

Company number: 05966431

Caspian Sunrise plc

**Annual report and financial statements
for the year ended 31 December 2022**

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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

Nominated Adviser and Broker	WH Ireland Limited, 24 Martin Lane, London, EC4R 0DR
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Solicitors	Taylor Wessing LLP, 5 New Street Square, London EC4A 3TW
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Auditor	BDO LLP, 55 Baker Street, London, W1U 7EU
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Share Registrar	Link Asset Services, 6th Floor, 65 Gresham Street, London, EC2V 7NQ
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Principal Banker	Barclays Bank, 1 Churchill Place, London, E14 5HP
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CHAIRMAN'S STATEMENT

Introduction

Despite the on-going impact of the war in Ukraine, which has made export sales uneconomic and operating far more difficult, the Group continues to prosper.

In the year under review we

- reported record sales at \$42.9 million, record gross profit of \$32.3 million and record profit before tax of \$12.3 million
- produced 792,284 barrels of oil, an increase of 48% on 2021
- took an option to acquire Block 8, a Contract Area with similar promise to the BNG Contract Area
- converted \$6.2 million debt to equity
- cancelled the share premium and deferred shares enabling the payment of dividends
- made the first of a series of dividend declarations

To date in 2023

- we announced Deep Well 802 flowed at the rate of 700- 900 bopd whilst we were still working to complete the well
- we signed the first drilling contract for the Caspian Explorer
- we announced the conditional sale of 50% of the Caspian Explorer for \$22.5 million, an estimated profit of \$20 million
- production is currently approximately 2,000 bopd

Ukraine war

The two principal consequences of the Ukraine war have been to make international sales uneconomic and make operating far more difficult.

Urals oil discount

Despite the UK and the EU specifically exempting oil produced in Kazakhstan and transported through the Russian pipeline network from sanctions the large discounts for oil using the Russian pipeline network and emerging as Urals Oil at the start of the war continue with no signs of lessening.

We have explored various alternatives to transport our oil but have yet to find a solution that would allow us to sell at or close to international prices. We are therefore selling all our oil on the domestic market and at domestic prices.

Selling to the domestic market and to domestic mini refineries does have advantages, such as speed of payment and the absence of significant deductions for tax, oil treatment and transportation. Nevertheless, we estimate the loss of revenue to be running at an annualised rate of approximately \$18 million based on recent production volumes.

For much of the period under review and subsequently our inability to sell on the international markets also led to missed profits. However, the recent fall in international oil prices means we are currently achieving broadly the same net outcome by selling to local mini refineries where the deductions to the headline price are much lower.

Operations

Before the Ukraine war the majority of international supplies and consumables were sourced via Russia. Now they typically come from China, a vast country whose border with Kazakhstan is some 3,000 kilometers from the BNG Contract Area and where originating destination is usually far further. The extra distance involved and the complexities of this new supply route with long delays at the border has typically resulted in much greater lead times for key supplies and consumables resulting in some significant operational delays. It has also required a much greater investment in working capital as the supplies and consumables have to be paid for many months earlier than previously.

Drilling at certain key wells was paused waiting for key parts and supplies with crews shifting from project to project. The overall impact is that, while progress has been made across a number of wells, it has not been possible to complete the work at any to increase production to the levels expected. Further, had we not decided several years ago to purchase our own rigs these operational delays would have been much greater still.

CHAIRMAN'S STATEMENT (CONTINUED)

BNG

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.

We continue to believe that the geological conditions at the super giant fields of Kashagan and Tengiz extend to the BNG Contract Area and then through to Block 8.

If this is the case the potential volume of oil in these deep structures could be vast and the implications on the Company's fortunes of one or more commercially successful deep wells could be transformational. We remain committed to bringing as many as possible of these deep wells into production.

Progress in the period under review and subsequently

Our focus at BNG for much of the year under review was on the deep structures. This was in part because of the dramatic upside when a deep well flows at commercial levels but also to comply with our original deep well work programme obligations.

Since the period end we have focused more on developing the production capacity at the MJF structure by working to bring back into production previously successful wells, although more recently have returned to our deep well priorities, most notably Deep Well 802.

Deep structures

Deep Well A8

Having extended the well from approximately 4,500 meters to approximately 5,400 meters in 2021 we attempted to produce from three of the potential oil-bearing intervals identified. However, after some initial success, we concluded that Deep Well A8 would not produce at commercial quantities and accordingly the well has been abandoned.

Deep Well 802

In June 2022 we spudded Deep Well 802 on the Yelemes Deep structure. This was the sixth and final deep well required under the original BNG work programme.

The well had a planned Total Depth of 5,200 meters targeting oil in the easier to drill Sandstone rather than Carboniferous rock, with an initial target at 4,300 meters. The well was drilled close to the site of a Soviet era blowout and our advisers provided us with the highest estimate of success for any of our BNG deep wells drilled to date.

Oil was encountered sooner than expected at a depth of approximately 3,900 meters and before the well had been completed, leading to a decision to drill a new side-track from a depth of 2,416 meters to approximately 4,100 meters, targeting the oil at the higher level previously encountered.

With approximately 100 meters still to be drilled the well flowed over a period of 3 days at rates fluctuating between 700 and 900 bopd.

Work at Deep Well 802 was suspended waiting on additional equipment. Accordingly, the crew at Deep Well 802 was moved to work on Shallow Well 142. The crew has now returned to Deep Well 802 and we expect to complete our work at Deep Well 802 in Q3 2023.

Other deep wells

Little was attempted in the period under review or subsequently at the other deep wells already drilled, A5, A6, A7 and 801. However, as rigs and crews become available, we intend to continue work to bring each of them into production starting with Deep Well A5.

CHAIRMAN'S STATEMENT (CONTINUED)

Shallow structures

MJF

Almost all the oil produced in the period under review and subsequently came from the MJF structure. However, for most of the year and to date in the current financial year key wells were out of production either being worked over with the use of horizontal drilling techniques or looking to eliminate water.

South Yelemes

The structure has four operational wells drilled in the Soviet era, Wells 54, 805, 806 & 807 from which approximately 22,500 barrels were produced representing approximately just 3% of total production. The focus at South Yelemes has been preparation for a horizontal well targeting the shallow dolomite intervals.

Further details of the BNG wells are set out in the section entitled Our Oil & Gas Assets.

Horizontal drilling

Horizontal drilling continues to be used in all recent shallow well workovers and we are preparing to introduce it to the deep wells at BNG. As crews and rigs become available we plan to continue to increase production from these shallow structures with workovers and new drilling.

Shallow structure production

Average production in 2022 was 2,171 bopd compared to 1,462 bopd in 2021. Recently production from the shallow structures has been approximately 2,000 bopd. However, once Wells 141 and 142 are brought back into production this is expected to rise significantly.

Own equipment

Our decision to own the drilling rigs and much of the other equipment previously rented has proved to be correct. It has significantly improved operational efficiency and reduced operating costs. More importantly, it has allowed us to continue to operate, which would not have been possible to the same extent had we relied on rigs and other equipment being supplied from China. We are in negotiations to acquire a more powerful G70 rig, which is expected to make drilling deeper wells faster and easier.

Block 8

In September 2022 we announced the intention to acquire Block 8, a producing Contract Area located approximately 160 km from BNG, for a maximum consideration of \$60 million, payable in cash from the future production from Block 8 at the rate of \$5 per barrel of oil produced.

Background

The Block 8 Contract Area is 2,823 sq km with three identified structures and production from two existing wells. The Block 8 Contract Area is owned by a member of the Oraziman family, which holds approximately 48.4% of the shares in Caspian Sunrise, and as such it would constitute a related party transaction.

Caspian Sunrise has an option to acquire the UAE registered holding company of EPC Munai LLP, which is the Kazakh registered holder of the licence for the Block 8 Contract Area, conditional upon *inter alia* satisfactory due diligence, including a review by an independent expert; the renewal of the existing licence; Independent Director and Nominated Adviser approval; and the consents of the regulatory authorities in Kazakhstan the UAE and the UK.

The Company and the Oraziman family have entered into a loan agreement under which the Company has agreed to advance cash and equipment of up to \$5 million to Altynbek Boltazhan the owner of EPC Munai LLP, and a member of the Oraziman family, to complete the work programme commitments under the existing licence. In the period under review approximately \$1.5 million of the loan was drawn. The loan is interest bearing at the rate of 7% and, in the event the acquisition of Block 8 does not complete, would be repayable by the Oraziman family initially from future dividend payments.

The Block 8 licence was previously owned by LG International the Korean conglomerate, who in 2006 started to acquire 3D seismic data over approximately 456 sq km. In recent years two deep wells have been drilled to depths of 4,203 meters and 3,449 meters respectively, from which oil has flowed at rates of up to 800 bopd.

CHAIRMAN'S STATEMENT (CONTINUED)

Block 8

Background (continued)

Current production from Block 8 is approximately 110 bopd, with oil transported to the same treatment and pumping station used by BNG. The acquisition of Block 8 would bring a second flagship asset into the Caspian Sunrise Group together with BNG with both having the ability to transform the value of the Group in the event of successful deep drilling. CTS LLP, the Group's drilling company is currently working under contract on two wells at Block 8.

Acquisition process

In the event the Independent Directors exercise the option, it is expected that the acquisition would take up to a further six months to complete, with much of that time spent on securing the required regulatory approvals.

As the acquisition terms do not involve the issue of additional shares and the consideration is expected to be payable solely from production from Block 8, exercise of the option is not expected to result in material dilution for existing shareholders.

Related Party transaction

The Loan Agreement was considered a Related Party Transaction pursuant to the AIM Rules for Companies.

The Independent Directors considered, having consulted with WH Ireland, that the terms of the proposed Loan Agreement were fair and reasonable in so far as shareholders of Caspian Sunrise and the Company are concerned.

Should the option to acquire Block 8 be exercised by the Independent Directors a further formal assessment by WH Ireland, the Company's Nominated Adviser, would be required at that time.

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.

Loan conversion

In March 2022 independent Caspian Sunrise shareholders voted to convert approximately \$6.2 million of debt due to the Oraziman family into 139,729,446 new Ordinary shares at a price of 3.2p per share, increasing the Oraziman family's aggregate shareholding from 45.0% to 48.4%.

Cancellation of share premium

In April 2022 shareholders voted to cancel the share premium account and the deferred shares in Caspian Sunrise Plc paving the way for the future declaration of dividends. In June 2022 the UK High Court confirmed the cancellations, which took effect in the period under review.

Dividends

We commenced monthly dividends in November 2022 making four separate payments of \$1.25 million (£1 million). In March 2023 we announced we would look to move to quarterly dividend declarations with the next quarter to be announced with these Financial Statements.

With no signs of an end to the adverse impact of the Ukraine war we need to base our dividend policy on what the Group can reasonably afford to pay without materially detracting from our principal purpose of increasing shareholder value by the continued development of our oil & gas assets.

Therefore, until either we increase production with MJF shallow wells 141 & 142 resuming production or Deep Well 802 commencing production, or until the proceeds from the conditional sale of 50% of the Caspian Explorer are received, the board has reluctantly decided to suspend dividends payments for the remainder of the year.

CHAIRMAN'S STATEMENT (CONTINUED)

Kazakhstan

In recent times Kazakhstan has been out of favour with international investors. It is nevertheless home to vast oil & gas and mineral reserves.

The lack of international competition for assets has provided opportunities outside our narrow focus of exploring and producing onshore oil & gas. A prime example being the Caspian Explorer, which 100% was acquired for less than \$3.7 million and for which we have agreed to sell 50% for \$22.5 million, representing a \$20 million gross profit while we still own the remaining 50%.

Board changes

After 13 years as the senior independent non-executive director Edmund Limerick will on 07 July 2023 step down from the board.

Edmund's knowledge and advice has been invaluable in the development of the Group and he will be missed. The Company will in due course appoint additional non-executive directors, following which the composition of the various committees of the board will be reviewed.

Outlook

Despite the impact of sanctions, the Group continues to prosper. Our focus remains maximising short-term production and getting as many of the BNG deep wells drilled to date into commercial production.

Clive Carver
Chairman
6 July 2023

FINANCIAL REVIEW OF THE 12 MONTHS ENDED 31 DECEMBER 2022

Revenue

Revenue in 2022 increased by approximately 72 per cent to \$42.9 million (2021: \$25.0 million).

Oil prices

International prices rose from approximately \$79 per barrel at the start of 2022 to a maximum of approximately \$123 per barrel in March 2022 and then fell steadily from June 2022 over the rest of the year to approximately \$75 per barrel by the year end. Over the same period domestic prices rose from approximately \$25 per barrel to approximately \$32 per barrel.

In a new development, sales to domestic mini refineries became possible with prices of approximately \$38 per barrel for most of the period under review and subsequently.

Production volumes

Production volume in 2022 at 792,284 barrels was some 48 % higher than in 2021 (533,857 barrels).

International vs Domestic sales

The continuing large discount for Kazakh oil sold from the Russian pipeline network despite there being no EU sanctions together with the Kazakh authorities assessing export taxes at the full Brent related price rather than the actual price achieved made international sales uneconomic for the majority of the period under review and subsequently.

In the period before sanctions 237,144 barrels were sold on the international market at an average price of approximately \$85 per barrel. After the start of international sanctions, most sales were either at domestic prices or to domestic mini refineries.

CTS

CTS LLP is the Group's wholly owned drilling company, which in 2020, 2021 and 2022 undertook work at Block 8, the Contract Area, which is owned by the Oraziman family and therefore a related party and over which the Group has an option to acquire.

The work undertaken at Block 8 in these periods was approximately \$5 million and at 31 December 2022 has either been paid or is covered by advances. In 2022 approximately \$3.7 million is included in 2022 income as more fully described in notes 4 & 25.

Gross profit

Gross profit increased by approximately 66 per cent to approximately \$32.3 million (2021: \$19.4 million), from a combination of the increase in production volumes and the impact of the sales possible at international prices before the impact of sanctions.

Selling expenses

Selling expenses increased by approximately 29% to \$9.8 million (2021: \$7.6 million) and are mainly export and customs duties, which are typically based on achieved oil prices.

Other administrative expenses

General and Administrative expenses were \$9.8 million (2021: \$3.3 million). The main reason for the increase was additional staff costs in Kazakhstan of around \$4.9 million.

Operating profit

The operating profit was \$12.8 million (2021: loss of \$4.0 million).

Profit / (Loss) for the year before tax

Profit before tax was \$12.3 million (2021: loss of \$4.8 million).

Tax charge

The tax charge was \$2.4 million (2021: \$0.7 million). The tax is payable in Kazakhstan where historic losses have been fully utilised.

FINANCIAL REVIEW (CONTINUED)

Profit / (Loss) for the year after tax and before dividends

The profit for the year after tax but before dividends was \$9.9 million (2021: loss of \$5.5 million).

Dividends

Dividends of approximately \$2.4 million were declared in the year (2021: nil).

Oil and gas assets

Unproven oil & gas assets

The carrying value of unproven oil and gas assets fell by approximately \$2.3 million to approximately \$43.8 million (2021: \$46.1 million) largely as the result of the transfer of the shallow Yelemes South structure to proven oil & gas assets, which was shown previously within property, plant and equipment.

Plant, property and equipment

The value of plant property and equipment increased by approximately \$3.7 million to approximately \$60.7 million (2021: \$57.1 million), again principally as the result of the reclassification of the South Yelemes structure.

Other receivables

Other receivables due within 12 months increased from approximately \$5.0 million to approximately \$5.2 million, in part as the result of the approximately \$1.5 million drawn down from the \$5 million loan in respect of the proposed acquisition of Block 8.

Cash position

At the year-end we had cash balances of approximately \$3.7 million (2021: \$0.4 million).

Liabilities

Trade and other payables under 12 months

Trade and other payables increased to approximately \$15.9 million (2021: \$13.2 million). Short term borrowings provided by the Oraziman family fell to \$0.4 million following the debt conversion approved by independent shareholders in March 2022 (2021: \$6.4 million).

The provisions for payments in less than 12 months were approximately \$6.0 million (2021: \$5.5 million).

BNG historic costs

We have continued to pay down the historic costs assessed against BNG. At 31 December 2022, of the original \$32 million levied in 2019 approximately \$19 million remains to be paid over the next seven years, of which approximately \$3.2 million is to be paid within 12 months.

Cashflows

During the period under review approximately \$45.9 million was received from customers and approximately \$27.5 million paid out to suppliers, creditors and staff with a further \$11.5 million spent on unproven oil and gas assets and \$0.5 million spent on property plant and equipment. A further \$2.3 million was paid to related parties including \$1.5 million relating to the Block 8 loan, and approximately \$1.1 million was paid in dividends, resulting in cash balances at the year-end increasing from \$0.4 million to \$3.7 million.

Going Concern

With net current liabilities of approximately \$16.0 million as at 31 December 2022, the assessment of going concern needs careful consideration. The Board has assessed cash flow forecasts prepared for a period of at least 12 months from the approval of the financial statements and assessed the risks and uncertainties associated with the operations and funding position, including the potential acquisition of Block 8. These cash flows are dependent on a number of key factors including:

- The Group's cashflow is sensitive to oil price and volume sold. Given the large discounts encountered since the start of the war in Ukraine we have assumed all sales will be either domestic sales or sales to the domestic mini refineries. If sales to the new local mini refineries did not continue as expected and in the continuing absence of any international sales additional funding would be required.

FINANCIAL REVIEW (CONTINUED)

- The Group continues to forward sell its domestic production and receives advances from oil traders with \$2.2 million advanced at the reporting date the continued availability of such arrangements is important to working capital. Whilst the Board anticipate such facilities remaining available given its trader relationships, should they be withdrawn or reduced more quickly than forecast cash flows allow then additional funding would be required.
- The Group has \$5.9 million of liabilities due on demand under social development programmes and \$3.2 million 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 programmes 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 it 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.

While none of the following can be relied upon until cash is received there are a number of expected events, which could provide significant additional working capital in the short term:

- The Group is due to receive \$22.5 million relating to the conditional sale of a 50% interest in the holding company for the Caspian Explorer;
- A Kazakh bank's credit committee has approved a \$5 million loan, which has yet to be drawn;
- A Kazakh oil trader has offered an additional \$3 million advance, which is yet to be accepted.

Should it be necessary, the Board has the following actions to mitigate any short-term funding issues

- To seek additional funding from advance oil sales
- To slow down the pace at which BNG is further developed
- To defer the exercise of the option to acquire Block 8, as this would defer development expenditure
- To sell all or part of one or more of the Group's assets
- To defer further dividend payments
- To seek additional equity capital
- Cease or reduce the amount of discretionary dividend payments (payment of which is subject to the cash inflows outlined above).

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
6 July 2023

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 a 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 2.8 million barrels. We have embarked on a programme of re-drilling 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.

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 13 km². 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 \$20 million remained payable at 31 December 2022.

Recently we have been working to bring wells 141 and 142 back into production.

In 2022 we produced 792,284 barrels of oil at an average of 2,171 bopd (2021: 533,857 barrels at an average of 1,462 bopd). At the date of this report production is approximately 2,000 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 375,000 barrels, including approximately 25,000 barrels in 2022.

Following an upgrade in the South Yelemes licence we are now allowed to sell most of the oil produced from the South Yelemes structure by reference to international rather than domestic prices. However, as set out elsewhere in these financial statements, we currently choose not to do so.

OUR OIL & GAS ASSETS (CONTINUED)

South Yelemes structure (continued)

We believe the structure may have untapped quantities of oil at higher levels than previously explored, which we intend to explore with horizontal drilling targeting a Dolomite reservoir when crews become available.

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

Four deep wells have been drilled on the Airshagyl structure.

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.

A7

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 4,000 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. Drilling is planned to continue when a rig becomes available.

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 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, the well has been abandoned.

Yelemes Deep structure

Deep Well 801 was drilled in 2014 / 2015 to a depth of 5,050 meters. During 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. This is the final deep well required under the BNG work programme. Work at Deep Well 802 was put on hold pending the arrival of specialist equipment. In the meantime, the rig and crew were switched to bring Well 142 back into production. Once finished at Well 142 the rig and crew will return to work on Well 802.

One further deep well, Deep Well 803, is required to be drilled this year under our new work programme obligations. Our intention is to spud this well in Q3 2023 and complete the drilling by the end of the year.

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 extreme high temperature and 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 whereas 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)

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, 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 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.

Well 802 was the final deep well required under the original BNG work programme commitments.

The current work programme requires a further deep well, Well 803 to be drilled before the end of the year. The well is expected to be spudded in Q3 2023.

Additionally, a further 10 shallow wells are to be drilled on the MJF structure, including a number of horizontal wells, by the end of 2026, with one being Well 155 to be drilled this year.

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 licence area and subsequently Petroleum Geology Services (“PGS”) undertook 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 2022, approximately 3.8 mmbls of oil were produced, which under financial reporting rules are deducted from the assessment of reserves as at 31 December 2022.

BNG	As at 31 December 2022 mmbls	As at 31 December 2021 mmbls
Shallow P1	14.3	15.1
Shallow P2	25.5	26.3

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

The Caspian Explorer is a drilling vessel designed specifically for use in the shallow northern Caspian Sea where traditional deep water rigs cannot be used.

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.

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

Safety contract

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.

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.

Drilling contract

In March 2023 we announced that the first drilling contract for the Caspian Explorer under the Group’s ownership had been signed.

An offshore well is scheduled to be drilled in the summer of 2024 to a planned depth of 2,500 meters. It will be drilled for the Isatay Operating Company LLP (“IOC”), a Kazakh registered explorer, in which Italy’s ENI is a leading participant. The work is expected to take approximately two months.

Daily rates have been agreed for both drilling days and days when no drilling occurs. On the basis of these rates and the Group’s assessment of the likely total number of days required to complete the assignment the Group expects net income after costs of approximately \$15 million.

The contract also provides for a second well in the event the first is deemed successful. That second well would most likely be drilled in 2025 on terms similar to the first assignment and is again expected to produce net income after costs of \$15 million.

CASPIAN EXPLORER (CONTINUED)

Other charters

Discussions continue with a number of parties interested in chartering the Caspian Explorer, either on normal commercial terms or where the involvement of the Caspian Explorer allows Caspian Sunrise to take an interest in the project.

Conditional sale

In June 2023 we announced the conditional sale of 50% of Prosperity Petroleum, the UAE registered holding company for the Caspian Explorer for \$22.5 million.

Summary

The Caspian Explorer has been written down in previous financial statements so that its carrying value at 31 December 2022 is \$1.7 million. We believe the drilling contract announced in March 2023 will be the first of a number as exploration of the shallow northern Caspian Sea increases.

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 licences 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 typically does the percentage taken by the Kazakh state.

Despite in practice oil sold on the international market being subject to a hefty Ural Oil discount of approximately \$30 - \$35 per barrel or more taxes on any international sales are still levied according to the international Brent price.

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. We are now also considering mineral opportunities in Kazakhstan.

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 consider other opportunities, including now mineral opportunities, where the board believes it can add significant value and contribute towards the success of the Group as a whole.

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, which is subject to licence renewal. 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. In June 2023 it was announced that the Group had conditionally agreed to sell 50% of the Caspian Explorer's holding company for a cash consideration of \$22.5 million.

In September 2022 the Group took an option to acquire the Block 8 Contract Area for a maximum consideration of \$60 million.

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 15 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. It was also the case when we recently announced the conditional sale of 50% of the Caspian Explorer for \$22.5 million.

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.

The Directors believe the Group is exceptionally well placed through its strong local Kazakh presence to identify and buy undervalued oil & gas assets and other assets on an opportunistic basis.

Climate Change

The Group's purpose is to supply energy in an environmentally conscious manner to the benefit of all stakeholders. As an exploration and production company, we recognise our environmental responsibilities to all our stakeholders and in particular to the local communities in which we operate.

However, 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 and not abandoned at end of year) 2022: 20 (2021: 18)
- Aggregate production for 2022 was barrels 792,284 (2021: 533,857) an increase of approximately 48%
- Reserves at 31 December 2022 P1 14.3 mmbbls & P2 25.5 mmbbls (2021: P1 15.1 mmbbls & P2 26.3 mmbbls)

The Financial Key Performance Indicators are:

- Revenue: up 72% at \$42.9 million (2021: \$25.0 million)
- Operating profit 12.8 million (2021: loss of \$4.0 million)
- Profit after tax for the year \$9.9 million (2021: loss \$5.5 million)
- Dividends \$2.4 million (2021: nil)
- Cash at bank: \$3.7 million (2021: \$0.4 million)
- Total assets: \$117 million (2021: \$114 million)
- Exploration assets \$43.8 million (2021: \$46.1 million)
- Plant, property & equipment \$60.7 million (2021: \$57.1 million)

Current production

- Approximately 2,000 bopd (2021: 1,462 bopd)

Assets & Reserves

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

Financial

At current domestic and domestic mini refinery prices and with current levels of production the income from current production is sufficient to cover day-to-day Group operations and G&A costs.

In addition, the Group expects to receive the \$22.5 million proceeds due from the sale of 50% of the Caspian Explorer and its 50% share of net income of approximately \$15 million in respect of the drilling contract scheduled for 2024 which was signed in March 2023.

In the event the option to acquire Block 8 is exercised, the income from the oil being produced there now and in the future is expected to cover the repayment of the \$5 million loan and Block 8 drilling costs.

In the event any of the deep wells drilled start to produce oil in commercial quantities the associated revenues should transform the Group's cash flows.

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 required 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 to improving and simplifying the Group structure thus easing the future payment of dividends. The final step was the approval of shareholders and the UK Court of a Capital Reduction. Shareholders approved the Capital Reduction in April 2022, which was approved by the UK High Court in June 2022.

The Company's first dividend was declared in November 2022 and was followed by 3 further monthly dividends. In March 2023 the Company announced that future dividends would be declared on a quarterly rather than monthly basis.

STRATEGIC REPORT (CONTINUED)

However, as set out above in the Chairman's Statement, with no signs of an end to the adverse impact of the Ukraine war we need to base our dividend policy on what the Group can reasonably afford to pay without materially detracting from our principal purpose of increasing shareholder value by the continued development of our oil & gas assets.

Therefore, until either we increase production with MJF shallow wells 141 & 142 resuming production or Deep Well 802 commencing production, or until the proceeds from the conditional sale of 50% of the Caspian Explorer are received, the board has reluctantly decided to suspend dividend payments for the remainder of the year.

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.

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. Our Annual General Meeting provides 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.

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 20 (where the Group's strategy, objectives and business model are addressed), page 23 (in relation to employees) the ESG report on page 29 (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 to 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
6 July 2023

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 2022.

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. The Group also owns and operates the Caspian Explorer, a drilling vessel specifically designed for operation in the shallow northern Caspian Sea. The Group also has its own drilling company, which on occasion works on projects not owned by the Group.

Results and dividends

The consolidated statement of profit or loss is set out on page 49 and shows a \$9.9 million profit for the year after tax (2021: loss US\$5.5 million).

The Company declared its first monthly dividend of £1 million in November 2022 and has subsequently declared a further 3 monthly dividends. In March 2023 the Company announced it was moving to quarterly dividends but in these financial statements has announced a suspension of dividend payments for the remainder of the financial year, or until production from wells 141, 142 or 802 allow payments or upon the receipt of the \$22.5 million consideration expected from the sale of the Caspian Explorer.

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 2022, and the date of this report, which are required to be brought to the attention of shareholders. Please refer to note 27 of these financial statements for further details.

Board changes

After 13 years as the senior independent non-executive director Edmund Limerick will on 7 July 2023 step down from the board.

Edmund's knowledge and advice has been invaluable in the development of the Group and he will be missed. The Company will in due course appoint additional non-executive directors, following which the composition of the various committees of the board will be reviewed.

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 the 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 2022	As at 31 December 2021
Clive Carver	2,245,000	2,245,000
Kuat Oraziman*	nil	nil
Edmund Limerick	7,911,583	7,911,583
Aibek Oraziman*	946,887,599	592,857,583
Seokwoo Shin	nil	nil

* taken together on 31 December 2022 the Oraziman Family, comprising Kuat Oraziman, Aibek Oraziman, Aidana Urazimanova, Altynbek Boltazhan and Boltazhan Kerimbayev held 1,089,544,792 shares representing approximately 48% of the issued share capital.

Biographical details of the Directors are set out on the Company's website www.caspian sunrise.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	%
Dae Han New Pharm Co Limited	224,830,964	9.99
Al Marri Family	221,625,001	9.85
Abai Kalmyrzayev	79,058,642	3.51

Financial instruments

Details of the use of financial instruments by the Group and its subsidiary undertakings are contained in note 24 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 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. www.caspian sunrise.com/investors/reports

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
6 July 2023

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.

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 seeks to adopt 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 in Kazakhstan 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 in 2022.
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 for the international market the Company's oil is transported to international buyers via the Russian oil pipeline network. The decision by the Kazakh authorities to re designate oil produced in Kazakhstan as Kazakhstan Export Blend Crude Oil ("KEBCO") seems to have had little impact and we still suffer large discounts for what many still refer to as "Urals Oil." This is despite confirmation from the UK and the European Union that oil produced in Kazakhstan and transported via the Russian pipeline network is <u>not</u> subject to sanctions. With the Urals Oil discounts and export taxes still levied based on the full international price selling on the international market is not commercially viable.

		<p>We therefore currently sell all our oil either on the traditional domestic market or the relatively new domestic mini refinery market where taxes and other deductions are much lower.</p> <p>Equipment and consumables previously sourced from Russia are now found elsewhere, typically China, adding time and expense.</p>
Permitting risks	<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>
Pricing risk	<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 we 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 cost cutting to match income and expenditures.</p>
Environmental risk	<p>There would be serious consequences in the event of a polluting event.</p>	<p>The Group seeks to maintain compliance with all applicable regulatory standards and practices.</p> <p>Further information is set out in the Environmental, Social and Governance Report.</p>
Climate change	<p>That climate change might impact the prospects for the Group</p>	<p>The board does not believe in the short to medium term climate change will have a material impact on the Group's revenues or operations. In particular the board believes the demand for oil will continue for at least the next decade and that climate change is unlikely to materially impact the Group's ability to produce that oil.</p>
Exchange rate risk	<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 Kazakh Tenge its expenditure is denominated principally in US\$, Kazakh Tenge and UK £.</p> <p>In the year under review the Tenge broadly maintained its exchange rate against the US\$. Since the year end the Kazakh Tenge has fallen by approximately 7.2% 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>
Loss of major shareholder support	<p>In previous periods the Group has relied on the financial support of the Oraziman family, which holds 48% of the Company's shares.</p>	<p>The Group is now producing significant volumes of oil and is financially a self-supporting enterprise.</p> <p>However, in the event further support was required it would clearly be in the interests of the Oraziman family as the major shareholding group to provide it.</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>Recently the war in Ukraine has resulted in supplies no longer being sourced from Russia. Replacement supplies from China are taking much longer to arrive.</p>	<p>We have been operating the BNG Contract Area for more than a decade during which we have encountered numerous supply issues, all of which have been overcome.</p> <p>Managing supplies has become one of the most important aspects of the business.</p> <p>With the majority of supplies now coming from China, whose border is approximately 3,000 kilometers from the BNG Contract Area lead times are now much greater. In addition, the working capital investment is also much greater as supplies need to be paid for much earlier than before.</p>
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ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

This report covers our ESG approach and performance for the year ended 31 December 2022.

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 16 years and have only been able to do so by complying with 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 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 & 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.

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 typically meets 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.

Following the AGM, we intend to re-constitute the various Board committees.

Share dealing policy

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

GOVERNANCE (continued)

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 UK 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 UK Bribery Act have been translated into Russian and circulated to our Kazakh based staff. Consideration of the UK 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.

<p>Principle 1</p> <p>Establish a strategy and business model which promotes long term value for shareholders</p>	<p>Objective</p> <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 & gas and other projects.</p> <p>Growth in long term value will be measured by a sustainable appreciation in the Company's share price.</p> <p>Principal assets</p> <p>The Group's principal asset is its 99% 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>
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	<p>The Group also has a 100% interest in the 3A Best Contract Area and a 100% interest in the Caspian Explorer drilling vessel, although recently the Group has conditionally agreed to sell 50% of its interest in the Caspian Explorer for \$22.5 million.</p> <p>The Group has an option to acquire the Block 8 Contract Area for a maximum consideration of \$60 million to be paid from production from Block 8 at the rate of \$5 per barrel.</p> <p>Further acquisitions are expected.</p>
<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.caspian sunrise.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, suppliers and customers 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 the Mangistau 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 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 26 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 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 28 years oil and gas experience in Kazakhstan.</p> <p>Seokwoo Shin 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.</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 46.7% of the Company's shares. He has more than 13 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 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></p> <p>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 eight 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></p> <p>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></p> <p>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 reassess 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 reports 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

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 28 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 has more than 13 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 telephone, are set out below:

Director	Board meetings attended	Remuneration Committees attended	Audit Committee attended
Clive Carver	7 of 7	2 of 2	2 of 2
Kuat Oraziman	7 of 7	N/A	N/A
Edmund Limerick	7 of 7	2 of 2	2 of 2
Seokwoo Shin	7 of 7	N/A	N/A
Aibek Oraziman	7 of 7	2 of 2	2 of 2

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 2022

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
6 July 2023

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, 2022 and to date in 2023.

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	30 June 2022
Kuat Oraziman	6 December 2019	22 July 2021
Edmund Limerick	25 January 2019	26 June 2020
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	2022 Salary / fees US\$	2022 Share options US\$	2022 Total US\$	2021 Total US\$
Clive Carver	Chairman	152,698	-	152,698	120,000
Kuat Oraziman	CEO	156,753	-	156,753	142,055
Seokwoo Shin	COO	54,000	-	54,000	54,025
Edmund Limerick	Non-executive	16,319	-	16,319	15,600
Aibek Oraziman	Non-executive	-	-	-	-
Total		379,770	-	379,770	331,680

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 2022 (2021: 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
Edmund Limerick	1,000,000	5.5p	9 January 2032
Seokwoo Shin	2,500,000	5.5p	9 January 2032

There were no options exercised in 2022.

Cash based incentives

In May 2019, we introduced 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
6 July 2023

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 two 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
6 July 2023

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

Qualified opinion on the Group financial statements and unmodified opinion on the Parent Company financial statements

In our opinion, except for the possible effects on the Group financial statements of the matter described in the Basis for qualified opinion on the Group financial statements and unmodified opinion on the Parent Company financial statements section of our report:

- 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 2022 and of the Group's profit 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 2022 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 the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 qualified opinion on the Group financial statements and unmodified opinion on the Parent Company financial statements

In 2022 and 2021 the Group's subsidiary, CTS LLP, provided drilling services to both an external related party, EPC Munai LLP, and within the Group to BNG Ltd.

For drilling services provided to external entities, costs should be recognised in cost of sales, which impacts the amount of revenue recognised under the input method as detailed in note 1.19. Drilling costs provided to other entities in the Group may be capitalised, subject to compliance with relevant accounting standards as detailed in note 1.8.

In 2021, no amounts were recognised in the income statement in respect of drilling costs provided by the Group's subsidiary CTS LLP to its customer, the external related party, EPC Munai LLP. As a result of this an amount of \$2.2m was reversed from property, plant and equipment to cost of sales and an amount of \$4.8m was reversed from property, plant and equipment to unproven oil and gas assets in the current year.

In 2022, CTS LLP has applied the input method of revenue recognition in accounting for revenue on its drilling contracts to EPC Munai LLP.

As a result, in 2022, included in the Group revenue and cost of sales is \$3.7m (2021: nil) of drilling revenue to EPC Munai LLP and \$4.1m (2021: nil) of related cost of sales. As at 31 December 2022 the Group has reported advances received from EPC Munai LLP of \$0.7m (2021: \$2.1m) and drilling costs capitalised of \$11m (2021: \$7.1m) as part of the Group's proven and unproven oil and gas assets. These amounts are reported within balances included in notes 4, 12, 13, 16 and 19.

As disclosed in note 2.2.3 to the financial statements, the Directors have been unable to obtain reliable information for CTS LLP in respect of the timing of the costs being incurred, their allocation between different contracts with EPC Munai LLP, or whether the costs should have been allocated to cost of sales (which impacts external revenue recognised), or capitalised in the Group's Property Plant and Equipment or Unproven oil and gas assets. In addition, the Directors have been unable to provide updated budgets for estimated costs to complete. This information is necessary to determine revenue, costs of sales, advances received/ receivables, provisions for losses on contracts, property, plant and equipment, unproven oil and gas assets, related tax balances and related party disclosures and as a result these balances may be materially higher or lower than the current recorded values.

Consequently, we were unable to obtain sufficient appropriate audit evidence over the valuation of the Group's external drilling revenues or the completeness and validity of its cost of sales allocation, nor were we able to determine whether any adjustments to the advances received/receivables, provisions for losses on contracts, unproven oil and gas assets, property, plant and equipment, related tax balances or related party disclosures at the current and prior year ends were necessary as a result.

Were any adjustment to the related accounts and disclosures as set out in the financial statements to be required as a result of the above, the Directors' report and the Strategic report would also need to be amended.

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 qualified opinion on the Group financial statements and our unmodified opinion on the Parent Company financial statements.

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 the Group and Parent Company's ability to meet its liabilities and commitments as they fall due, without additional funding being obtained, is sensitive to the oil volumes sold and prices realised, deferral of financial obligations and the continued availability of oil trader advances. As stated in note 1.1, these events or conditions, along with other matters as set out in Note 1.1, 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 the Directors' 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 impact of sanctions against Russia on the Group's operations with the Directors 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 ability to sell oil to the domestic mini refineries, and the continuing absence of any international sales.
- 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 the Directors 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 management's judgment that the exploration licence would be capable of being extended beyond 2024 including assessment of the legislative process, the forecast economic value of the assets beyond the expiry date and risks and uncertainties within the operating environments.
- 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 and the history of transactions with the oil traders.
- We assessed the validity of any mitigating actions identified by the Directors.

- 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>89% (FY21: 83%) of Group profit/(loss) before tax, 100% (FY21:100%) of Group revenue and 97% (FY20: 96%) of Group total assets.</i>		
Key audit matters		2022	2021
	Carrying value of unproven oil and gas assets	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Carrying value of proven oil and gas assets	-	<input checked="" type="checkbox"/>
	BNG production licence payment obligations	-	<input checked="" type="checkbox"/>
	Going concern	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	CTS drilling services *	<input checked="" type="checkbox"/>	-
	*Refer to the Basis for qualified opinion on the Group financial statements and unmodified opinion on the Parent Company financial statements section of our report		
	Carrying value of proven oil and gas assets is no longer considered to be a key audit matter given the Cash generating unit has significant headroom.		
	The BNG production licence payment obligations is no longer considered to be a key audit matter because the Group stopped contesting the amount levied by the authorities and the amount of the obligation became enforceable by law and has been classified as payables.		
Materiality	<i>Group financial statements as a whole</i> US\$1.7m (2021: US\$1.9m) based on 1.5% (2021: 1.7%) 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. Specific audit procedures were performed on the non-significant component, CTS LLP, by the Group audit team, including testing revenue from drilling services. The Group audit team performed additional procedures in respect of certain significant risk areas that represented Key Audit Matters.

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 and the matter disclosed in the Basis for qualified opinion on the Group financial statements and unmodified opinion on the Parent Company financial statements section above, we determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How the scope of our audit addressed the key audit matter	
<p>Carrying value of unproven oil and gas assets</p> <p>As at 31 December 2022, the Group’s unproven oil and gas assets related to the BNG exploration licence were carried at US\$43.9m as shown in notes 12.</p>	<p>At each reporting period end, management are required to assess the exploration and evaluation 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, including the likelihood of the exploration licence being renewed or converted to a production licence following its expiry in 2024.</p> <p>Given the judgment required by management, we considered this area to be a key focus for our audit and hence a key audit matter.</p>	<p>We inspected the licences to confirm the validity of title and assessed the compliance with the licence conditions through review of correspondence with the authorities and inquiries of management.</p> <p>We considered the appropriateness of management’s judgment that the exploration licence would be capable of being extended beyond 2024 including assessment of the legislative process, the forecast economic value of the assets beyond the expiry date and risks and uncertainties within the operating environments.</p> <p>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 indications that the licences would be abandoned or that the recoverable value would be below cost.</p> <p>Key observations: We found management’s judgements that support the carrying value of the unproven oil and gas assets 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	
	2022 US\$	2021 US\$	2022 US\$	2021 US\$
Materiality	1,700,000	1,900,000	1,200,000	1,300,000
Basis for determining materiality	1.5% of total assets	1.7% of total assets	70% of Group materiality	70% 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.		The Company is a holding company therefore materiality was set at 70% of Group materiality given the assessment of aggregation risk.	
Performance materiality	1,100,000	1,200,000	800,000	800,000
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 24% and 65% (2021: 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\$400,000 to US\$1,100,000 (2021: from US\$500,000 to US\$1,300,000). In the audit of each component, we further applied performance materiality levels of 65% (2021: 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\$34,000 (2021: US\$38,000). 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.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the valuation of the Group’s external drilling revenues or the completeness and validity of its cost of sales allocation in 2022 and 2021 and we were unable to determine whether any adjustments to the advances received/receivables, provisions for losses on contracts, unproven oil and gas assets, property, plant and equipment, related tax balances and related party disclosures at the current and prior year ends were necessary as a result of this. We have concluded that where the other information refers to these balances it may be materially misstated for the same reason.

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.

<p>Strategic report and Directors’ report</p>	<p>Except for the possible effects on the Group financial statements of the matter described in the Basis for qualified opinion on the Group financial statements and unmodified opinion on the Parent Company financial statements section of our report, 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>Except for the possible effects on the Group financial statements of the matter described in the Basis for qualified opinion on the Group financial statements and unmodified opinion on the Parent Company financial statements section of our report, 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>
<p>Matters on which we are required to report by exception</p>	<p>Arising solely from the limitation on our work on the Group financial statements relating to external drilling services in CTS LLP described above:</p> <ul style="list-style-type: none"> • We have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and • We were unable to determine whether adequate accounting records have been kept by the Parent Company. <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"> • 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.

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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management, the Audit Committee and those responsible for legal and compliance procedures of how the Group is complying with those legal and regulatory frameworks;
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations; and
- Our understanding of the legal and regulatory frameworks that are applicable to the Group and the Parent company,

we considered the significant laws and regulations to be the financial reporting framework (UK adopted international accounting standards, the Companies Act 2006, the AIM rules and the QCA Corporate Governance Code), the oil and gas laws and regulations of Kazakhstan, local taxation legislation and environmental regulations, and the terms and requirements included in the Group's production and exploration licences.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation, licensing and environmental regulations.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Directing the auditors of the significant components to ensure an assessment was performed on the extent of the component's compliance with the relevant local and regulatory framework and a review of correspondence with regulatory and tax authorities was performed for any instances of non-compliance with laws and regulations;
- 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;
- Review of financial statement disclosures and agreeing to supporting documentation to assess compliance with relevant laws and regulations noted above; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and the Audit Committee regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;

- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be completeness of related party disclosures, management override of controls and revenue recognition.

Our procedures in respect of the above included:

- Testing a sample of journal entries made throughout the year, which met a defined risk criteria to detect possible irregularities and fraud, by agreeing to supporting documentation;
- 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;
- Involvement of forensic specialists to test the completeness of the related party disclosures by testing the Group and director's relationship with a sample of targeted suppliers and customers;
- Testing a sample of revenue transactions to supporting documentation, including testing a sample of revenue transactions in the period proceeding and preceding year end to check that revenue was recognised in the correct period. In addition, we obtained a sample of significant sales agreements, evaluated key terms and assessed the appropriateness of revenue recognition policies against the relevant accounting standards; and
- Assessing significant judgements and estimates made by management for bias and challenging management on the appropriateness of these judgements and estimates (refer to key audit matters above).

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including component engagement teams who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component engagement teams, we also reviewed the results of their work performed in this regard.

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. In addition, the extent to which the audit was capable of detecting irregularities, including fraud was limited by the matter described in the Basis for qualified opinion on the Group financial statements and unmodified opinion on the Parent Company financial statements section of our report.

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

6 July 2023

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 2022 US\$'000	Year to 31 December 2021 US\$'000
Revenue	4	42,949	24,996
Cost of sales		(10,637)	(5,624)
Gross profit		32,312	19,372
Selling expense		(9,751)	(7,578)
Impairment of unproven oil and gas assets	12	-	(12,464)
Other administrative costs		(9,767)	(3,332)
Operating income / (loss)	5	12,794	(4,002)
Finance cost	8	(585)	(859)
Finance income	9	59	24
Profit / (loss) before taxation		12,268	(4,837)
Tax charge	10	(2,371)	(709)
Profit / (loss) after taxation from continuing operations		9,897	(5,546)
Income / (loss) for the year		9,897	(5,546)
Income / (loss) attributable to owners of the parent		9,763	(5,554)
Income attributable to non-controlling interest		134	8
Income / (loss) for the year		9,897	(5,546)
<i>Basic and diluted profit/(loss) per ordinary share (US cents)</i>	11	0.44	(0.26)

The notes on pages 55 to 85 are essential part of these financial statements

Consolidated Statement of Comprehensive Income

	Year ended 31 December 2022 US\$000	Year ended 31 December 2021 US\$000
Profit / (loss) after taxation	9,897	(5,546)
Other comprehensive income/(loss):		
Exchange differences on translating foreign operations	(4,418)	(6,863)
Total comprehensive profit /(loss) for the year	5,479	(12,409)
Total comprehensive profit/(loss) attributable to:		
Owners of parent	5,345	(12,417)
Non-controlling interest	134	8

The notes on pages 55 to 85 are an 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 profit / (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 2022	31,118	164,817	64,702	(62,103)	(2,362)	11,511	(156,239)	51,444	(5,801)	45,643
Income after taxation	-	-	-	-	-	-	9,763	9,763	134	9,897
Exchange differences on translating foreign operations and recycling of exchange differences on disposal of subsidiaries	-	-	-	(4,418)	-	-	-	(4,418)	-	(4,418)
Total comprehensive income/(loss) for the year	-	-	-	(4,418)	-	-	9,763	5,345	134	5,479
Shares issue (note 18)	1,942	4,273	-	-	-	-	-	6,215	-	6,215
Cancellation of share premium and deferred shares *	-	(169,090)	(64,702)	-	-	-	233,792	-	-	-
Dividends declared **	-	-	-	-	-	-	(2,444)	(2,444)	-	(2,444)
Total equity as at 31 December 2022	33,060	-	-	(66,521)	(2,362)	11,511	84,872	60,560	(5,667)	54,893

	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 profit / (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	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

*in 2022 the Company preformed a capital reduction (note 3).

**During 2022 the Company declared its first dividends in November and December 2022 in aggregate US\$2,444,000 (note 18).

Equity	Description and purpose
Share capital	The nominal value of shares issued
Share premium	Amount subscribed for share capital in excess of the nominal value
Deferred shares	The nominal value of the 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 reserves	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 profit/(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 55 to 85 are an 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 profit / (deficit) US\$'000	Total attributable to the owner of the Parent US\$'000
Total equity as at 1 January 2022	31,118	164,817	64,702	11,511	(171,203)	100,945
Total comprehensive loss for the year	-	-	-	-	(1,133)	(1,133)
Shares issued in connection with the completed debt conversion (note 18)	1,942	4,273	-	-	-	6,215
Cancellation share of premium and deferred shares *	-	(169,090)	(64,702)	-	233,792	-
Dividends declared **	-	-	-	-	(2,444)	(2,444)
Total equity as at 31 December 2022	33,060	-	-	11,511	59,012	103,583

	Share capital US\$'000	Share premium US\$'000	Deferred shares US\$'000	Merger reserve US\$'000	Retained profit / (deficit) US\$'000	Total attributable to the owner of the Parent US\$'000
Total equity as at 1 January 2021	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

*in 2022 the Company performed a capital reduction (note 3)

**During 2022 the Company declared its first dividends in November and December 2022 in aggregate US\$2,444,000 (note 18).

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 reserves	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 profit/(deficit)	Cumulative losses recognised in the profit or loss

The notes on pages 55 to 85 are an essential part of these financial statements

Consolidated Statement of Financial Position

Company number 5966431	Notes	Group 2022 US\$'000	Group 2021 US\$'000
Assets			
Non-current assets			
Unproven oil and gas assets	12	43,813	46,137
Property, plant and equipment	13	60,746	57,134
Other receivables	16	2,533	4,263
Restricted use cash		694	634
Total non-current assets		107,786	108,168
Current assets			
Inventories	15	492	664
Other receivables	16	5,191	4,950
Cash and cash equivalents	17	3,682	429
Total current assets		9,365	6,043
Total assets		117,151	114,211
Equity and liabilities			
Capital and reserves attributable to equity holders of the parent			
Share capital	18	33,060	31,118
Share premium		-	164,817
Deferred shares	18	-	64,702
Other reserves		(2,362)	(2,362)
Merger reserve		11,511	11,511
Retained profit / (deficit)		84,872	(156,239)
Cumulative translation reserve		(66,521)	(62,103)
Equity attributable to the owners of the Parent		60,560	51,444
Non-controlling interests	26	(5,667)	(5,801)
Total equity		54,893	45,643
Current liabilities			
Trade and other payables	19	15,871	13,240
Short - term borrowings	20	352	6,425
BNG historic costs payable	19	3,178	3,178
Current provisions	21	5,977	5,482
Total current liabilities		25,378	28,325
Non-current liabilities			
Deferred tax liabilities	22	6,335	6,463
BNG historic costs payable	19	16,297	19,290
Non-current provisions	21	469	487
Other payables	19	13,779	14,003
Total non-current liabilities		36,880	40,243
Total liabilities		62,258	68,568
Total equity and liabilities		117,151	114,211

Approved by the Board and authorized for issue:

Clive Nathan Carver,

Chairman,
6 July 2023

Company number: 5966431

The notes on pages 55 to 85 are an essential part of these financial statements

Parent Company Statement of Financial Position

Company number 05966431	Notes	Company 2022 US\$'000	Company 2021 US\$'000
Assets			
Non-current assets			
Investments in subsidiaries	14	15,487	15,487
Other receivables	16	88,883	88,559
Total non-current assets		104,370	104,046
Current assets			
Other receivables	16	14	10
Cash and cash equivalents	17	2,405	4
Total current assets		2,419	14
Total assets		106,789	104,060
Equity and liabilities			
Capital and reserves attributable to equity holders of the parent			
Share capital	18	33,060	31,118
Share premium		-	164,817
Deferred shares	18	-	64,702
Merger reserve		11,511	11,511
Retained profit / (deficit)		59,012	(171,203)
Equity attributable to the owners of the Parent		103,583	100,945
Total equity		103,583	100,945
Current liabilities			
Short-term borrowings	20	-	2,382
Trade and other payables	19	3,206	733
Total current liabilities		3,206	3,115
Non-current liabilities			
Total non-current liabilities		-	-
Total liabilities		3,206	3,115
Total equity and liabilities		106,789	104,060

The Company incurred loss for the year ended 31 December 2022 in the amount of US\$ 1,133,000 (2021: loss of US\$ 1,805,000).

Approved by the Board and authorized for issue:

Clive Nathan Carver,

Chairman,
6 July 2023

Company number: 05966431

The notes on pages 55 to 85 are an essential part of these financial statements

Consolidated and Parent Company Statements of Cash Flows

		Group 2022	Group 2021	Company 2022	Company 2021
	Notes	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from/used in operating activities					
Cash received from customers		45,862	24,308	-	-
Payments made to suppliers for goods and services		(26,546)	(15,509)	(1,280)	(834)
Payments made to employees		(964)	(1,051)	(186)	(163)
Net cash flow from/used in operating activities		18,352	7,748	(1,466)	(997)
Cash flows from/used in investing activities					
Purchase of property, plant and equipment	13	(502)	(7,136)	-	-
Additions to unproven oil and gas assets	12	(11,470)	(719)	-	-
Loan provided to the related party as part of the potential acquisition	16, 25	(1,523)	-	-	-
Other payment to the related party	20, 25	(800)	-	-	-
Transfers to restricted use cash		(59)	(393)	-	-
Advances repaid by subsidiaries		-	-	4,944	840
Net cash flow from/used in investing activities		(14,354)	(8,248)	4,944	840
Cash flows from/used in financing activities					
Dividends paid		(1,097)	-	(1,097)	-
Loans received from the related parties	20, 25	352	600	20	158
Net cash flow from/used in financing activities		(745)	600	(1,077)	158
Net increase in cash and cash equivalents		3,253	100	2,401	1
Cash and cash equivalents at the beginning of the year		429	329	4	3
Cash and cash equivalents at the end of the year	17	3,682	429	2,405	4

The notes on pages 55 to 85 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 6 July 2023.

The principal activities of the Group are the exploration for and the 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 in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006.

Going concern

With net current liabilities of approximately \$16.0 million as at 31 December 2022, the assessment of going concern needs careful consideration. The Board has assessed cash flow forecasts prepared for a period of at least 12 months from the approval of the financial statements and assessed the risks and uncertainties associated with the operations and funding position, including the potential acquisition of Block 8. These cash flows are dependent on a number of key factors including:

- The Group’s cashflow is sensitive to oil price and volume sold. Given the large discounts encountered since the start of the war in Ukraine we have assumed all sales will be either domestic sales or sales to the domestic mini refineries. If sales to the new local mini refineries did not continue as expected and in the continuing absence of any international sales additional funding would be required.
- The Group continues to forward sell its domestic production and receives advances from oil traders with \$2.2 million advanced at the reporting date the continued availability of such arrangements is important to working capital. Whilst the Board anticipate such facilities remaining available given its trader relationships, should they be withdrawn or reduced more quickly than forecast cash flows allow then additional funding would be required.
- The Group has \$5.9 million of liabilities due on demand under social development program and \$3.2 million 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 programmes 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 it 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.

While none of the following can be relied upon until cash is received there are a number of expected events, which could provide significant additional working capital in the short term

- The Group is due to receive \$22.5 million relating to the conditional sale of a 50% interest in the holding company for the Caspian Explorer;
- A Kazakh bank’s credit committee has approved a \$5 million loan, which has yet to be drawn;
- A Kazakh oil trader has offered an additional \$3 million advance, which is yet to be received.

Should it be necessary, the Board has the following actions to mitigate any short-term funding issues

- To seek additional funding from advance oil sales
- To slow down the pace at which BNG is further developed
- To defer the exercise of the option to acquire Block 8, as this would defer development expenditure
- To sell all or part of one or more of the Group’s assets
- To defer further dividend payments
- To seek additional equity capital
- Cease or reduce the amount of discretionary dividend payments (payment of which is subject to the cash inflows outlined above).

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.

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

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 2022. 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 2022, but do not have an impact on the consolidated financial statements of the Group.

New standards, interpretations and amendments adopted from 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).

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2022. See the applicable notes for further details on how the amendments affected the Group.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) IAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Group has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments to IAS 37.68A clarify, that the costs relating directly to the contract consist of both:

- The incremental costs of fulfilling that contract- e.g. direct labour and material; and
- An allocation of other costs that relate directly to fulfilling contracts: e.g. allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

The Group, prior to the application of the amendments, did not have any onerous contracts. Therefore these amendments had no impact on the year-end consolidated financial statements of the Group.

Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 & IAS 41)

- IFRS 1: Subsidiary as a First-time Adopter (FTA)
- IFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial liabilities
- IAS 41: Taxation in Fair Value Measurements

References to Conceptual Framework (Amendments to IFRS 3)

In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2022. The amendments provide relief in respect of loans whose contractual terms are affected by interest benchmark reform. There is no impact on the current reporting period.

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.

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 2023:

- 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).

The following amendments are effective for the period beginning 1 January 2024:

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

[The following is a list of other new and amended standards which, at the time of writing, had been issued by the IASB but which are effective in future periods. The amount of quantitative and qualitative detail to be given about each of the standards will depend on each entity's own circumstances.

- IFRS 17 Insurance Contracts (effective 1 January 2023) - In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 2023.]

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

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 Income/(loss)

Operating income/(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.

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 in 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.

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

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.

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.

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

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

At each reporting 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.

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 Unit of production method based on commercial proved and probable reserves at producing BNG assets and straight-line basis at other entities, 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 | 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 an estimated market rate of interest with the difference between a fair value and a face value of the advance being recorded within investments.

Loan amortised cost is assessed for expected credit loss under IFRS 9.

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

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.

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

Oil sold

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 following loading of 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.

Drilling services

The Group has applied the input method of revenue recognition in accounting for revenue on unit rate/lump sum contracts, under which revenue is recognised over time according to the stage of completion reached in the contract by measuring the proportion of costs incurred for work performed relative to the total estimated costs.

External drilling services contain distinct goods and services, but these are not considered distinct in the context of the contract and are therefore combined into a single performance obligation. At contract inception management generally considers all applicable factors to determine whether the contract contains a single performance obligation or multiple performance obligations.

A change to an existing contract for a project of the Group is a modification, which could change the scope of the contract, the price of the contract, or both. The Group uses two methods to account for a contract modification: (1) as a separate contract when the modification promises distinct goods or services and the price reflects the stand alone selling price; or (2) as a cumulative catch-up adjustment when the modification does not add distinct goods or services and is part of the same performance obligation.

Contract costs are recognised in the income statement when incurred. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised immediately. As per IAS 37 an onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. In line with the principles of IAS 37 the loss will be recognised if there is a present obligation, payment is probable and the amount can be estimated reliably.

The amount recognised will be the best estimate of the expenditure required to settle the present obligation at the reporting date.

In previous accounting periods revenue for such contracts was recognised in full on acceptance being received.

See note 2.2.3 for additional information.

1.20 Cost of sales

For structures or contract areas with full production licences oil sales are recognised as revenue and the associated costs as costs of sales. At other structures or contract areas with exploration licences any test production is considered incidental to the main purpose of the licence with the cost of sales equal to the revenue is recognised and credited to 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 four operating segments being oil exploration and production; onshore drilling services in Kazakhstan provided by CTS LLP, offshore drilling services provided using the Caspian Explorer, and the expenses corporate allocated, and therefore there are four reporting segments. The Group has several cost pools divided based on the different contractual territory of its assets.

1.22 Interest receivable and payable

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

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

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 1.21 and the average rate during the year was 1.24. The year-end exchange rate from KZT to US\$ was 462.65 and the average rate during the year was 460.48.

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 key estimates and judgements that have the most significant effect on the amounts recognised in the financial statements.

2.1 Estimates

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

The proven oil and gas assets, representing the MJF and South Yelemes shallow structures, have been assessed for indicators of impairment at 31 December 2022 including assessment of the discounted cash flows indicated by the Group's field plan.

This analysis required an estimation in determining forecast prices as at 31 December 2022 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 \$32 per barrel 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.

2.1.2 Revenue recognition and long-term contract accrued income

The determination of anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, and possible claims from subcontractors.

The determination of anticipated revenues includes the contractually agreed revenue and may also involve estimates of future revenues from claims and unapproved variations, if such additional revenues can be reliably estimated and it is considered probable that they will be recovered.

A variation results from a change to the scope of the work to be performed compared to the original contract signed. An example of such contract variation could be a change in the specifications or design of the project, whereby costs related to such variation might be incurred prior to the client's formal contract amendment signature. A claim represents an amount expected to be collected from the client or a third party as reimbursement for costs incurred that are not part of the original contract.

A modification is only then accounted for as a separate contract if the goods and services are distinct in that the customer can benefit from the good or service on its own. In both cases, management's judgments are required in determining the probability that additional revenue will be recovered from these variations and in determining the measurement of the amount to be recovered.

As risks and uncertainties are different for each project, the sources of variations between anticipated costs and actual costs incurred will also vary for each project. The long-term nature of certain arrangements usually results in significant estimates related to scheduling and prices.

The determination of estimates is based on internal policies as well as historical experience.

2.1.3 Recoverability of VAT (note 16)

The Group holds VAT receivables of \$1.7 million (2021: \$3.8 million) 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 1 year (2021: 2 years). This required estimates regarding future production, oil prices and expenditure.

2.1.4 Decommissioning (note 21)

Provision has been made in the accounts for future decommissioning costs to plug and abandon wells as set out 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.

2.1.5 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 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 (2021: US\$20.7m).

Notes to the Financial Statements (continued)

2 Critical accounting estimates and judgements (continued)

2.2 Judgements

2.2.1 *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 2022, the Group assessed the exploration and evaluation assets disclosed in note 12 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. We applied our judgement when considered the exploration contract at BNG that is expiring in 2024. We believe that BNG be granted the extension of the contract after confirming it committed all the requirements.

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 shallow area in the previous year and South Yelemes in the current financial year and the net present value of these 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 2022.

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. The Group cannot currently make any progress with the asset, which in 2021 was fully impaired.

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

2.2.2 *Transfer of costs to proven oil and gas assets (notes 12 & 13)*

Judgement has been applied in assessing South Yelemes shallow 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 December 2021 BNG has received the required production license for its South Yelemes structure and got the export permission starting June 2022. Before that date, BNG could sell the oil from South Yelemes only on the internal market. Accordingly, BNG moved the related oil & gas assets to the production stage in June 2022 and 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.

2.2.3 *Recognition of revenue and costs of the drilling and repair services*

CTS LLP, is a wholly owned subsidiary of the Group and undertakes drilling and other operational work both for the Group and third parties.

In 2021 and earlier periods work for third parties was not recognised as it should have been as revenue with the associated expenditure as costs of sales but was treated in the same way as work for the Group, with the costs debited to work in progress within property, plant and equipment.

While the accounting policies described in note 1.19 have been applied in the 2022 financial statements, including applying the input method of revenue recognition in accounting for revenue on drilling contracts, these accounting errors have not been corrected in the 2021 financial statements as there is insufficient data to accurately assess the timing of when the costs were incurred and the allocation between Group assets and services provided to external entities. In addition, due to the absence of detailed budgets being updated regularly since contract inception date, the directors have not been able to reliably assess the stage of completion and further costs required to complete each contract. The absence of this information represents a significant limitation on both the estimation of revenue recognised and if expected loss provisions should be recognised.

Additionally, in 2021, some work on the Group's deep wells was also capitalised to property, plant and equipment, where it should have been capitalised to unproven oil and gas assets. No retrospective adjustment has been made in the 2021 financial statements, and the amount has been adjusted in 2022 in notes 12 and 13.

The absence of reliable information over all of these areas represents a significant limitation on the valuation of the Group's external drilling revenues, the completeness and validity of its cost of sales allocation, and if any adjustments to the advances received/receivables, provisions for losses on contracts, unproven oil and gas assets, property, plant and equipment and any related taxation impacts at the current and prior year ends were necessary. As a result, the related accounts' values for these items could be materially higher or lower than currently recorded values.

2.2.4 *Payable for BNG licence historic costs (notes, 19, 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, to be 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.

In previous reporting periods, the related obligations were disclosed as part of the provisions as the Group was contesting the amount levied by the authorities. However, as a final court judgment was made in June 2021 and the amount of the obligation became enforceable by law as at 31 December 2021 the amounts due should have been reclassified from provisions to payables as a financial liability.

Notes to the Financial Statements (continued)

2 Critical accounting estimates and judgements (continued)

In 2022 the Group corrected this error and reclassified the related obligations and has restated the comparative figures with the inclusion of the amount due as financial liability.

Judgement was also required in selecting an appropriate discount rate for the financial liability, with the applied rate of 2.7% being based on US dollar Eurobonds yields in Kazakhstan with a comparable term.

2.2.5 *Uncertain tax positions (note 22)*

As detailed in note 22, 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.

2.2.6 *Indemnity receivables in relation to the 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. Judgement 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 seeking full recovery has made a provision for two thirds of the amounts due on the expected credit losses as at 31 December 2022 (note 16).

2.2.7 *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 2022 (no additional provision was recognised in 2021).

3 Capital reduction made in 2022

In order to start paying dividends, the Company had to achieve positive balance of the retained earnings account. Accordingly, on 22 April 2022, the Company's shareholders granted their approval for the a capital reduction. On 22 June 2022, the UK High Court confirmed the capital reduction. Consequently, the Company cancelled its share premium and deferred shares accounts, resulting in positive retained earnings from that date as follows.

Share premium account reduced by US\$169,089,000.
Deferred shares account reduced by US\$64,702,000.
Retained earnings account increased in total by US\$233,791,000.

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 three operating segments during 2022 and 2021: Exploration for and production of crude oil; onshore drilling services (CTS LLP) and offshore drilling services (Caspian Explorer). All three segments operate and generate revenues in Kazakhstan.

In 2021 onshore drilling services (CTS LLP) was included within Exploration for and production of crude oil.

BNG Ltd. LLP (BNG) currently accounts for 100% of the exploration and production revenues. Total revenue from crude oil sales generated by BNG in 2022 was US\$ 39,245,000 (2021: US\$ 23,725,000), net operating income for the year from the exploration and production of crude oil was US\$15,526,000 (2021: loss of US\$1,983,000).

100% of the Group's oil revenue was derived from three major customers (being two local market traders (46%) and an export trader (54%)). The revenue split of oil sales in 2022 between the domestic traders and the export trader (Euro-Asian Oil SA) was US \$17,974,000 and US \$21,271,000, respectively.

KC Caspian Explorer LLP (KCCE), representing the offshore drilling services operating segment, historically providing drilling and related services in the shallow northern Caspian Sea. In 2021 the KCCE provided NCOC, Kashagan oil field operator, with safety related services. In 2022 KCCE had no revenue.

In 2022 Caspian Technical Services LLP (CTS LLP), provided onshore drilling and repair services to BNG and to assets not owned by the Group.

Revenue

The Group's revenues are principally derived from the sale of oil in Kazakhstan. In September 2019 following the award of a full production licence, oil produced from the MJF structure at BNG started being sold on the export market.

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 sales on the local market, to local mini refineries the performance obligation is the supply of oil and the performance obligation is satisfied at a point in time, being the collection of oil at the wellhead. 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 onto 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 provided training and safety related services for North Caspian Operating Company (NCOC), the operator of Kashagan offshore oil field. The total related revenue was approximately US\$1.27 million with direct costs of US \$656,000. In 2022 KCCE earned no revenue.

In 2022 CTS LLP provided onshore drilling and repair services for Group and for EPC Munai LLP, a related party, for in total US\$ 3,704,000. As set out more fully in note 25, CTS LLP also worked for EPC Munai in 2020 and in 2021 but did not separately record the income and expenditure on those contracts as revenue and cost of sales as should have been the case.

Below is the summary of the results of the segments during 2022 and 2021:

	Oil & Gas assets \$000		Drilling services by CTS \$000		Drilling services by Caspian Explorer \$000		Corporate allocated \$000		Total \$000	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
External revenues	39,245	23,725	3,704	–	–	1,271	–	–	42,949	24,996
Cost of sales	(6,554)	(4,968)	(4,083)	–	–	(656)	–	–	(10,637)	(5,624)
Gross profit	32,691	18,757	(379)	–	–	615	–	–	32,312	19,372
Other administrative costs	(7,416)	(698)	(230)	(532)	(633)	(867)	(1,488)	(1,235)	(9,767)	(3,332)
Selling expense	(9,751)	(7,578)	–	–	–	–	–	–	(9,751)	(7,578)
Impairment of unproven oil and gas assets	–	(12,464)	–	–	–	–	–	–	–	(12,464)
Segment operating profit/(loss)	15,526	(1,983)	(609)	(532)	(633)	(252)	(1,488)	(1,235)	12,794	(4,002)
Finance income	51	11	–	–	8	13	–	–	59	24
Finance costs	(549)	(575)	–	–	–	–	(36)	(284)	(585)	(859)
Income / Loss before income tax	15,028	(2,547)	(609)	(532)	(633)	(239)	(1,524)	(1,519)	12,268	(4,837)
Total assets	103,794	95,807	7,775	15,682	2,254	2,621	3,328	101	117,151	114,211
Total liabilities	51,755	56,358	2,314	4,198	69	100	8,120	7,912	62,258	68,568

Notes to the Financial Statements (continued)

5 Operating income / (loss)

Group operating income / (loss) for the year has been arrived after charging:

	Group 2022 US\$'000	Group 2021 US\$'000
Impairment of unproven oil and gas assets (note 12)	-	(12,464)
Staff costs (note 7)	(6,477)	(1,051)
Depreciation of property, plant and equipment (note 13)	(2,498)	(3,557)
Auditor remuneration (note 6)	(239)	(212)

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 2022 US\$'000	Group 2021 US\$'000
Fees for the audit of the annual financial statements	180	153
Other services – tax related	11	11
	191	164

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

	Group 2022 US\$'000	Group 2021 US\$'000
Auditing of accounts of subsidiaries of the Company	48	48
	48	48

7 Employees and Directors

Staff costs during the year	Group 2022 US\$'000	Company 2022 US\$'000	Group 2021 US\$'000	Company 2021 US\$'000
Wages and salaries	5,842*	262	1,051	315
Social security costs	524	-	72	-
Pension costs	111	-	102	-
	6,477	262	1,225	315

Payroll expenses of US\$ 1,230,000 were capitalized into unproven oil and gas assets in 2022 (2021: nil) and expensed as cost of sales in the amount of US\$409,000 (2021: US\$ \$254,000).

* During 2022 the Group declared payment of US \$ 4,878,000 of bonus to the employees of the Group who were the key personnel in achieving high production and selling results at the major asset, BNG, during 2020-2022.

Average monthly number of people employed (including executive Directors)	Group 2022	Company 2022	Group 2021	Company 2021
Technical	18	-	14	-
Field operations	233	-	170	-
Finance	8	1	7	1
Administrative and support	25	3	24	3
	284	4	215	4

Directors' remuneration	Group 2022 US\$'000	Group 2021 US\$'000
Director's emoluments	380	332
Share-based payments	-	-
	380	332

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\$157,000 (2021: US\$142,000).

Notes to the Financial Statements (continued)

8 Finance cost

	Group 2022 US\$'000	Group 2021 US\$'000
Loan interest payable	11	237
Unwinding of discount on BNG licence payment payable	550	616
Unwinding of discount on provisions (note 21)	24	6
	585	859

9 Finance income

	Group 2022 US\$'000	Group 2021 US\$'000
Interest income at BNG LLP and KC Caspian	59	24

10 Taxation

Analysis of charge for the year	Group 2022 US\$'000	Group 2021 US\$'000
Current tax charge	2,371	709
Deferred tax charge	-	-
	2,371	709

	Group 2022 US\$'000	Group 2021 US\$'000
Profit / (Loss) before tax	12,268	(4,837)
Tax on the above at the standard rate of corporate income tax in the UK 19% (2021: 19%)	2,331	(919)
<i>Effects of:</i>		
Differences in tax rates	(948)	-
Non-deductible expenses	103	(1,310)
Withholding tax on interest expense	711	709
Utilization of tax losses not previously recognized	-	(1,730)
Unrecognised tax losses carried forward	174	3,959
	2,371	709

11 Earnings/(loss) per share

Basic earnings/(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 income / (loss) per share in 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 earnings/(loss) per share is based on:

	2022	2021
Basic weighted average number of ordinary shares in issue during the year	2,221,391,258	2,097,978,787
Earnings / (loss) for the year attributable to owners of the parent from continuing operations (US\$'000)	9,763	(5,554)
The loss for the year attributable to owners of the parent from discontinued operations (US\$'000)	-	-

There were 6,000,000 potentially dilutive instruments in the year (2021: 2,500,000).

Notes to the Financial Statements (continued)

12 Unproven oil and gas assets

COST		Group US\$'000
Cost at 1 January 2021		70,892
Additions		719
Foreign exchange difference		(3,579)
Cost at 31 December 2021		68,032
Additions		11,470
Transfer from Property, plant and equipment (note 13)		4,810
Transfer to Property, plant and equipment (note 13) *		(14,025)
Foreign exchange difference		(6,077)
Cost at 31 December 2022		64,210
ACCUMULATED IMPAIRMENT		Group US\$'000
Accumulated impairment at 1 January 2021		9,479
Impairment related to 3A-Best (100%)		12,464
Foreign exchange difference		(48)
Accumulated impairment at 31 December 2021		21,895
Foreign exchange difference		(1,498)
Accumulated impairment at 31 December 2022		20,397
Net book value at 1 January 2021		61,413
Net book value at 31 December 2021		46,137
Net book value at 31 December 2022		43,813

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 2022 were 100% represented by BNG Ltd LLP (2021: by BNG Ltd. LLP). 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 in 2021 after the notification by the Ministry of Energy of Kazakhstan about the expiration of the subsoil use contract (see note 21 for details).

The Directors have carried out an impairment review of these assets on a cost pool level as detailed in note 2.1. As at 31 December 2022, the balance of accumulated impairment was US\$ 20,397,000.

* In 2021 BNG applied for the production license on its South Yelemes shallow structure. The Ministry of Energy of Kazakhstan extended the term in accordance with the additional agreement No. 1 dated June 24, 2023, until 23 June 2044. The related capitalised assets which were in total US\$14,025,000 were moved to Proved Oil and Gas assets.

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	Proven oil and gas assets	Motor Vehicles	Other	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Cost at 1 January 2021	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
Additions	323	176	3	502
Disposals	(110)	-	-	(110)
Transfer to Unproven oil and gas assets*	-	-	(4,810)	(4,810)
Additions (note 12)	14,025	-	-	14,025
Foreign exchange difference	(425)	(111)	(2,668)	(3,204)
Cost at 31 December 2022	58,742	2,191	8,470	69,403
Depreciation at 1 January 2021	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
Charge for the year	2,079	61	358	2,498
Disposals	(19)	-	-	(19)
Foreign exchange difference	189	11	112	312
Depreciation at 31 December 2022	5,020	641	2,996	8,657
Net book value at:				
01 January 2021	42,332	9	10,504	52,845
31 December 2021	42,158	1,557	13,419	57,134
31 December 2022	53,722	1,550	5,474	60,746

* Amount of Other PP&E that was transferred to Unproven Oil and gas assets being by nature part of work in progress accumulated by CTS LLP but not yet accepted by BNG as part of drilling and repair services for the blocks under exploration program.

Notes to the Financial Statements (continued)

14 Investments (Company)

Investments	Company US\$'000
Cost	
At 1 January 2021	225,441
Change in investments	-
At 31 December 2021	225,441
Change in investments	-
At 31 December 2022	225,441
Impairment	
At 1 January 2021	209,954
Impairment	-
At 31 December 2021	209,954
Impairment	-
At 31 December 2022	209,954
<i>Net book value at:</i>	
31 December 2021	15,487
31 December 2022	15,487

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 if 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, then these amounts may be impaired. The Company recorded no impairment in relation to the investments in 2022 (impairment charge for 2021: nil).

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 2022	Effective holding and proportion of voting rights held at 31 December 2021	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
Ravninnoe BV	Netherlands	-*	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 FZE

Name of undertaking	Country of incorporation	Effective holding and proportion of voting rights held at 31 December 2022	Effective holding and proportion of voting rights held at 31 December 2021	Registered address	Nature of business
Galaz Energy BV	Netherlands	-*	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
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%	100%	152/140 Karasay Batyr Str., Almaty, Kazakhstan	Drilling & Service Company
SK-NS Aktau LLP**	Kazakhstan	100%	100%	152/140 Karasay Batyr Str., Almaty, Kazakhstan	Drilling & Service Company

14 Investments (Company, continued)

* During 2022 Ravinnoe BV and Galaz Energy BV both previously dormant were liquidated.

**During 2021 CTS LLP has acquired 100% interest in Sur Nedr and SK-NS Aktau LLP, the two companies have drilling licenses and other minor assets on their balances. The consideration paid for 100% interest in these companies was insignificant and the Group's management consider the acquisition to be an asset acquisitions.

Indirect investments held by Prosperity Petroleum LTD

Name of undertaking	Country of incorporation	Effective holding and proportion of voting rights held at 31 December 2022	Effective holding and proportion of voting rights held at 31 December 2021	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 acquired a 100% interest in Prosperity Petroleum Ltd and KC Caspian LLP, the companies owing an offshore drilling vessel. The management of the Group considered the acquisition 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 2022	Effective holding and proportion of voting rights held at 31 December 2021	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 2022 US\$'000	Group 2021 US\$'000
Materials and supplies	492	664
	492	664

16 Other receivables

	Group 2022 US\$ '000	Group 2021 US\$ '000	Company 2022 US\$ '000	Company 2021 US\$'000
Amounts falling due after one year:				
Prepayments made	9	448	-	-
VAT receivable	-	3,815	62	51
Long-term loan to the related party	1,523	-	1,523	-
Other receivable from related parties	1,001	-	-	-
Intercompany receivables	-	-	87,298	88,508
	2,533	4,263	88,883	88,559
Amounts falling due within one year:				
Prepayments made	1,256	1,285	14	10
VAT receivable	1,723	-	-	-
Other receivables	2,212	3,665	-	-
	5,191	4,950	14	10

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.

On 25 September 2022, the Independent Directors approved an interest-bearing loan with rate of 7% to a maximum value of \$5 million to Altynbek Bolatzhan, a member of the Oraziman family, in connection with the proposed related party acquisition of Block 8. At 31 December 2022, \$1,356,000 of that loan had been drawn down. The loan is to be repaid whether or not Block 8 is acquired. Further details of the loan is set out in Note 25. Another US\$ 167,000 of the receivable by the Company as at 31 December 2022 is the amount due from Mr. Kuat Oraziman after restructuring the loans with the related parties made in 2022 (note 20, 25).

US\$1,275,000 out of US\$2,212,000 (2021: US\$3,656,000) shown as of Other receivables represent the amounts reimbursable by the vendors of 3A Best under the indemnities provided on acquisition of the exploration asset. At 31 December 2022, 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 amount due to the uncertainty of recovering 100% of the amounts due in future periods.

The current intercompany receivables are interest free. In 2021, the Company recognised US\$ 797,000 of expected loss on provisions in relation to its receivables from subsidiaries.

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 (2021: US\$20.7 million). The movement in the expected credit loss provision related to the inter-company receivables was as follows:

	Group 2022 US\$'000	Group 2021 US\$'000	Company 2022 US\$'000	Company 2021 US\$'000
As at 1 January	-	-	20,709	19,912
Charge	1,659*	-	-	797
As at 31 December	1,659	-	20,709	20,709

*During 2022 BNG Ltd. LLP accrued the allowance on the advance payment made to Sinopec in 2019. Sinopec, the Chinese drilling contractor, was engaged to drill Deep Well A8. However, BNG did not accept the drilling works and did not pay any amount beyond the prepaid amount. At the date of this report, the parties have yet to come to a final agreement. Accordingly, the Group's management has decided to reserve 100% of the receivable from Sinopec.

Notes to the Financial Statements (continued)

17 Cash and cash equivalents

	Group 2022 US\$'000	Group 2021 US\$'000	Company 2022 US\$'000	Company 2021 US\$'000
Cash at bank and in hand	3,682	429	2,405	4

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 2022 US\$'000	Group 2021 US\$'000	Company 2022 US\$'000	Company 2021 US\$'000
US Dollar	3,245	45	2,404	4
GB Sterling	1	-	1	-
Kazakh Tenge	436	384	-	-
	3,682	429	2,405	4

18 Called up share capital

Group and Company

	Number of ordinary shares	US\$'000	Number of deferred shares	US\$'000
Balance at 1 January 2021	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
Debt to equity conversion (note 20)	139,729,445	1,942	(373,317,105)	(64,702)
Balance at 31 December 2022	2,250,501,559	33,060	-	-

Caspian Sunrise Plc had 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 at 31 December 2021. During 2022 the Company cancelled the deferred shares account (note 3).

During 2021 the Company made the following issue of its ordinary shares:

- (1) 3,017,956 ordinary shares being payment of the intermediary services relating to the purchase of 100% of Prosperity Petroleum Ltd
- (2) 18,972,164 new ordinary shares as the consideration for the purchase of a US\$ 750,000 workover rig.
- (3) 562,500 new ordinary shares issued to staff members (below board level) as the reward for successful drilling works.

On 9 March 2022 the Company completed the debt conversion first announced in 2021. Accordingly, 139,729,446 Debt Conversion shares were issued to convert US\$ 6,215,000 loans payable to Oraziman family and related entities (note 20).

On 4 November 2022 the Company announced its first interim dividend to shareholders of in total £1,000,000 (equivalent of US\$ 1,222,000), which was paid in December 2022. Additionally, in December 2022 the Company declared a second dividends which was paid in January 2023. Total declared in 2022 dividends were US\$ 2,444,000. Further dividends were declared in January and February 2023 and paid in February and March 2023 respectively. In the Company's accounts at 31 December 2022 the dividends payable were US \$1,347,000 (note 19), of which around 10% were unpaid November dividends held due to dispute over share ownership. In 2023 the outstanding at 31 December 2022 dividends were paid.

Notes to the Financial Statements (continued)

19 Trade and other payables

Current payables	Group	Group	Company	Company
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Trade payables	1,817	2,684	21	64
Taxation and social security	3,376	2,977	20	20
Accruals	4,031	152	106	106
Other payables	2,385	3,502	18	485
Intercompany payables	-	-	1,693	58
Dividends payable	1,347	-	1,348	-
Advances received (deferred revenue)	2,915	3,925	-	-
	15,871	13,240	3,206	733

At 31 December 2022 and 31 December 2021, the Group had received significant prepayments from the customers both oil sales and on CTS LLP contracts. The amount of the advances received from oil traders at 31 December 2022 was US\$ 2,192,000 (2021: US\$ 1,822,000). The amount received by CTS LLP at 31 December 2022 was US\$ 704,000 (2021: US\$ 2,103,000).

Long-term withholding CIT payable	Group	Group	Company	Company
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Taxation	13,779	14,003	-	-
	13,779	14,003	-	-

BNG historic costs payable*	Group	Group	Company	Company
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Current	3,178	3,178	-	-
Non-current	16,297	19,290	-	-
	19,475	22,468	-	-

*The subsoil use contract held by BNG Ltd for the MJF 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 payable on a quarterly basis from 1 July 2019 in equal instalments with the final payment due to be paid on 1 April 2029. The future payments have been discounted to their net present value. This discounted value has been capitalised as Property, plant and equipment 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.

In previous reporting periods, the related obligations were disclosed as part of the provisions as the Group was contesting the amount levied by the authorities. However, an error was identified in the classification of these obligations as at 31 December 2021 as a final court judgment was made against the Group in June 2021 and the amount of the obligation became enforceable by law and should have been reclassified from provisions to payables as a financial liability. In 2022 the Group corrected this error and reclassified the related obligations and the comparative figure to payables and added a relevant financial liability line and maturity dates within liquidity risk in note 24.

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

20 Short-term borrowings

	Group	Group	Company	Company
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Akku Investments LLP	-	4,433	-	2,224
Mr. Oraziman	-	1,424	-	-
Other borrowings	352	568	-	158
	352	6,425	-	2,382

At the start of 2021 the entities of the Group had the following loans payable to Kuat Oraziman / companies owned by the Oraziman family: (1) US\$ 1,125,000 interest bearing loan to Eragon Petroleum FZE from Kuat Oraziman, interest rate: 7%; (2) US\$ 777,000 interest bearing loan to Caspian Sunrise plc from Kuat Oraziman, interest rate: 7%; (3) US\$ 1,733,000 loan to other Group subsidiaries from Kuat Oraziman, interest free; (4) US\$ 672,000 interest bearing loan provided by Fosco BV, a company owned by the Oraziman family to BNG LLP, interest rate: 7%; (5) US\$ 1,293,000 interest bearing loan to Caspian Sunrise PLC from Vertom International NV and Kernhem International BV, companies owned by the Oraziman family, interest rate: 7%.

During 2021 the major part of these loans were assigned to Akku Investment LLP, another company the company controlled by the Oraziman family. Kuat.Oraziman then provided additional US\$ 229,000 loan to BNG and CTS LLPs during 2021 (nominated in KZT, interest free). The Oraziman family also provided a US\$ 596,000 to other Group entities in 2021.

Notes to the Financial Statements (continued)

20 Short-term borrowings (continued)

On 9 March 2022 following the approval by independent Caspian Sunrise shareholders US\$6,215,166 of the above debt was converted to equity with the issue of 139,729,445 shares at a price of 3.2p per share, comprising:

- (1) 100,021,431 shares issued to offset the loans payable by the Group to Akku Investments LLP
- (2) 39,708,014 shares issued to repay loans and salary debts to Kuat Oraziman (US\$1,766,212).

During 2022 the Group entity, Prosperity Petroleum Limited paid Kuat Oraziman US\$800,000. Total US\$633,080 of the payable to Kuat Oraziman and controlled by him entities were offset versus this amount during 2022. As the result of the operation, at 31 December 2022 Kuat Oraziman owed to Caspian Sunrise plc US\$ 167,000. In addition, after the restructurings done, repayments and additional loans provision (net addition of US\$142,000) at 31 December 2022 the Group owed Vertom International, a company controlled by Kuat Oraziman, US\$352,000 of loans received in 2022. The loans were nominated in tenge with no interest.

21 Provisions and contingencies

Group only	Liabilities under Social Development Program	Abandonment fund	2021 Total (restated*)
	US\$'000	US\$'000	US\$'000
Balance at 1 January 2021	5,973	557	6,530
Increase in provision	-	103	103
Change in estimate	-	(34)	(34)
Paid in the year	(618)	-	(618)
Unwinding of discount	-	6	6
Foreign exchange difference	(14)	(4)	(18)
Balance at 31 December 2021	5,341	628	5,969
Non-current provisions	-	487	487
Current provisions	5,341	141	5,482
Balance at 31 December 2021	5,341	628	5,969

Group only	Liabilities under Social Development Program	Abandonment fund	2022 Total
	US\$'000	US\$'000	US\$'000
Balance at 1 January 2022	5,341	628	5,969
Increase in provision	733	79	812
Change in estimate	-	(89)	(89)
Paid in the year	(49)	-	(49)
Unwinding of discount	-	24	24
Foreign exchange difference	(172)	(49)	(221)
Balance at 31 December 2022	5,853	593	6,446
Non-current provisions	-	469	469
Current provisions	5,853	124	5,977
Balance at 31 December 2022	5,853	593	6,446

* Provisions note was restated for 2021 in the 2022 financial accounts as Historic costs payable at BNG were mistakenly disclosed as provisions rather than as a financial liability in 2021 (details in the note 19).

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 the Republic of Kazakhstan for exploration at Airshagyl deposit, located in Mangistau region. According to the latest Amendments BNG is required to pay around US\$ 231,650 annually in respect of social programs in the 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 the training of Kazakh personnel of an amount of 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 2022 BNG was in compliance with all the requirements listed above.

On 11 July 2019, BNG Ltd LLP signed a production contract with the Ministry of Energy of the Republic of Kazakhstan at the North-West Yelemes structure. The Contract is valid for 25 years till 2043. On 23 December 2021, BNG signed the production contract at South Yelemes structure for an initial period of 6 months. The terms were extended in accordance with the additional agreement No. 1 dated 24 June 2023, and valid until June 23, 2044. No additional social obligations were added for the 2019 and 2022 contract extensions and upgrades.

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 sub soil use (SSU) contract: US\$2,500,000 of social development payment and approximately \$US 1,million of debts related to the previous years' work programme obligations. According to the Addendum #8 to the Contract signed by the Company on 20 January 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 payments of US\$580,000 quarterly for the 6 quarters ending in 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 company did not meet all the above in full but made some payments while seeking a solution to the situation. In 2021 the Group received a notification from the Ministry of Energy of Kazakhstan that as the Subsoil Use contract was not extended in July 2020 the contract was deemed to have expired on 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.

22 Deferred tax

Deferred tax liabilities comprise:

	Group 2022	Group 2021
	US\$'000	US\$'000
Deferred tax on exploration and evaluation assets acquired	6,335	6,463
	6,335	6,463

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 2022	Group 2021
	US\$'000	US\$'000
At beginning of the year	6,463	6,629
Foreign exchange	(128)	(166)
	6,335	6,463

As at 31 December 2022 the Group has accumulated deductible tax expenditure related to BNG of approximately US\$62 million (31 December 2021 US\$65 million) available to carry forward and offset against future profits. This represents an unrecognised deferred tax asset of approximately US\$12 million (31 December 2021: US\$13 million). Given the uncertainties regarding such deductions and the developing nature of the relevant tax system no deferred tax asset is recorded.

Notes to the Financial Statements (continued)

23 Share option scheme and LTIP scheme

During the year 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.

On 10 January 2022 Shin Seokwoo, Chief Operating Officer was granted 2,500,000 options exercisable at 5.5p and Edmund Limerick, non-executive director was granted 1,000,000 options exercisable at 5.5p per share. Both option grants being exercisable until 9 January 2032.

	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 2021	91,458,226	(64,808,226)	(15,300,000)	11,350,000	11
Directors	3,500,000	-	-	3,500,000	-
Employees and others	-	-	-	-	-
As at 31 December 2022	94,958,226	(64,808,226)	(15,300,000)	14,850,000	11

14,850,000 outstanding options as at 31 December 2022 are exercisable.

The range of exercise prices of share options outstanding at the yearend is 4p – 20p (2021: 4p – 20p). The weighted average remaining contractual life of share options outstanding at the end of 2022 is around 3.5 years (2021: 2 years).

Long Term Incentive Plan (LTIP) scheme:

On 5 June 2019 the Company made awards under a long term incentive plan. Clive Carver, 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 2021 and 2022, 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)

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

Financial assets	Group 2022 US\$'000	Group 2021 US\$'000	Company 2022 US\$'000	Company 2021 US\$'000
Intercompany receivables	-	-	87,298	88,508
Other receivables	2,212	2,247	-	-
Other receivables from related parties	1,001	1,409	-	-
Receivables from the related parties	1,523	-	1,523	-
Restricted use cash (related to decommissioning)	694	634	-	-
Cash and cash equivalents	3,682	429	2,405	4
	9,112	4,719	91,226	88,512
Financial liabilities	Group 2022 US\$'000	Group 2021 US\$'000	Company 2022 US\$'000	Company 2021 US\$'000
Trade and other payables	8,253	6,338	146	655
BNG historic costs payable	19,475	22,468	-	-
Intercompany payables	-	-	1,693	58
Borrowings – current	352	6,425	-	2,382
	28,080	35,231	1,839	3,095

Notes to the Financial Statements (continued)

24 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 2022 and 2021:

	1 January 2022	Loans received	Interest accrued	Disposal of loans	Repayment	Foreign exchange difference, net	31 December 2022
Financial liabilities							
Borrowings	6,425	352	11	(6,215)	(633)	412	352
	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
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Below is the movement of financial liabilities of the Company for the years ended 31 December 2022 and 2021:

	1 January 2022	Loans received	Interest accrued	Disposal of loans	Repayment	Foreign exchange difference, net	31 December 2022
Financial liabilities							
Borrowings	2,382	20	11	(2,413)	-	-	-
	1 January 2021	Loans received	Interest accrued	Conversion to equity	Repayment	Foreign exchange difference, net	31 December 2021
Borrowings	2,069	158	155	-	-	-	2,382

Notes to the Financial Statements (continued)

24 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. Whilst retaining ultimate responsibility for these objectives and policies, 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\$ 9.0 million (2021: US\$ 4.7 million).

Credit risk with respect to Group receivables and advances is mitigated by active and continuous monitoring of 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)

24 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. 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 2022 was 1% (2021: 14%).

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 2022 and 2021 see the 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 2022 US\$'000	352	9,066	2,439	17,891	-	29,748
Group 2021 US\$'000	6,425	3,497	6,093	24,397	-	40,412
Company 2022 US\$'000	1,693	-	-	-	-	1,693
Company 2021 US\$'000	2,382	655	58	-	-	3,095

Interest rate risk

The majority of the Group's borrowings are at fixed rate. As a result the Group is not exposed to 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\$38 million (2021: US\$43 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\$38 million (2021: US\$43 million).

Notes to the Financial Statements (continued)

25 Related party transactions

The Company has no ultimate controlling party.

25.1 Loan agreements

The Company had loans outstanding as at 31 December 2022 and 2021 with members of the Oraziman family and legal entities controlled by the Oraziman family, details of which have been summarised in note 20. The terms of the loans are in accordance with a framework agreement entered into by the Company and the Oraziman family under which interest is charged at the rate of 7% per annum.

25.2 Block 8 Loan and Option agreements

Loan agreements

In September 2022, the Company agreed to provide a loan to Mr. Altynbek Bolatzhan, a member of the Oraziman family, of up to \$5 million, guaranteed by other Oraziman family members, and to be used in finalising the Block 8 exploration work programme and to obtain a production license at Block 8. In the event the acquisition of Block 8 does not complete the loan would be repayable by the Oraziman family. At 31 December 2022, of the \$5 million total the Company had advanced \$1,356,000 to Mr. Bolatzhan, with the interest rate of 7%.

During 2022 the Group entity, Prosperity Petroleum Limited paid Kuat Oraziman US\$800,000. Total US\$633,080 of the payable to Kuat Oraziman and controlled by him entities were offset versus this amount during 2022. As the result of the operation, at 31 December 2022 Kuat Oraziman owed to Caspian Sunrise plc US\$ 167,000. In addition, after the restructurings done, at 31 December 2022 the Group still owed Vertom International, a company controlled by Kuat Oraziman, US\$352,000 of the loans received in 2021-2022. The loans are nominated in tenge with no interest.

Option agreement

In September 2022, the Company entered into an option agreement with Mr. Altynbek Bolatzhan, an Oraziman family member, for the Company to acquire EPC Munai LLP (Block 8).

The maximum consideration for the asset is \$60 million, payable in cash from future production from Block 8, at the rate of \$5 per barrel of oil produced.

25.3 Key management remuneration

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

25.4 Sales of services

As set out more fully in note 4 CTS LLP, the Group's onshore drilling subsidiary undertook repair and drilling work at Block 8 (EPC LLP), which is owned by members of the Oraziman family and for which the Group has an option to acquire.

As at 31 December 2021 CTS LLP received US\$ 2,103,000 of the advances for drilling and repair works at Block 8. In 2022 CTS has accrued US\$ 3,704,000 of revenue from services to Block 8. The related cost of sales was US\$ 4,083,000 (note 4). The balance of the advances received at 31 December 2022 was US \$704,000.

In 2020 CTS LLP conducted limited repair work at Wells P1 and P2 for a price of \$757,653. In 2021 CTS LLP conducted limited repair work on Well P1 for a price of \$646,373. During 2021-2022 CTS LLP drilled a side-track at Well P1 for a price of \$972,658.

During 2022 CTS LLP has entered into additional contracts with EPC Munai to drill a further 2 deep wells on Block 8's Skolkara structure (note 2.2.3).

Well P3

The first is Well P-3, with a contract value is \$6,484,000.

At 31 December 2022 only the preparatory works had been completed, which we estimate to be approximately 10% of the total work. During 2023 work at the well has been put on hold to allow other projects to proceed. At 31 December 2022 \$470,000 had been paid to CTS LLP for the drilling works.

Well AKD

The second is Well AKD where the contract value is \$4,323,000.

At 31 December 2022 the well had reached a depth of 2,187 meters, representing approximately 20% of the total work. At 31 December 2022 \$1,652,000 had been paid to CTS LLP for the drilling works.

For additional information on related party transactions with the Oraziman family and entities controlled by them see notes 16, 20.

Notes to the Financial Statements (continued)

26 Non-controlling interest

	Group 2022 US\$'000	Group 2021 US\$'000
Balance at the beginning of the year	(5,801)	(5,809)
Share of profit / (loss) for the year	134	8
	(5,667)	(5,801)

As at 31 December 2022 non-controlling interest represents minority share in BNG Ltd LLP and Beibars Munai LLP (as at 31 December 2021: BNG Ltd LLP and Beibars Munai LLP).

27 Events after the reporting period

Conditional sale of 50% of the Caspian Explorer

On 12 June 2023 the Company announced the conditional sale of 50% of the shares in Prosperity Petroleum FZE, the UAE registered holding company of KCCE Investments, the Kazakh registered company that owns the Caspian Explorer for a cash consideration of \$22.5 million. By the time of this report publishing the Company did not receive any amount from the potential buyer.

Bank loan to BNG

On 30 June 2023 BNG Ltd. LLP, the subsidiary, received an official letter from Fortebank (Kazakhstan) with approval of a revolving credit line on 36 months, 7%, of up to US\$ 5,000,000. The aim of the loan is to finance the current operations of the entity.