

Caspian Energy Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited – Prepared by Management)

June 30, 2018

Notice of Disclosure of No Auditor Review of Condensed Interim Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of the Company for the three and six months ended June 30, 2018 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) accounting principles as issued by the IASB and are the responsibility of the Company’s management.

The Company’s independent auditors, MNP LLP, have not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

Caspian Energy Inc.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

(in thousands of Canadian dollars)

	June 30 2018 \$	December 31 2017 \$
Assets		
Current assets		
Cash and cash equivalents (Note 4)	972	126
Trade receivables and other current assets (Note 5)	1,838	1,972
Inventory	70	93
	2,880	2,191
Non-current assets		
Restricted cash	24	23
VAT receivable	3,394	3,335
Property and equipment (Note 6)	5,543	5,805
Exploration and evaluation assets (Note 7)	29,670	29,147
Total assets	41,511	40,501
Liabilities		
Current liabilities		
Trade and other payables	28,230	27,977
Loans payable (Note 8)	341	327
	28,571	28,304
Non-current liabilities		
Loans payable (Note 8)	31,061	27,469
Decommissioning liability	1,136	1,116
Deferred tax liability	14,843	14,843
Total liabilities	75,611	71,732
Shareholders' deficit		
Share capital	183,035	183,035
Contributed surplus	18,507	18,507
Deficit	(237,613)	(235,200)
Accumulated other comprehensive income	1,971	2,427
Total shareholders' deficit	(34,100)	(31,231)
Total liabilities and shareholders' deficit	41,511	40,501

Reporting entity and going concern (Note 1)

Caspian Energy Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Unaudited)

(in thousands of Canadian dollars except per share amounts)

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Revenue				
Oil and natural gas revenue, net	1,183	897	1,606	1,844
Expenses				
Operating costs	543	540	929	1,132
General and administrative	459	307	714	525
Depletion and depreciation	268	415	373	861
	1,270	1,262	2,016	2,518
Operating loss before other items	(87)	(365)	(410)	(674)
Gain on disposal of property and equipment (Note 6)	25	34	25	34
Interest and accretion (Note 11)	(728)	(718)	(1,417)	(1,388)
Foreign exchange gain (loss)	(978)	(793)	(611)	129
Loss before tax	(1,768)	(1,842)	(2,413)	(1,899)
Income tax	–	(36)	–	(36)
Net loss	(1,768)	(1,878)	(2,413)	(1,935)
Foreign currency translation adjustments	(178)	524	(456)	807
Comprehensive loss	(1,946)	(1,354)	(2,869)	(1,128)
Net loss per share (Note 9)	(0.00)	(0.00)	(0.01)	(0.01)

Caspian Energy Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficit (Unaudited)

(in thousands of Canadian dollars)

For the six months ended June 30	2018 \$	2017 \$
Share capital		
Balance, January 1 and June 30	183,035	183,035
Contributed surplus		
Balance, January 1 and June 30	18,507	18,507
Deficit		
Balance, January 1	(235,200)	(224,176)
Loss for the period	(2,413)	(1,935)
Balance, June 30	(237,613)	(226,111)
Accumulated other comprehensive income		
Balance, January 1	2,427	2,904
Exchange differences on translation of foreign operations	(456)	807
Balance, June 30	1,971	3,711
Total shareholders' deficit	(34,100)	(20,858)

Caspian Energy Inc.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

(in thousands of Canadian dollars)

For the six months ended June 30	2018	2017
	\$	\$
Cash flow provided by (used in)		
Operating activities		
Loss for the period	(2,413)	(1,935)
Adjustments for:		
Depletion and depreciation (Note 6)	373	861
Gain on disposition of property and equipment	(25)	(34)
Interest and accretion (Note 11)	1,417	1,388
Foreign exchange	611	(135)
Changes non-cash working capital		
Trade and other receivables and other current assets	135	44
Inventory	27	(8)
Trade and other payables	252	(355)
Net cash used in operating activities	377	(174)
Financing activities		
Proceeds from loans payable (Note 8)	466	91
Net cash provided by financing activities	466	91
Investing activities		
Increase in restricted cash	—	(24)
Decrease in VAT receivable	—	169
Property and equipment expenditures (Note 6)	(16)	(10)
Property and equipment proceeds (Note 6)	34	38
Exploration and evaluation asset expenditures (Note 7)	(4)	(12)
Net cash provided by investing activities	14	161
Change in cash and cash equivalents	857	78
Foreign exchange on cash held in foreign currencies	(11)	(3)
Cash and cash equivalents – January 1	126	85
Cash and cash equivalents – June 30	972	160

See accompanying notes to the condensed interim consolidated financial statements.

Caspian Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018

(Unaudited)

(All tabular amounts are in thousands of Canadian dollars except as otherwise indicated)

1. Reporting entity and going concern

Caspian Energy Inc. (“Caspian” or the “Company”) is a publicly traded company on the NEX, a separate board of TSX Venture Exchange under the stock symbol CKZ.H. Caspian’s registered office is located at 2200, 885 West Georgia Street, Vancouver, British Columbia, Canada.

Caspian is engaged in the exploration for and development and production of oil and natural gas in the Republic of Kazakhstan (“ROK”) through its subsidiary, Aral Petroleum Capital LLP (“Aral”). Aral is owned 10% by the Company and 90% by the Company’s wholly-owned subsidiaries, Caspian Energy Canada Ltd. (“CECL”) and Groenzee B.V. (“Groenzee”).

Through its interest in Aral, the Company has the right to explore and develop certain oil and natural gas properties in Kazakhstan, known as the North Block (the “Exploration Contract”), a 1,466.41 square kilometre area located in the Aktyubinsk region in Kazakhstan (the “License Area”). The term of the Exploration Contract is until December 29, 2018 during which time Aral is committed to a minimum work program in the amount of USD 58.3 million. Aral also has a production contract (the “Production Contract”) with the Ministry of Energy (“ME”) of ROK for carrying out oil extraction activities in the East Zhagabulak field within the License Area. The term of the Production Contract is until July 28, 2035. See Note 26.

As at June 30, 2018, Sixth Energy Limited (“Sixth Energy”), the sole shareholder of ASER, owned and controlled approximately 59.9% of the Company's issued and outstanding shares. The majority shareholder of Sixth Energy is Mr. Wei Zhao.

Share consolidation and voluntary delisting

On May 4, 2018, the Company’s shareholders approved a special resolution (the “Special Resolution”) to effect the (1) consolidation of the Company’s issued and outstanding common shares (the “Share Consolidation”) on the basis of one new common share (“New Common Share”) of the Company for every 90 million existing common shares (“Pre-Consolidation Shares”) of the Company and (2) the voluntary delisting (the “Delisting”) of the Company’s common shares from the NEX Board of the TSX Venture Exchange.

Pursuant to the Special Resolution, only whole New Common Shares will be issued under the Share Consolidation. Any fractional interest in New Common Shares resulting from the Consolidation will be cancelled or changed in accordance with Section 83 of the Business Corporations Act (British Columbia) and holders of less than one-half of one New Common Share will cease to hold common shares in the capital of the Company, and such holder will be entitled to receive cash consideration equal to the number of Pre-Consolidation Common Shares held multiplied by an amount equal to \$0.01 per Pre-Consolidation Common Share (the “Offer Price”). The share consolidation has not yet been effected. In accordance with the Special Resolution, the share consolidation must be effected by no later than October 1, 2018. Following completion of the consolidation, there will be five (5) New Common Shares outstanding.

The Company obtained a US 1 million loan facility (the “Loan Facility”) from ASER to be used by the Company to fund the payment of the Offer Price payable by the Company to minority shareholders for their proportionate fractional interests of less than one-half of one New Common Share. The Loan Facility is unsecured, bears simple interest at 10% per annum and is repayable one year from the date the Loan Facility is utilized by the Company. As at June 30, 2018 and the approval date of these unaudited condensed interim consolidated financial statements, the Loan Facility had not been utilized.

Going concern

These unaudited condensed interim consolidated financial statements have been presented on a going concern basis. For the six months ended June 30, 2018, the Company reported a net loss of \$2.4 million and had positive cash flows from operating activities of \$0.5 million. As at June 30, 2018, the Company had a net working capital deficiency of \$25.7 million and a cumulative shareholders’ deficit of \$34.1 million.

Caspian Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018

(Unaudited)

(All tabular amounts are in thousands of Canadian dollars except as otherwise indicated)

The Company has an agreement with Sixth Energy whereby Sixth Energy will provide a secured loan facility of up to USD 61.5 million to Aral (the “Loan Facility”) (Note 8 (b)). The Loan Facility will be secured by share pledges over the entirety of the Company’s Aral interests in favour of the Lenders on a pro-rata basis and repayable on or before July 1, 2020.

The Company’s ability to continue as a going concern is in significant doubt and is dependent upon obtaining financing to fund exploration and development activities and general and administrative expenses and on Aral achieving profitable operating results from its Kazakhstan operations.

The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

2. Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee in effect at January 1, 2018, including International Accounting Standard 34 – Interim Financial Reporting.

The Company has consistently applied the same accounting policies throughout all periods presented (see Note 3 for impact of new accounting standards). These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2017.

The following entities have been consolidated within the Company’s financial statements:

<u>Entity</u>	<u>Registered</u>	<u>Holding</u>
Caspian Energy Inc.	Canada	Parent
CECL	Canada	100%
Groenzee	Netherlands	100%
Aral	Kazakhstan	Owned 10% by CEI, 40% by CECL and 50% by Groenzee

Functional currency is the currency of the primary economic environment in which a company operates. The functional currency of the Company is Canadian dollars (“CAD”). The functional currency of the Company’s subsidiaries are CAD for CECL, the United States dollar (“USD”) for Groenzee and the Kazakhstani Tenge (“KZT”) for Aral.

These unaudited condensed interim consolidated financial statements are presented in CAD.

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 29, 2018.

3. New accounting standards

On January 1, 2018, the Company retrospectively adopted *IFRS 9 Financial Instruments* (“IFRS 9”) which includes new requirements for the classification and measurement of financial assets, a new credit loss impairment model and new model to be used for hedge accounting for risk management contracts. The Company does not currently have any risk management contracts. The adoption of IFRS 9 did not have a material impact on the Company’s financial statements and management applied the provision matrix practical expedient as part of the adoption of the standard. The additional disclosures required by IFRS 9 are detailed in Note 5.

On January 1, 2018, the Company adopted *IFRS 15 Revenue from Contracts with Customers* (“IFRS 15”) using the retrospective method of adoption. The adoption of IFRS 15 did not have a material impact on the Company’s unaudited condensed interim consolidated financial statements and as a result, the Company did not apply any practical expedients as part of the adoption of IFRS 15. The additional disclosures required by IFRS 15 are detailed in Note 10.

Caspian Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018

(Unaudited)

(All tabular amounts are in thousands of Canadian dollars except as otherwise indicated)

4. Cash and cash equivalents

	June 30 2018	December 31 2017
Cash in CAD	\$ 4	\$ 7
Cash in USD	25	106
Cash in Pounds Sterling	1	1
Cash in KZT	942	12
	\$ 972	\$ 126

5. Trade receivables and other current assets

The Company's trade receivables and other current assets are exposed to the risk of financial loss if the counterparty fails to meet its contractual obligations. The Company's maximum exposure to credit risk at June 30, 2018 is in respect of \$1,838,000 (December 31, 2017 – \$1,972,000) of trade receivables and other current assets.

The Company's trade receivables and other current assets consist of:

	June 30 2018	December 31 2017
Compensation receivable from participants	\$ 1,273	\$ 1,251
Current portion of VAT receivable	488	604
Goods and services tax receivable	16	9
Prepaid taxes, insurance and other items	61	108
	\$ 1,838	\$ 1,972

The compensation receivable from participants relates to the Company's losses related to the indemnification of litigation settled in a prior year. The Company's former partners had a liability to reimburse the losses as a result of the indemnification. During 2013, the compensation was repaid by participants by transferring to the account of the current participant, ASER, and the funds will be transferred to the account of the Company by the end of 2018.

The Company considers its receivables to be aged as follows:

	June 30 2018	December 31 2017
Current	\$ 39	\$ 65
31 to 120 days past due, not considered impaired	20	25
Over 120 days past due, not considered impaired	1,779	1,882
	\$ 1,838	\$ 1,972

In determining the recoverability of trade receivables and other current assets, the Company considers any change in the credit quality of the balances from the date credit was initially granted up to the reporting date. Accordingly, the Company believes no allowance for credit losses is required.

Caspian Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018

(Unaudited)

(All tabular amounts are in thousands of Canadian dollars except as otherwise indicated)

6. Property and equipment

	Oil and natural gas property	Other tangible assets	Total
Cost			
Balance at December 31, 2017	\$ 11,317	\$ 553	\$ 11,870
Additions	—	16	16
Dispositions	—	(20)	(20)
Foreign exchange	202	9	211
Balance at June 30, 2018	\$ 11,519	\$ 558	\$ 12,077
Accumulated depletion and depreciation			
Balance at December 31, 2017	\$ (6,052)	\$ (13)	\$ (6,065)
Depletion and depreciation included in expense	(360)	(13)	(373)
Depletion and depreciation included in inventory	(4)	—	(4)
Dispositions	—	11	11
Foreign exchange	(103)	—	(103)
Balance at June 30, 2018	\$ (6,519)	\$ (15)	\$ (6,534)
Carrying amount			
December 31, 2017	\$ 5,265	\$ 540	\$ 5,805
June 30, 2018	\$ 5,000	\$ 543	\$ 5,543

During the six months ended June 30, 2018, the Company sold equipment with a net carrying amount of \$9,000 for proceeds of \$34,000 and recognized a \$25,000 gain on disposition.

7. Exploration and evaluation assets

Balance at December 31, 2017	\$ 29,147
Additions	4
Foreign exchange	519
Balance at June 30, 2018	29,670

8. Loans payable

	June 30 2018	December 31 2017
Asia Dynamic (a)	\$ 12,649	\$ 11,366
Sixth Energy (b)	16,135	14,873
ASER (c)	1,288	1,167
Mr. Wei Zhao (d)	1,330	390
Total loans payable	31,402	27,796
Current portion of loans payable	(341)	(327)
Long-term portion of loans payable	\$ 31,402	\$ 27,469

Caspian Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018

(Unaudited)

(All tabular amounts are in thousands of Canadian dollars except as otherwise indicated)

(a) Asia Dynamic loan

The Company has an unsecured USD 6 million loan facility with Asia Dynamic Energy Corporation (“Asia Dynamic”) pursuant to which USD 6 million in loans was advanced to Caspian. The amounts drawn under the facility bear interest at a rate of 10% per annum and are repayable on or before May 20, 2019.

As at June 30, 2018, the reported amount of the loan payable is comprised of the following:

Principal	\$ 8,304 (USD 6,000)
Effect of 2015 modification	(1,500) (USD 1,230)
Accretion	940 (USD 723)
Accrued interest	5,543 (USD 4,139)
Foreign exchange	(638)
Balance at June 30, 2018	\$ 12,649 (USD 9,632)

(b) Sixth Energy loan

Aral has a USD 10 million facility with Sixth Energy dated May 21, 2014 and amended August 20, 2014 (the “Interim Loan”), of which USD 9.1 million was drawn as at December 31, 2017 (2016 – USD 9.1 million). The Interim Loan bears interest at an annual rate of 10% and is repayable on or before July 1, 2020. On the first draw-down under the USD 61.5 million Loan Facility (Note 1), the balance owing under the Interim Loan will be consolidated with the Loan Facility, resulting in Aral having access to up to USD 51.5 million, assuming the full draw-down of the Interim Loan. The Loan Facility will be secured by share pledges over the entirety of the Company’s Aral interests in favour of the Lenders on a pro-rata basis and repayable on or before July 1, 2020.

As at June 30, 2018, the \$16,135,000 (December 31, 2017 – \$14,873,000) balance owing under the Interim Loan is comprised of \$11,940,000 (USD 9.1 million) of principal plus \$4,195,000 of accrued interest (December 31, 2017 – \$11,444,000 (USD 9.1 million) of principal plus \$3,429,000 of accrued interest).

(c) ASER loan

On May 25, 2015, the Company signed a USD 1 million facility agreement with ASER. The facility is unsecured, bears interest at 10% per annum and due on May 25, 2025 or such later date as agreed by the Company and ASER. During 2017, the Company drew USD 0.1 million under the facility (2016 – USD 0.6 million).

As at June 30, 2018, the \$1,288,000 (December 31, 2017 – \$1,167,000) balance owing under the facility is comprised of \$1,078,000 (USD 0.8 million) of principal plus \$210,000 of accrued interest (December 31, 2017 – \$1,014,000 (USD 0.8 million) of principal plus \$153,000 of accrued interest).

(d) Mr. Wei Zhao loan

As at June 30, 2018, the \$1,330,000 (December 31, 2017 – \$390,000) loan from Mr. Wei Zhao was comprised of \$965,000 (USD 735,000) (December 31, 2017 – \$63,000 (USD 50,000)) plus \$24,000 (USD 18,000) under the USD 1 million unsecured loan facility obtained in September 2017 and \$341,000 (USD 260,000) (December 31, 2017 – \$327,000 (USD 260,000)) for working capital purposes. Amounts drawn under the loan facility bear interest at 10% per annum and are due on September 1, 2027. Amounts received from working capital purposes are unsecured and non-interest bearing with no fixed terms of repayment and are classified as current.

Caspian Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018

(Unaudited)

(All tabular amounts are in thousands of Canadian dollars except as otherwise indicated)

Balance at December 31, 2017	\$	390
Advances		880
Accrued interest		24
Foreign exchange		36
		1,330
Current portion		(341)
	\$	989

9. Per share amounts

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Net loss for the period	\$ (1,768)	\$ (1,878)	\$ (2,413)	\$ (1,935)
Weighted average number of shares – basic:				
Issued common shares at January 1	463,658	463,658	463,658	463,658
Effect of shares issued during the period	–	–	–	–
	463,658	463,658	463,658	463,658
Net loss per share – basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)

10. Revenue

According to the Production Contract, the Company is obliged to sell a minimum of 20% of produced crude oil to the domestic market. During the three and six months ended June 30, 2018 and 2017, the Company had no export sales and all produced crude oil was sold to the domestic market, representing \$1,182 and \$1,604 of revenues for the three and six months ended June 30, 2018, respectively, (three and six months ended June 30, 2017 –\$896,000 and \$1,842,000, respectively). The transaction price for oil sold under the Production Contract is determined by the local market and includes the effect of price adjustments for quality, location or other factors.

The majority of the Company's revenue was generated in Kazakhstan and the production was sold in Kazakhstan to one purchaser during the three and six months ended June 30, 2018 and 2017, representing 100% of oil revenue earned in Kazakhstan for the three and six months ended June 30, 2018 and 2017. Oil is sold on a prepayment basis therefore there are no related amounts in accounts receivable at June 30, 2018 or December 31, 2017.

The following table represents the Company's oil revenue disaggregated by revenue source:

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Oil revenue earned in Kazakhstan	\$ 1,182	\$ 896	\$ 1,604	\$ 1,842
Minor oil revenue earned in Canada	1	1	2	2
	\$ 1,183	\$ 897	\$ 1,606	\$ 1,844

Caspian Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018

(Unaudited)

(All tabular amounts are in thousands of Canadian dollars except as otherwise indicated)

11. Related party transactions

The Company conducts business with the following related parties:

Company	Relationship as at June 30, 2018
Sixth Energy	Owned and controls approximately 59.9% of the Company's issued and outstanding shares
ASER	Wholly-owned subsidiary of Sixth Energy
Asia Dynamic	Controlled by the majority shareholder of Sixth Energy
Mr. Wei Zhao	Majority shareholder of Sixth Energy

Amounts due to related parties are disclosed in Note 8.

The following related party amounts have been recognized in the consolidated statements of loss and comprehensive loss:

For the six months ended June 30	2018	2017
Interest and accretion on loans payable		
Sixth Energy	\$ 577	\$ 598
ASER	53	52
Asia Dynamic	763	738
Mr. Wei Zhao	24	—
	\$ 1,417	\$ 1,388

12. Currency risk

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Foreign exchange rates to Canadian dollars for the noted dates and periods are as follows:

	Closing rate		Average rate	
	June 30	December 31	Six months ended June 30	
	2018	2017	2018	2017
KZT	0.0038	0.0038	0.0039	0.0041
USD	1.3132	1.2579	1.2790	1.3238

The following tables provide information on the foreign currency denominated financial instruments held by the Company:

As at June 30, 2018	Balance denominated in		Total CAD equivalents
	KZT	USD	
Cash and cash equivalents	\$ 244,853	\$ 19	\$ 968
Trade receivables and other current assets	\$ 465,814	\$ 22	\$ 1,820
Trade and other payables	\$ (7,304,392)	\$ (70)	\$ (28,191)
Loans payable	\$ —	\$ (23,912)	\$ (31,402)

As at December 31, 2017	Balance denominated in		Total CAD equivalents
	KZT	USD	
Cash and cash equivalents	\$ 3,211	\$ 83	\$ 117
Trade receivables and other current assets	\$ 498,115	\$ —	\$ 1,883
Trade and other payables	\$ (7,331,013)	\$ (127)	\$ (27,869)
Loans payable	\$ —	\$ (22,097)	\$ (27,796)

Caspian Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018

(Unaudited)

(All tabular amounts are in thousands of Canadian dollars except as otherwise indicated)

The following represents the estimated impact on net loss of a 25% change in the closing rate of the KZT and a 10% change in the closing rate of the USD as at June 30, 2018 on foreign denominated financial instruments held by the Company, with other variables such as interest rates and commodity prices held constant:

KZT	\$	5,073
USD		3,144
	\$	8,217

On August 20, 2015, the National Bank of Kazakhstan switched from a policy of bank-controlled foreign exchange rates to a policy of market-driven foreign exchange rates. Since August 20, 2015, the KZT has devalued by approximately 55% as of June 30, 2018 (58% as of December 31, 2017). Aral's revenues and trade receivables and other current assets as well as the majority of Aral's expenses and trade and other payables are denominated in KZT, all of which devalued accordingly.

13. Segmented information

The Company's operations are conducted in one business sector, the oil and natural gas industry. Geographical areas are used to identify Company's reportable segments. A geographic segment is considered a reportable segment once its activities are regularly reviewed by the Company's management. The Company has two reportable segments which are as follows:

- Kazakhstan, which includes the oil and natural gas industry; and
- Other, which includes corporate assets and the operations in the Canadian and Netherlands entities. None of these individual segments meet the quantitative thresholds for determining reportable segments.

Caspian Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018

(Unaudited)

(All tabular amounts are in thousands of Canadian dollars except as otherwise indicated)

	June 30, 2018			December 31, 2017		
	Kazakhstan	Other	Total	Kazakhstan	Other	Total
Property and equipment	\$ 5,543	-	5,543	\$ 5,805	-	5,805
Exploration and evaluation assets	\$ 29,670	-	29,670	\$ 29,147	-	29,147
Other assets	\$ 6,222	76	6,298	\$ 5,440	109	5,549
Total liabilities	\$ 48,322	27,289	75,611	\$ 46,635	25,097	71,732
Capital expenditures	\$ 20	-	20	\$ 173	-	173

	Three months ended June 30, 2018			Three months ended June 30, 2017		
	Kazakhstan	Other	Total	Kazakhstan	Other	Total
Revenue	\$ 1,182	1	1,183	\$ 896	1	897
General and administrative	295	164	459	539	1	540
Operating expenses	542	1	543	205	102	307
Depletion and depreciation	268	-	268	415	-	415
Finance expense	296	432	728	317	401	718
Other items	603	350	953	1,090	(331)	759
Tax expense	-	-	-	-	36	36
Segment (loss) income	\$ (822)	(946)	(1,768)	\$ (1,670)	(208)	(1,878)

	Six months ended June 30, 2018			Six months ended June 30, 2017		
	Kazakhstan	Other	Total	Kazakhstan	Other	Total
Revenue	\$ 1,604	2	1,606	\$ 1,842	2	1,844
Operating costs	392	322	714	1,131	1	1,132
General and administrative	928	1	929	347	178	525
Depletion and depreciation	373	-	373	861	-	861
Finance expense	577	840	1,417	598	790	1,388
Other items	(99)	685	586	232	(395)	(163)
Tax expense	-	-	-	-	36	36
Segment income (loss)	\$ (567)	(1,846)	(2,413)	\$ (1,327)	(608)	(1,935)