

Caspian Sunrise PLC (“Caspian Sunrise,” “ the Group” or the “Company”) Interim results for the six months ended 30 June 2023

Highlights

Operational

- Aggregate production in the period 351,620 bbls (2022: 414,048 bbls)
- Post period end production 1,953 bopd (2022: 2,264 bopd) **
- First commercial drilling contract for the Caspian Explorer signed

Financial

- Total revenue \$17.3 million (2022: \$25.6 million)
- Revenue from oil production \$12.5 million (2022: \$24.4 million)
- Revenue from sales trading \$3.8 million (2022: \$ nil)
- Revenue from drilling activities \$1.0 million (2022: \$1.2 million)
- Gross Profit \$12.4 million (2022: \$18.9 million)
- Operating profit \$8.1 million (2022: \$10.3 million)
- Profit before tax \$7.9 million (2022: \$10.0 million)
- Profit after tax \$7.5 million (2022: \$7.3 million)
- Net current liabilities \$24.6 million (2022: \$13.1 million)
- Cash \$0.5 million (2022: \$5.0 million)
- Total assets \$130.7 million (2022: \$112.5 million)
- Dividends paid in the period \$3.0 million (2022: nil)

** *based on production at end August 2023 & and end August 2022*

Introduction

I am pleased to present the unaudited interim results for the six months ended 30 June 2023.

Overview

The Group's principal activities are the exploration, production and sale of oil from oilfields in the Mangistau Oblast in Kazakhstan, which borders the north-east shore of the Caspian Sea. Additionally, the Group provides onshore and offshore drilling services to third parties.

The board believes the geological conditions present at Kashagan and Tengiz oil fields, which are both world class discoveries and valued in the billions of dollars, may extend to the Group's flagship BNG contract area and further to the Block 8 contract area, which the Group is in the process of acquiring.

If so, and in particular if the Group can achieve commercial flow rates from the deep structures at these contract areas, there should be very significant value in the Company's shares.

Operating in Kazakhstan

The sanctions imposed on Russia in March 2022, following its invasion of Ukraine in February 2022, have had a material adverse impact on the Group, even though the EU and UK sanctions specifically exclude oil produced in Kazakhstan and shipped via the Russian pipeline network.

As previously announced the ongoing large discount for oil emerging from the Russian pipeline network and termed "*Urals Oil*" taken together with Kazakh taxes on international sales still being based on the full international price rather than the actual price achieved means that for the period covered by this interim statement it was uneconomic to sell on the international market. Accordingly, all the oil produced in the period under review was sold on either the domestic market or to local mini refineries at prices currently approximately \$50-\$60 per barrel lower than headline world prices.

Results

The impact of sanctions made operating conditions in the period under review significantly tougher than in the corresponding period. Inevitably therefore our financial performance, which is set out in more detail in the financial review later in this interim statement, shows a worse position than 12 months ago at most measures of performance.

Nevertheless, with contributions from our new sales trading operations and from our drilling services activities, despite a 32% fall in headline revenues we are able to report a marginal increase in profit after tax.

BNG Operational update

The BNG contract area is located approximately 40 km from Tengiz and extends over 1,561 km². The contract area has four identified structures, two of which are shallow (MJF & South Yelemes) and two of which are deep (Airshagyl and Yelemes Deep).

MJF structure

The vast majority of oil produced in recent years has been from the MJF structure, which has a full production licence extending to 2043. In the period under review 303,322 barrels of the total 351,620 barrels produced, representing approximately 86% of the total, came from the MJF structure.

This was a fall of approximately 25% from the corresponding period as for large parts of the period under review previously successful wells 141, 142 and 145 were not in production as the result of increasing levels of water in these wells.

MJF workovers:

- Following remedial work at Well 142 production levels briefly returned to previous levels before the water in the well forced another closure. We then started drilling a new 2,450 meter side-track, which at the date of this report has reached 2,090 meters.
- Once work at Well 142 is completed the intention is to undertake a similar workover / side-track at Well 141.
- The workover at Well 145 did not result in the improved performance expected. If we cannot adequately control the increasing water level there we plan to drill a new side-track to restore the well to production.

New wells

- Well 155, a new shallow well, is planned to spud in Q4 2023.

Production from the MJF structure is currently at the rate of 1,685 bopd.

South Yelemes

South Yelemes, which is the second shallow structure at the BNG contract area, has a full production licence extending to 2046.

Oil has been produced from this structure since Soviet times and in the period under review 48,671 bbls were produced, representing approximately 14% of the total. This compares to only 3% for the full year ended 31 December 2022 as for much of that year the South Yelemes wells were shut in awaiting approval for the requested licence upgrade.

Production from the South Yelemes structure is currently 268 bopd.

Rig mobilization for the planned horizontal well targeting possible oil in the dolomites is scheduled for H2 2024.

Airshagyl

The Airshagyl structure extends over 58 km². To date four wells have been drilled to depths between 4,400 meters and 5,300 meters. Deep Well A8 has been abandoned but we continue to work on Deep Wells A5, A6 & A7.

Deep Well plans:

- At Deep Well A5 we intend in Q4 2023 to drill a new side track
- At Deep Well A6 our intention, also starting in Q4 2023, is to repair the well's cementing before re-perforating the well.

- At Deep Well A7 our intention in Q1 2024 is to resume drilling from the current depth of approximately 2,000 meters to the original planned depth of 5,300 meters.

Yelemes Deep

The Yelemes Deep structure extends over 36 km². To date two deep wells, 801 and 802 have been drilled to depths between 4,000 and 4,868 meters with a third deep well planned to spud before the year end.

Deep Well update

- At Deep Well 801 we are working with external geologists to determine the next course of action.
- Deep Well 802 has a revised planned total depth of 4,200 meters. A coil tubing exercise was successfully completed, however we have been struggling with a stuck pipe. Approximately 500 meters of the stuck pipe has now been successfully removed from the well leaving a further 3,400 meters still to be removed.
- In Q4 2023 we intend to spud Deep Well 803, which is a requirement under the current BNG work programme obligations and which has a planned total depth of 4,350 meters.

3A Best

During the period under review there has been no material progress at 3A Best.

Block 8

In September 2022 the Company acquired an option to buy the Block 8 contract area for a maximum consideration of \$60 million, payable in cash from future production at Block 8 at the rate of \$5 per barrel.

As the Block 8 contract area is owned by a member of the Oraziman family, which holds 48.4% of the shares in Caspian Sunrise, it constitutes a related party transaction.

Following an extended due diligence process the Independent Directors, having consulted with WH Ireland, the Company's nominated adviser, exercised the option to acquire 100% of the shares of Procyon Investments Limited, the UAE registered holding company of EPC Munai LLP, which is the Kazakh registered holder of the licence for the Block 8 contract area.

Completion of the acquisition is now dependent *inter alia* on the consents of the regulatory authorities in Kazakhstan and the UAE. The Independent Directors being Clive Carver and Seokwoo Shin, having consulted with the Company's nominated adviser, WH Ireland, consider the terms of the transaction to be fair and reasonable insofar as the Company's shareholders are concerned.

The Block 8 contract area extends over 2,823 km² with three identified structures and production from two existing wells. It was previously owned by LG International the Korean conglomerate, which in 2006 began the acquisition of 3D seismic data over approximately 456 km². 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.

Current production from Block 8 is approximately 110 bopd, with oil transported to the same treatment and pumping station used by BNG.

Drilling at Deep Well AKD-4 has reached its planned total depth of 3,922 meters and preparations are underway to test the well.

Drilling at Deep Well T-2D, which has a planned total depth of 3,500 meters, has reached 3,408 meters. After the remaining 92 meters are completed the well will be prepared for testing.

The acquisition of Block 8 will bring a second flagship asset into the Group. Either BNG or Block 8 will then have the ability to transform the value of the Group in the event of successful deep drilling.

Caspian Explorer

In March 2023 we announced the first commercial drilling charter for the Caspian Explorer to drill a well to a planned depth of 2,500 meters in the summer of 2024. The well is to be drilled for the Isatay Operating Company LLP, in which Italy's ENI is a leading participant.

Based on the terms agreed we expect an operating profit on the contract of approximately \$15 million, although the final amount will depend principally on the time taken to drill the well.

In June 2023 we announced the conditional sale of 50% of Prosperity Petroleum FZE, the UAE registered holding company for the Caspian Explorer, for \$22.5 million in cash. However, in July 2023 we updated the market that the agreed purchase consideration had not been received and that the board was considering alternative options.

Discussions continue regarding both additional commercial charters and / or sale.

Financial review

Overview

For the first three months of the corresponding period, before the impact of sanctions, we were able to sell the majority of oil produced on the international market. In contrast, during the period under review, all oil sales were to either the domestic market or to domestic mini refineries.

As the price for oil sold on these domestic markets was less than half the current international price the impact on these results is clear to see. However, the impact of sanctions and lower production volumes was mitigated by increased revenues from our new sales trading activities, from revenues from our drilling services division and by the significantly reduced tax and other deductions attributable for oil sold on the domestic markets. The net result being a small increase in profit after tax.

Revenue from oil sales

Revenue for the period under review for the sale of oil produced at approximately \$12.5 million was approximately 49% lower than in the corresponding period (2022: \$24.4 million). This is the result of an approximate 14% fall in the volume of oil produced and an approximate 43% fall in the average price excluding VAT at which that oil was sold.

Production volumes

In the period under review 351,620 barrels of oil were produced (2022: 414,048) at an average of 1,926 bopd (2022: 2,288 bopd).

Production from the MJF structure at 303,332 barrels was approximately 25% lower than in 2022, principally because wells 141, 142 and 145 were awaiting remedial action and were either totally or mostly out of production.

Production from South Yelemes at 48,671 bbls was many times greater than in 2022, principally because for much of the corresponding period production from South Yelemes wells was not permitted while the South Yelemes licence upgrade application was under consideration.

No oil was produced in either the period under review or the corresponding period from either the Airshagyl or Yelemes Deep structures.

Achieved prices

No oil was sold on the international market where prices were typically \$70 per barrel or better throughout the period under review.

Approximately 48% of oil produced was sold on the domestic market where prices averaged approximately \$33 per barrel excluding VAT. Approximately 52% of oil produced was sold to local mini refineries at various prices resulting in the average price achieved for all production in the period under review being approximately \$35 per barrel excluding VAT.

This compares to an average achieved price of approximately \$61 per barrel excluding VAT in the corresponding period.

Sales trading

On 1 January 2023, following changes in the Kazakh regulations regarding oil trading, it became possible for the first time for the Group to trade our own oil. We estimate that our to date limited entry into the local oil trading market added \$3.8 million to total revenue in the period under review.

Revenue from drilling services

During the period under review CTS the Group's wholly owned drilling company undertook drilling work at the Block 8 contract area, which as noted above the Group is in the process of acquiring. As Block 8 is not yet owned by the Group the charges for the drilling work at Block 8 are accounted for as revenue. In the corresponding period CTS's work for third parties was approximately \$1.2 million.

There was no revenue from the Caspian Explorer in either the period under review or the corresponding period.

Cost of sales and gross profit

In the period under review cost of sales fell by approximately 27% to approximately \$4.9 million (2022: \$6.7 million) with gross profit for the period being \$12.4 million (2022: \$18.9 million) as broken down by activity in the table below.

\$'000	note	6 months ended 30 June 2023			6 months ended 30 June 2022		
		Revenue	Cost of sales	Gross profit	Revenue	Cost of sales	Gross profit
Oil production		12,464	2,666	9,798	24,385	3,962	20,423
Oil trading	2	3,798	671	3,127	nil	nil	nil
Drilling Services	1	1,024	1,566	(542)	1,206	2,743	(1,537)
Total		17,286	4,903	12,383	25,591	6,705	18,886

Notes

1. Drilling services, including CTS and Caspian Explorer
2. Sales trading commenced 1 January 2023

Selling expenses

In the period under review, selling expenses fell by approximately 59% from \$6.9 million to approximately \$2.8 million largely as the result of the reduction in export duty charges.

Other administrative expenses

These are mostly general and administrative expenses, which fell by approximately 13% to approximately \$1.4 million (2022: \$1.7 million).

Operating income

The result of the above is that operating income fell by approximately 21% to approximately \$8.1 million from \$10.3 million.

Finance costs

Net finance costs were approximately \$0.16 million (2022: approximately \$0.32 million).

Profit before tax

Profit before tax was approximately \$7.9 million (2022: approximately \$10.0 million).

Tax charge

Tax in the period under review has been estimated at approximately \$0.4 million compared to \$2.7 million in the corresponding period, with the difference being principally the impact of lower international sales and lower overall profitability.

Profit after taxation

Profit after taxation was approximately \$7.5 million (2022: \$7.3 million).

Non-current assets

Non-current assets at approximately \$121.1 million were approximately \$13.3 million greater than at the 2022 year end. This was largely the result of an approximate \$7.1 million increase in proven oil and gas assets, approximately \$2.4 million increase in unproven oil and gas assets and an increase of approximately \$3.8 million in long term recoverable VAT.

Net current liabilities

Net current liabilities at approximately \$24.6 million were approximately \$8.6 million greater than at the 2022 year end (\$13.1 million). The increase being principally additional trade and other payables and additional short term borrowing.

Cash

Cash at the end of the period under review was approximately \$0.5 million compared to approximately \$3.7 million at the 2022 year end. In September 2023, after the period end, the Group signed a \$5.0 million loan with a Kazakh bank, of which at the date of this report approximately \$3.4 million has been drawn.

Cashflows

Of the approximately \$13.8 million received from customers approximately \$4.8 million was paid to suppliers and staff; approximately \$2.4 million was spent on additions to unproven oil and gas assets; approximately \$5.5 million was spent on proven oil & gas assets; approximately \$1.5 million was drawn on the Block 8 loan and approximately \$3.0 million was paid in dividends.

The Group also received additional loans from the Oraziman family of approximately \$0.3 million under the existing framework facility agreement.

The above resulted in an approximately \$3.4 million decrease in cash from \$3.7 million at the 2022 year end to approximately \$0.5 million at 30 June 2023.

Going concern

The financial statements for the year ended 31 December 2022, which was published on 6 July 2023, set out why the Directors continue to adopt the going concern approach to the preparation of those financial statements. The Directors believe the same considerations and conclusions apply to these interim financial statements.

Board

Following the Annual General Meeting on 6 July 2023 Edmund Limerick stepped down from the board after 13 years' service. The board recognises the need to appoint additional non-executive directors to comply with best corporate governance practice.

Dividends

There has been no change in the Company's position on dividend payments, which are suspended until at least the end of the year at which point the board will review the position based on the then production and revenue levels.

Outlook

While the international oil price is strong and looks set to remain so for the foreseeable future, we continue for Russian sanctions related reasons to sell at domestic / local mini refinery prices, which have changed little since the end of the period under review.

We have not yet found a solution to close the huge price differential between what we should receive and what we would actually receive for international sales. We are however learning to live with the sanctions related operational issues .

Short term

Our immediate focus is on increasing production, principally from the MJF structure. We are also preparing for the Caspian Explorer's first drilling charter commencing in Q3 2024 and working to complete the acquisition of Block 8.

Longer term

We do not wish the current largely sanctions related distractions to divert us from our principal purpose of seeking to create long term shareholder value. We recognise the Group's longer term value will depend for the most part on the reserves attributable to the Group's assets, most notably from the deeper structures. We therefore have and will continue to work to maximise our reserves by seeking to bring those deep wells drilled into production and by drilling additional deep wells at both BNG and Block 8.

Events which are likely to have a significant positive impact include:

- The end of sanctions or a new international delivery route avoiding the price discount
- Commercial production from one of the BNG deep wells
- Commercial production from one of the Block 8 deep wells once acquired
- A further commercial charter or outright sale for the Caspian Explorer

We look forward to updating shareholders with news of our progress in the coming months.

Clive Carver
Non-executive chairman
25 September 2023

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended 30 June 2023 Unaudited	Six months ended 30 June 2022 Unaudited
	US\$000s	US\$000s
Revenue	17,286	25,591
Cost of sales	(4,903)	(6,705)
Gross Profit	12,383	18,886
Selling expense	(2,826)	(6,906)
Other administrative expenses	(1,449)	(1,662)
Operating Income	8,108	10,318
Finance cost	(245)	(330)
Finance income	81	10
Income before taxation	7,944	9,998
Taxation	(436)	(2,690)
Income after taxation	7,508	7,308
Income attributable to owners of the parent	7,447	7,218
Income (Loss) attributable to non-controlling interest	61	90
Income for the year	7,508	7,308
Earnings per share	3	
Basic income per ordinary share (US cents)	0.36	
	0.33	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2023 Unaudited	Six months ended 30 June 2022 Unaudited
	US\$000s	US\$000s
Income (Loss) after taxation	7,447	7,218
Other comprehensive loss:		
<i>Items to be reclassified to profit or loss in subsequent periods</i>		
Exchange differences on translating foreign operations	968	(9,264)
Total comprehensive income / (loss) for the period	8,415	(1,956)
Total comprehensive loss attributable to:		
Owners of the parent	8,354	(2,046)
Non-controlling interest	61	90

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2023

Unaudited	Share capital US\$'000	Cumulative translation reserve US\$'000	Capital contribution reserve US\$'000	Merger Reserve US\$'000	Retained deficit US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
At 1 January 2023	33,060	(66,521)	(2,362)	11,511	84,872	60,560	(5,667)	54,893
Income after taxation	-	-	-	-	7,447	7,447	61	7,508
Exchange differences on translating foreign operations	-	968	-	-	-	968	-	968
Total comprehensive income for the period	-	968	-	-	7,447	8,415	61	8,476
Dividends declared	-	-	-	-	(2,442)	(2,442)	-	(2,442)
At 30 June 2023	33,060	(65,553)	(2,362)	11,511	89,877	66,533	(5,606)	60,927

For the six months ended 30 June 2022

Unaudited	Share capital US\$'000	Share premium US\$'000	Deferred shares US\$'000	Cumulative translation reserve US\$'000	Capital contribution reserve US\$'000	Merger Reserve US\$'000	Retained deficit US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
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	-	-	-	-	-	-	7,218	7,218	90	7,308
Exchange differences on translating foreign operations	-	-	-	(9,264)	-	-	-	(9,264)	-	(9,264)
Total comprehensive income for the period	-	-	-	(9,264)	-	-	7,218	(2,046)	90	(1,956)
Shares issue (debt to equity)*	1,942	4,273	-	-	-	-	-	6,215	-	6,215
Share premium and Deferred Shares reserves cancellation**	-	(169,090)	(64,702)	-	-	-	233,792	-	-	-
At 30 June 2022	33,060	-	-	(71,367)	(2,362)	11,511	84,771	55,613	(5,711)	49,902

Reserve	Description and purpose
Share capital	The nominal value of shares issued
Share premium	Amount subscribed for share capital in excess of nominal value
Deferred shares	The nominal value of deferred shares issued
Cumulative translation reserve	Losses arising on retranslating the net assets of overseas operations into US Dollars
Merger reserves	Gains accrued as the result of acquisitions made in previous periods
Capital contribution Reserve	Capital contribution arising when a shareholder has made an irrevocable gift to the Company
Retained deficit	Cumulative losses recognised in the profit or loss
Non-controlling interest	The interest of non-controlling parties in the net assets of the subsidiaries

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2023 US\$000s	As at 31 December 2022 US\$000s	As at 30 June 2022 US\$000s
		Unaudited	Audited	Unaudited
Assets				
Non-current assets				
Unproven oil and gas assets	5	46,243	43,813	29,090
Property, plant and equipment	6	67,815	60,746	65,471
Other receivables	7	6,359	2,533	5,813
Restricted use cash		707	694	607
Total non-current assets		121,124	107,786	100,981
Current assets				
Inventories		2,457	492	677
Other receivables		6,668	5,191	5,832
Cash and cash equivalents		475	3,682	5,044
Total current assets		9,600	9,365	11,553
Total assets		130,724	117,151	112,534
Equity and liabilities				
Equity				
Share capital	8	33,060	33,060	33,060
Other reserves		(2,362)	(2,362)	(2,362)
Merger reserve		11,511	11,511	11,511
Retained earnings		89,877	84,872	84,771
Cumulative translation reserve		(65,553)	(66,521)	(71,367)
Shareholders' equity		66,533	60,560	55,613
Non-controlling interests		(5,606)	(5,667)	(5,711)
Total equity		60,927	54,893	49,902
Current liabilities				
Trade and other payables		22,498	15,871	15,206
Short-term borrowings	9	2,456	352	988
Provision for BNG license payment		3,178	3,178	3,178
Other current provisions		6,089	5,977	5,261
Total current liabilities		34,221	25,378	24,633
Non-current liabilities				
Deferred tax liabilities		6,219	6,335	6,629
Provision for BNG license payment		14,875	16,297	17,923
Other non-current provisions		477	469	452
Other payables		14,005	13,779	12,995
Total non-current liabilities		35,576	36,880	37,999
Total liabilities		69,797	62,258	62,632
Total equity and liabilities		130,724	117,151	112,534

This financial information was approved and authorised for issue by the Board of Directors on 22 September 2023 and was signed

on its behalf by:

Clive Carver
Chairman

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June 2023	Six months ended 30 June 2022
	Unaudited US\$000s	Unaudited US\$000s
Cash flow provided by operating activities		
Cash received from customers	13,764	24,328
Payments made to suppliers and employees	(4,751)	(14,222)
Net cash used by operating activities	9,013	10,106
Cash flow used in investing activities		
Additions to unproven oil and gas assets	(2,430)	(5,362)
Purchase of PP&E	(5,536)	(129)
Cash flow used in investing activities	(7,966)	(5,491)
Cash flow used by financing activities		
Loans provided	(1,545)	-
Loans received	316	-
Dividends paid	(3,025)	-
Net cash used by financing activities	(4,254)	-
Net increase /decrease in cash and cash equivalents	(3,207)	4,615
Cash and cash equivalents at the start of the period	3,682	429
Cash and cash equivalents at the end of the period	475	5,044

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION
1. STATUTORY ACCOUNTS

The interim financial results for the period ended 30 June 2023 are unaudited. The financial information contained within this report does not constitute statutory accounts as defined by Section 434(3) of the Companies Act 2006.

2. BASIS OF PREPARATION

Caspian Sunrise plc is registered and domiciled in England and Wales.

This interim financial information of the Company and its subsidiaries ("the Group") for the six months ended 30 June 2023 has been prepared on a basis consistent with the accounting policies set out in the Group's consolidated annual financial statements for the year ended 31 December 2022. It has not been audited or reviewed, does not include all of the information required for full annual financial statements, and should be read in conjunction with the Group's consolidated annual financial statements for the year ended 31 December 2022. The 2022 annual report and accounts, which received a qualified opinion from the auditors, included a material uncertainty in respect of going concern but did not contain a statement under section 498 (2) or 498 (3) of the Companies Act 2006, have been filed with the Registrar of Companies. As permitted, the Group has chosen not to adopt IAS 34 'Interim Financial Reporting'.

The financial information is presented in US Dollars and has been prepared under the historical cost convention.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022 except for the effect of new standards effective from 1 January 2023 as explained below. These are expected to be consistent with the financial statements of the Group as at 31 December 2022 that are/will be prepared in accordance with IFRS and their interpretations issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("EU").

Several other amendments and interpretations apply for the first time in 2023, but do not have an impact on the interim consolidated financial statements of the Group.

Going Concern

The Group's Financial Statements for the year ended 31 December 2022, which were published on 4 July 2023, contained reference to the existence of a material financial uncertainty, which only approximately 10 weeks on continues to exist. This may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial information in these interim results has been prepared on a going concern basis using current income levels but a reduced work programme. On this basis the Directors believe that the Group will have sufficient resources for its operational needs over the relevant period, being until September 2024. Accordingly, the Directors continue to adopt the going concern basis.

However, the Group's liquidity is dependent on a number of key factors:

- The Group continues to forward sell its domestic production and receive advances from oil traders with \$US5.9 million advanced at 30 June 2023, and the continued availability of such arrangements is important to working capital. Whilst the Board anticipates such facilities remaining available given its trader relationships, should they be withdrawn or reduced more quickly than expected then additional funding would be required. In January 2023 the group started selling the oil products processed from the crude oil extracted which increased the margins achieved on local oil sales.
- Similarly, the Group sells to local mini refineries. Should these arrangements be terminated or reduced then additional funding would be required.
- For the time being the Group is not selling to the international markets as a consequence of the impact of sanctions on Russia, including access to pipelines and the price at which oil emerging from Russian pipelines is sold. These forecasts remain sensitive to oil prices, which have shown significant volatility in recent times. In the event of a significant decline in world and domestic oil prices additional funding would be required.

3. INCOME PER SHARE

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

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

The calculation of loss per share is based on:

	Six months ended 30 June 2022 Unaudited	Six months ended 30 June 2022 Unaudited
The basic weighted average number of ordinary shares in issue during the period	2,250,501,559	2,157,729,446
The income (loss) for the year attributable to owners of the parent (US\$'000)	7,447	7,284

4. FINANCIAL EXPENSE

The Group incurred financial expenses of approximately \$245,000 during the 6 months to 30 June 2023 (2022: US\$330,000).

5. UNPROVEN OIL AND GAS ASSETS

During the six months period ended June 30 2023 the Company's oil and gas assets increased on US\$ 2 million (2022: decrease on US\$ 17 million, due mainly to the transfer of the shallow South Yelemes structure to proven oil and gas assets on the award of its production licence (note 6) and the depreciation expense).

6. PROPERTY, PLANT & EQUIPMENT

Group	Proved oil and gas assets US\$'000	Motor Vehicles US\$'000	Other US\$'000	Total US\$'000
Cost at 1 January 2022	44,929	2,126	15,946	63,001
Additions	323	176	3	501
Disposals	(110)	-	(7,054)	(7,164)
Additions	14,025	-	-	14,025
Foreign exchange difference	(425)	(111)	(424)	(960)
Cost at 31 December 2022	58,742	2,191	8,470	69,403
Additions	225	12	8,602	8,839
Disposals	(245)	-	-	(245)
Foreign exchange difference	(618)	125	315	(178)
Cost at 30 June 2023	58,104	2,328	17,387	77,819
Depreciation at 1 January 2022	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
Charge for the year	672	55	229	956
Disposals	(9)	-	-	(9)
Foreign exchange difference	234	25	141	400
Depreciation at 30 June 2023	5,917	721	3,366	10,004
Net book value at:				
01 January 2022	42,158	1,557	13,419	57,135
31 December 2022	53,722	1,550	5,474	60,746
30 June 2023	52,187	1,607	14,021	67,815

7. OTHER NON-CURRENT RECEIVABLES

During the six months ended June 30 2023 the Company provided advances related to its drilling operations in the amount of US\$0.12 million (2022: US\$1.52 million). VAT recoverable at the Group level as at 30. June 2023: was approximately US\$4.6 million (2022: approximately US\$4.3 million).

8. CALLED UP SHARE CAPITAL

	Number of ordinary shares	\$'000
Balance at 31 December 2022	2,250,501,560	33,060
Balance at 30 June 2023	2,250,501,560	33,060

In June 2022 the Company received approval from the UK High Court for the cancellation of its Deferred shares and Share premium accounts

9. BORROWINGS

	Six months ended 30 June 2023 US\$'000	Year ended 31 December 2022 US\$'000
	Unaudited	Audited
Amounts payable within one year		
Akku Investments	1,982	99
Aibek Oraziman	316	355
Other borrowings	158	534
	2,456	988

At 30 June 2023 and 31 December 2022 all the loans at the group were payable to the individuals and entities related to Oraziman family.

10. SUBSEQUENT EVENTS

In August 2023 BNG Ltd. LLP took out a \$5 million loan for up to 3 years at an interest rate of 7%. At the date of this report approximately \$3.4 million of the loan has been drawn with the funds used to purchase casing for deep wells and the drilling rig.

