanding at the yearend is 4p – 20p (2020: 4p – 20p). The weighted average remaining contractual life of share options outstanding at the end of the year is 2.0 years (2020: 2.9 years).

Long Term Incentive Plan (LTIP) scheme:

On 5 June 2019 the Company made awards under a long term incentive plan. Clive Carver, Non-executive Chairman, and Kuat Oraziman, Chief Executive Officer, are entitled to receive cash payments to be triggered by the Company's attainment of both pre-set market capitalisation and share price targets as follows:

Market cap threshold \$ billion	Share price target Pence per share	Pay-out rate (each) %	Pay-out amount (each) \$' million
0.8	17.23	0.6	3.0
1.3	20.67	0.6	3.0
1.8	24.81	0.6	3.0
2.3	29.77	0.6	3.0
2.8	35.72	0.6	3.0

The scheme continues beyond the numbers in the table such that with the threshold for market capitalisation increasing at the rate of \$0.5 billion and the corresponding share price threshold increasing from the earlier threshold by a constant factor of 1.2. Each threshold must be sustained for at least 30 consecutive days for the awards to be triggered. Payments shall be made only when the Company has free cash either in the form of distributable reserves or as a result of a non interest bearing subordinated shareholder loan or an equity placing at a price not below the relevant share price threshold.

There may be only one pay-out for each market capitalisation threshold crossed no matter how many times it is crossed.

The Group has determined that at inception and 31 December 2020 and 2021, the fair value of the cash settled share based payment award is immaterial based on analysis of the thresholds, historical volatility rates and the applicable share price and market capitalisation in the period.

Notes to the Financial Statements (continued)

25 Financial instrument risk exposure and management

In common with all other businesses, the Group and Company are exposed to risks that arise from its use of financial instruments. This note describes the Group and Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The significant accounting policies regarding financial instruments are disclosed in note 1.

There have been no substantive changes in the Group or Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note.

Principal financial instruments

The principle financial instruments used by the Group and Company, from which financial instrument risk arises, are as follows:

Financial assets	Group 2021 US\$'000	Group 2020 US\$'000	Company 2021 US\$'000	Company 2020 US\$'000
Intercompany receivables	-	-	88,508	89,212
Other receivables	3,656	4,008	-	-
Restricted use cash (re decommissioning)	634	241	-	-
Cash and cash equivalents	429	329	4	3
	4,719	4,578	88,512	89,215
Financial liabilities	Group 2021 US\$'000	Group 2020 US\$'000	Company 2021 US\$'000	Company 2020 US\$'000
Trade and other payables	6,338	6,397	655	682
Other payables - current	-	-	-	117
Other payables - non-current	-	-	-	-
Borrowings – current	6,425	5,600	2,382	2,069
	12,763	11,997	3,037	2,868

Notes to the Financial Statements (continued)

25 Financial instrument risk exposure and management (continued)

Changes in liabilities arising from financial activities

Below is the movement of financial liabilities of the Group for the years ended 31 December 2021 and 2020:

	1 January 2021	Loans received	Interest accrued	Disposal of loans	Repayment	Foreign exchange difference, net	31 December 2021
Financial liabilities							
Borrowings	5,600	600	237	-	(12)	-	6,425

	1 January 2020	Loans received	Interest accrued	Disposal of loans	Repayment	Foreign exchange difference, net	31 December 2020
Financial liabilities							
Borrowings	4,050	1,237	313	-	-	-	5,600

Below is the movement of financial liabilities of the Company for the years ended 31 December 2021 and 2020:

	1 January 2021	Loans received	Interest accrued	Disposal of loans	Repayment	Foreign exchange difference, net	31 December 2021
Financial liabilities							
Borrowings	2,069	158	155	-	-	-	2,382

	1 January 2020	Loans received	Interest accrued	Conversion to equity	Repayment	Foreign exchange difference, net	31 December 2020
Financial liabilities							
Borrowings	1,814	134	121	-	-	-	2,069

Notes to the Financial Statements (continued)

25 Financial instrument risk exposure and management (continued)

Principal financial instruments

The principal financial instruments used by the Group and Company, from which financial instrument risk arises, are as follows:

- other receivables
- cash at bank
- trade and other payables
- borrowings

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group and Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group and Company's finance function. The Board receives regular reports from the finance function through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group and Company's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet which at the year end amounted to US\$ 4.7 million (2020: US\$ 4.6 million).

Credit risk with respect to Group receivables and advances is mitigated by active and continuous monitoring the credit quality of its counterparties through internal reviews and assessment.

The Company is exposed to credit risk on its receivables from its subsidiaries. The subsidiaries are exploration and development companies with no current commercial exploitation sales and therefore, whilst the receivables are due on demand, they are not expected to be paid until there is a successful outcome on a development project resulting in commercial exploitation sales being generated by a subsidiary. In application of IFRS 9 the Company has calculated the expected credit loss from these receivables (Note 16).

The carrying amount of financial assets recorded in the Group and Company financial statements, which is net of any impairment losses, represents the Group's and Company's maximum exposure to credit risk.

Credit risk with cash and cash equivalents is reduced by placing funds with banks with high credit ratings.

Notes to the Financial Statements (continued)

25 Financial instrument risk exposure and management (continued)

Capital

The Company and Group define capital as share capital, share premium, deferred shares, other reserves, retained deficit and borrowings. In managing its capital, the Group's primary objective is to provide a return for its equity shareholders through capital growth. Going forward the Group will seek to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues or the issue of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

The Group's gearing ratio as at 31 December 2021 was 14% (2020 10%).

There has been no other significant changes to the Group's Management objectives, policies and processes in the year.

Liquidity risk

Liquidity risk arises from the Group and Company's Management of working capital and the amount of funding committed to its exploration programme. It is the risk that the Group or Company will encounter difficulty in meeting its financial obligations as they fall due.

The Group and Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to raise funding through equity finance, debt finance and farm-outs sufficient to meet the next phase of exploration and where relevant development expenditure.

The Board receives cash flow projections on a periodic basis as well as information regarding cash balances. The Board will not commit to material expenditure in respect of its ongoing exploration programmes prior to being satisfied that sufficient funding is available to the Group to finance the planned programmes.

For maturity dates of financial liabilities as at 31 December 2021 and 2020 see table below. The amounts are contractual payments and may not tie to the carrying value:

	On Demand	Less than 3 months	3-12 months	1- 5 years	Over 5 years	Total
Group 2021 US\$'000	6,425	2,684	3,654	-	-	12,763
Group 2020 US\$'000	5,600	2,891	3,506	-	-	11,997
Company 2021 US\$'000	2,382	655	58	-	-	3,095
Company 2020 US\$'000	2,069	681	117	-	-	2,867

Interest rate risk

The majority of the Group's borrowings are at fixed rate. As a result the Group is not exposed to the significant interest rate risk.

Currency risk

The Group and Company's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency (primarily US\$ and Kazakh Tenge) in that currency. Where the Group or Company entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

In order to monitor the continuing effectiveness of this policy, the Board receives a periodic forecast, analysed by the major currencies held by the Group and Company.

The Group and Company are primarily exposed to currency risk on purchases made from suppliers in Kazakhstan, as it is not possible for the Group or Company to transact in Kazakh Tenge outside of Kazakhstan. The finance team carefully monitors movements in the US\$/Kazakh Tenge rate and chooses the most beneficial times for transferring monies to its subsidiaries, whilst ensuring that they have sufficient funds to continue its operations. The currency risk relating to Tenge is significant.

In the event that Kazakhstani Tenge devalues against the US\$ by 30% the Group would incur foreign exchange losses in the amount of US\$43 million (2020: US\$40 million) that would be reflected in other comprehensive income. The impact of such a devaluation on the translation of monetary assets and liabilities (predominantly intercompany loans) held in Kazakhstan and denominated in non-Tenge currencies would be exchange losses recorded in the statement of changes in equity of US\$43 million (2020: US\$40 million).

Notes to the Financial Statements (continued)

26 Related party transactions (please see also note 26)

The Company has no ultimate controlling party.

26.1 Loan agreements

The Company had loans outstanding as at 31 December 2021 and 2020 with members of the Oraziman family and legal entities controlled by the Oraziman family, details of which have been summarised in note 19.

At 31 December 2021 KC Caspian Explorer LLP, the group 100% subsidiary, had at its list of receivables the interest free loan provided to EPC-Munai LLP on the amount of US \$516,000. EPC-Munai is the company controlled by Oraziman family.

26.2 Key management remuneration

Key management comprises the Directors and details of their remuneration are set out in note 7.

26.3 3A Best

At 31 December 2020, three Caspian Sunrise shareholders owed US\$ 1,275,000 each in respect of indemnities provided on the acquisition of 3A Best. During 2020 the Group recognised a credit loss provision of US \$2,551,000 related to the asset (note 16). The liability of one of the shareholders, the late Rafik Oraziman, is covered by amounts due by the Company to the Oraziman family. Accordingly, in the financial statements as at 31 December 2021 and 2020 the provision was made for two thirds of the amounts due.

The Company continues to work with the other two shareholders to recover the amounts due but in 2020 and 2021 financial statements has provided in full for the amounts due.

26.4 Caspian Explorer

The purchase of the Caspian Explorer (note 22) was from vendors including members of the Oraziman family.

26.5 Sales of services

During 2021 CTS LLP, the subsidiary of the Company, accepted cash advances for drilling and repair services from EPC Munai LLP, the company controlled by the Oraziman family. The total amount of the outstanding advances at 31 December 2021 was US\$ 908,000. No related services accepted as finalised by EPC Munai at 31 December 2021.

27 Non-controlling interest

	Group 2021 US\$'000	Group 2020 US\$'000
Balance at the beginning of the year	(5,809)	(5,729)
Share of loss for the year	8	(80)
	(5,801)	(5,809)

As at 31 December 2021 non-controlling interest represents minority share in BNG Ltd LLP and Beibars Munai LLP (as at 31 December 2020: BNG Ltd LLP and Beibars Munai LLP).

Notes to the Financial Statements (continued)

28 Events after the reporting period

Issue of shares

Debt Conversion

On 9 March 2022 Independent Shareholders approved the resolution required to implement a conversion of approximately \$6.2 million debt for new Ordinary shares in the Company. Accordingly, 139,729,446 Debt Conversion shares were issued at a price of 3.2p per share.

Capital Reduction

On 22 April 2022 shareholders approved resolutions cancelling the Share Premium account and the Deferred Shares as part of wider arrangements to enable the payment of dividends.

Application has been approved by the UK High Court in June 2022.

Civil unrest

In early January 2022, Kazakhstan experienced a period of significant civil unrest during which the Company's drilling and administrative operations were suspended. The civil unrest subsided after approximately 10 days and the Company's drilling and administrative operations resumed. Since that date no further episodes of civil unrest have occurred.

Russian sanctions

Following Russia's invasion of the Ukraine on 24 February 2022, significant economic sanctions were imposed by a number of countries on Russia. While Russian oil was not initially covered by the sanctions the decision by international oil purchasers to boycott Russian oil led to Urals Oil trading at a \$30-35 per barrel discount to Brent. As oil produced in Kazakhstan and transported via the Russian pipeline network emerges as Urals Oil this discount has applied to the oil the Group sells on international markets.

In June 2022, the Kazakh authorities re-designated oil produced in Kazakhstan as Kazakhstan Export Blend Crude Oil ("KEBCO") in an attempt to differentiate oil produced in Kazakhstan from oil produced in Russia. Additionally in June 2022, the EU confirmed that oil produced in Kazakhstan and transported via the Russian pipeline network is not covered by any sanctions.