Caspian Sunrise PLC

Results presentation for the year ended 31 December 2022

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Notable events in 2022

Operational

- Produced 792,284 barrels (48% more than in 2021)
- Well A8 tested and abandoned
- Well 802 flowed at 700-900 before completion

Non-operational

- Conversion of $6.2 million debt
- Court approved capital reorganisation
- First dividends
- Option to acquire Block 8

Impact of sanctions

Oil prices

- Despite no EU / UK sanctions and new oil designation oil shipped via Russia still = Urals oil
- Urals oil suffered $30-35 per barrel discounts
- Taxes still levied as if no Urals discount
- Uneconomic to sell via Russia –since Q2 2022 all production sold on the domestic market

Operations

- Previously most international supplies sourced from Russia - now most sourced from China
- 6 month lead times & big working capital impact
- Need to be flexible operationally when supply issues arise
- Would have been much worse had we not owned our own rigs

BNG Operations 2022 / to date in 2023

Deep wells

- A5 No progress in 2022 / 2023
- A6 No progress in 2022 / 2023
- A7 Drilled to 2,000 meters
- A8 Deepened / tested / abandoned
- 801 No progress in 2022 / 2023
- 802 Spudded / drilled
- 803 To be spudded in Q3 2023

Shallow wells

MJF producing wells:

- 143, 151, 153, 154

South Yelemes producing wells:

- 54, 805, 806, 807

MJF Wells due to be brought back into production:

- 141, 142, 150

South Yelemes wells to be drilled:

- Horizontal well targeting a dolomites structure

Results – profit & loss account

	Units	2022	2021	Movement
Revenue				
Oil Sales / other	$’m	39.2	25.0	+56.8%
CTS	$’m	3.7	0	N/A
Total Revenue	$’m	42.9	25.0	71.6%
Cost of Sales	$’m	(8.8)	(7.9)	+11.4%
Gross profit	$’m	32.3	19.1	+69.1%
Gross profit	%	78.5	70.7	+7.8%
Pre-tax profit / (loss)	$’m	11.7	(4.3)	
Tax	$’m	(2.4)	(1.0)	
Post-tax profit / (loss)	$’m	9.3	(5.3)	

Results – first half vs second half

First half

- Oil produced is sold on both international and domestic markets
- Higher transportation and tax costs & longer payment times

Second half

- Oil produced sold domestic mini refinery & domestic
- Much lower transportation and tax & faster payment times

2022	Units	1st half	2nd half	Total
Revenue	$’m	25.6	15.5	41.1
Cost of Sales	$’m	(6.7)	(2.1)	(8.8)
Gross profit	$’m	18.9	13.4	32.3
Gross profit	%	73.8	86.5	78.5

2022 Results – Balance sheet

	Units	2022	2021	Movement
Unproven oil & gas assets (Deep structures)	$'m	43.8	46.1	-2.3
Plant property & equipment (Shallow structures)	$'m	60.7	57.1	+3.6
Other assets	$'m	3.3	5.0	-1.7
Total fixed assets	$'m	107.8	108.2	-0.4
Current Assets	$'m	9.4	6.0	+3.4
Current Liabilities	$'m	(25.4)	(28.3)	+2.9
Net current assets	$'m	(16.0)	(22.3)	+6.3
Longer term liabilities	$'m	(36.9)	(40.2)	+3.3
Net assets	$'m	54.9	45.7	+9.2

2022 Results – Cashflows

	Units	2022	2021	Movement
Receipts from customers	$’m	45.9	24.3	+21.6
Payments to suppliers	$’m	(26.5)	(15.5)	-11.0
Payments to staff	$’m	(1.0)	(1.1)	+0.1
Purchase of equipment	$’m	(0.5)	(7.1)	+6.6
Additions to unproven oil & gas assets (deep)	$’m	(11.5)	(0.7)	(10.8)
BNG Loan	$’m	(1.5)	-	(1.5)
Dividends	$’m	(1.1)	-	(1.1)
Other	$’m	(0.5)	0.1	(0.6)
Increase / decrease in cash	$’m	3.3	0.0	3.3

Why the delay

- New auditing standards – audits are more detailed, cost more and take longer
- Audit firms – Grant Thornton in Kazakhstan, BDO for the Group, Baker Tilly in the UAE
- It took longer than expected in Kazakhstan
- Audit issues at Group level
    - CTS LLP
    - BNG Historic costs – provision or financial liability
    - Going concern
    - Caspian Explorer / Dividends
- Low-cost operator

Audit opinion

CTS

- In 2020, 2021 & 2022 CTS worked on both Group assets (BNG) and non-Group assets (Block 8)
- CTS was paid for its work at Block 8 but the receipts should have been shown as revenue rather than an addition to unproven oil & gas assets and the expenditure should have been debited to cost of sales
- The CTS records do not allow for an easy distinction between costs for work at BNG and costs for work at Block 8, accordingly the auditors were unable to express an opinion on these amounts
- Clean opinion on the bulk of the numbers in the accounts - $39.2 million revenues

Historic costs

- Provision or liability?

Update: BNG

Airshagyl

- A5 Q3 2023 - side-track from a depth of 4,500 meters
- A6 Q3 2023 – well workover
- A7 depends on outcome at A5

Yelemes: Deep structure

- Existing Well 802 continuing to work to clear the well
- New Well 803 spud date Q4 2023

MJF: Shallow structure

- Existing Well 141 redrilling new side-track with horizontal direction – Q4 2023
- Existing Well 142 redrilling new side-track with horizontal direction – Q3 2023
- New Well 155 spud date Q3 2023

South Yelemes: shallow structure

- Existing Well 150 redrilling new side-track with horizontal direction – 2023/4 ?

Update: Block 8

Background

- Owned by the Oraziman family, Previously owned by LG International (Korean)
- Contract Area 160 km from BNG (significant operational synergies)
- Total area 2,823 sq. km with deep & shallow structures
- Seismic data over 456 sq. km acquired by LGI – the Korean multinational
- Believed to have the same geological potential Kashagan, Tengiz & BNG

Latest

- Two deep wells being drilled. One has reached TD the other has 400 meters to go
- Current production 280 bopd

Update: Caspian Explorer

First commercial charter

- For a consortium led by ENI
- Drilling 2,500 meters in Q3 2024
- Expect net profit $15 million
- Potential second well on similar terms if successful

50% conditionally sold for $22.5 million

- Purchase price $3.7 million
- 50% sold for $22.5 million
- Gross accounting profit potentially c $20 million

Alternatives

- Now being considered

Update: Dividends

Cashflow constraints

- Production levels currently below expectations (2,000 bopd vs 4,000 bopd)
- Sanctions costing $18 million each year
- Waiting on receipt of $22.5 million Caspian Explorer proceeds
- Until we get either
    - Increased production from 141 / 142 / 802
    - Proceeds for the sale of the Caspian Explorer
- Dividends suspended until end of 2023