

MORNING COMMENT

CORPORATE

Share Price 4.2p

Ticker	CASP
Index	FTSE AIM
Sector	Oil & Gas
Market Cap	£86.7m

Caspian Sunrise

21p WHI Fair Value Estimate

Having reported 2021 production of 1,462 barrels of oil per day, investors can expect significant production growth from Caspian Sunrise's shallow oilfields, namely, the MJF and South Yelemes oilfields. Already, the company reported recent production (22 December 2022) of 2,300 barrels of oil per day – all from its shallow MJF field – after bringing its first two horizontal wells onstream. The company continues to advance well completion methodologies that are intended to unlock the world-class potential of its deep assets, namely, the Airshagyl and Deep Yelemes oilfields. Having emerged from a context of distress into a position of strength with a positive outlook, we ascribe a fair value estimate of 21p to Caspian Sunrise (see Table 1), from "Under Review", of which 7.9p relates to the company's shallow assets with the remainder relating to its deep assets. We estimate that the full success case value of the company's assets amounts to 102p. We include 100% of the value of the company's shallow assets and 10% of the value of the company's deep assets in our fair value estimate.

MJF Structure: Caspian Sunrise completed its first horizontal well, Well 154, on 26 April 2021 – drilled into the MJF structure. On production, the well produced at a stable rate of 600 barrels of oil per day with higher peak production on short-term tests. The well essentially transformed the productive potential of the MJF structure by showing that horizontal wells can achieve production rates that are multiples higher than the production rates of standard, vertical wells. On 13 October 2021, the company completed its second horizontal well, Well 153, which produced at a commercial, stable rate of circa 830 barrels of oil per day. Both of the company's horizontal wells continue to produce at stable rates near levels of 600 barrels of oil per day. We believe that horizontal wells have transformed Caspian Sunrise's growth potential and financial outlook.

Airshagyl: Based on our volumetric assessment, we estimate that the company's deep Airshagyl field would recover 305 million barrels of oil under a success-case. The field is both deep and significantly overpressured, which creates drilling challenges pursuant to which the field has yet to establish long-term stable oil flow – effectively the field has been produced at highly significant short-term rates from one deep well (2,000 barrels of oil per day). Like at the super-giant Tengiz field (9 billion barrels of recoverable oil) that is circa 40km away, the appraisal/testing period has been challenging. The company is hopeful that it will improve its well drilling/completion methodologies to allow the reservoir to produce at its full potential at stable rates. The company announced on 25 January 2022 that the recently drilled Deep Well A8 produced at a stable rate of 120 barrels of oil per day (from only one of three productive intervals) for several days – encouraging.

Drilling: The company intends to complete drilling the Deep Well A7 in the Airshagyl field in approximately 4 months (currently drilling). Likewise, the company intends to start drilling Deep Well 802 (an appraisal well) into the Yelemes Deep structure (WHIe: 15.6 million barrels of recoverable oil under a success case) in early 2022 with results expected later in the year. Caspian Sunrise is also planning to drill two near-term horizontal wells into the MJF structure (wells 152 and 142). We estimate the company has a total of at least 17 new shallow well locations in the License.

Marketing Communication

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Table 1 WHI Fair Value Estimate – Caspian Sunrise

	Interest (%)	Key Assumptions		Unrisked Present			Risky Value for Fair Value Estimate			Value \$/boe (\$/boe)
		Gross	Net	Value Net to Caspian Sunrise			% in	Value		
		Resource	Resource	USD	GBP	p/share	TP	Total	p/share	
		Scale	Scale	(\$mn)	(£mn)	(p/sh.)	(%)	(\$mn)	(p/sh.)	
Oil & Gas Assets										
Shallow Assets										
2P Reserves (MJF + South Yelesmes)	99.0%	26.8	26.5	216.2	166.3	7.9	100%	216.2	7.9	8.15
Total shallow assets		26.8	26.5	216.2	166.3	7.9		216.2	7.9	
Deep Assets										
Airshagyl (WHIe, 58km2 structure)	99.0%	305.0	302.0	2,490.9	1,916.0	91.3	15%	373.6	13.7	8.25
Deep Yelesmes (WHIe; 4.5 km2 structure)	99.0%	15.6	15.4	117.7	90.5	4.3	15%	17.7	0.6	6.82
Total Deep Assets		320.6	317.4	2,608.6	2,006.6	95.6		391.3	14.3	
Total Oil & Gas Assets		347.4	343.9	2,824.7	2,172.9	103.6	n.a.	607.4	22.3	8.21
Balance Sheet and Other Adjustments										
General & admin (PV10, three years, \$3.5M)				(8.7)	(6.7)	(0.3)		(8.7)	(0.3)	
MJF Liability to Kazakh regulator (30 Dec. 2020; discounted)				(25.1)	(19.3)	(0.9)		(25.1)	(0.9)	
Short-term borrowings (30 June 2021)				(5.9)	(4.5)	(0.2)		(5.9)	(0.2)	
Price paid for drilling rig (6 August 2021 acquisition)				0.8	0.6	0.0		0.8	0.0	
On-demand liabilities under social development programs (deferrals expected)				(6.0)	(4.6)	(0.2)		(6.0)	(0.2)	
Cash (1 June 2021)				0.3	0.2	0.0		0.3	0.0	
Total of Balance Sheet and Other Adjustments				(44.7)	(34.4)	(1.6)		(44.7)	(1.6)	
NAV and WHI Fair Value Estimate				2,780.1	2,138.5	101.9		562.8	20.6	

Key macro-economic assumptions:

Asset values are based on after-tax discounted cash flow models for each asset using a 10% discount rate (a standard NPV10 approach to oil & gas assets)

Long-term Brent oil price: \$82/b (flat, no inflation); USD/GBP = 1.36

Assumed 2,098 million fully diluted shares outstanding

Source: WH Ireland

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Speculative Buy	0	0.0	0	0.0
Outperform	0	0.0	0	0.0
Market Perform	0	0.0	0	0.0
Underperform	0	0.0	0	0.0
Sell	0	0.0	0	0.0
Total	69.0	100.0	66.0	100.0

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Company Name	Table of interest number	12-month recommendation history	Date
Caspian Sunrise (CASP)	1,2,3,4,5,10	Corporate	11.12.17

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