

# **Caspian Energy Inc.**

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

**March 31, 2016**

**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 months ended March 31, 2016 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)

As at	March 31 2016 \$	December 31 2015 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 4)	17	222
Trade receivables and other current assets (Note 5)	1,294	1,443
Inventory	147	59
	<u>1,458</u>	<u>1,724</u>
<b>Non-current assets</b>		
Restricted cash	36	38
VAT receivable	4,512	4,819
Property and equipment (Note 6)	470	540
Exploration and evaluation assets (Note 7)	29,123	31,106
	<u>35,599</u>	<u>38,227</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	30,110	32,260
Loans payable (Note 8)	587	980
	<u>30,697</u>	<u>33,240</u>
<b>Non-current liabilities</b>		
Loans payable (Note 8)	21,751	21,873
Decommissioning liability	889	949
Deferred tax liability	4,862	4,862
	<u>58,199</u>	<u>60,924</u>
<b>Shareholders' deficit</b>		
Share capital	183,035	183,035
Contributed surplus	18,507	18,507
Deficit	(227,510)	(227,092)
Accumulated other comprehensive income	3,368	2,853
	<u>(22,600)</u>	<u>(22,697)</u>
<b>Total liabilities and shareholders' deficit</b>	<u>35,599</u>	<u>38,227</u>

Reporting entity and going concern (Note 1)

Subsequent event (Note 17)

# Caspian Energy Inc.

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

(in thousands of Canadian dollars)

### For the three months ended March 31

	2016	2015
	\$	\$
<b>Revenue</b>		
Oil and natural gas revenue, net	102	1
<b>Expenses</b>		
Operating expenses	167	–
General and administrative	225	122
Depletion and depreciation	26	–
	418	122
<b>Operating loss before other items</b>	(316)	(121)
Derivative fair value adjustment	–	792
Finance expense (Note 12)	(615)	(523)
Foreign exchange gain (loss)	513	(1,136)
<b>Net loss</b>	(418)	(988)
<b>Foreign currency translation adjustments</b>	515	–
<b>Comprehensive loss</b>	97	(988)
<b>Net loss per share</b> (Note 11)	(0.00)	(0.01)

# Caspian Energy Inc.

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

(in thousands of Canadian dollars)

<b>For the three months ended March 31</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Share capital</b>		
Balance, January 1 and March 31	183,035	159,903
<b>Warrants</b>		
Balance, January 1	–	64
Expiry of warrants	–	(35)
Balance, March 31	–	29
<b>Contributed surplus</b>		
Balance, January 1	18,507	18,443
Expiry of warrants	–	35
Balance, March 31	18,507	18,478
<b>Deficit</b>		
Balance, January 1	(227,092)	(190,495)
Net loss	(418)	(988)
Balance, March 31	(227,510)	(191,483)
<b>Accumulated other comprehensive loss</b>		
Balance, January 1	2,853	–
Exchange differences on translation of foreign operations	515	–
Balance, March 31	3,368	–
<b>Total shareholders' deficit</b>	<b>(22,600)</b>	<b>(13,073)</b>

See accompanying notes to the condensed interim consolidated financial statements.

# Caspian Energy Inc.

## Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

(in thousands of Canadian dollars)

<b>For the three months ended March 31</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flow provided by (used in)</b>		
<b>Operating activities</b>		
Loss and comprehensive loss	(418)	(988)
Adjustments for:		
Depletion and depreciation	26	–
Finance expense	608	329
Derivative fair value adjustment	–	(792)
Foreign exchange	1,457	1,335
Changes non-cash working capital		
Trade and other receivables and other current assets	149	8
Inventory	(78)	–
Trade and other payables	(2,150)	(302)
<b>Net cash used in operating activities</b>	<b>(406)</b>	<b>(410)</b>
<b>Financing activities</b>		
Proceeds from loans payable, net	205	–
Proceeds from convertible loans	–	716
<b>Net cash provided by financing activities</b>	<b>205</b>	<b>716</b>
<b>Investing activities</b>		
Exploration and evaluation asset expenditures	(1)	–
<b>Net cash provided by investing activities</b>	<b>(1)</b>	<b>–</b>
<b>Change in cash and cash equivalents</b>	<b>(202)</b>	<b>306</b>
Foreign exchange on cash held in foreign currencies	(3)	–
<b>Cash and cash equivalents – January 1</b>	<b>222</b>	<b>59</b>
<b>Cash and cash equivalents – March 31</b>	<b>17</b>	<b>365</b>

# Caspian Energy Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016

(Unaudited)

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

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### 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 is engaged in the exploration for and development and production of oil and natural gas in the Republic of Kazakhstan (“ROK”). Its primary operating activities are carried out through its wholly-owned subsidiary, Caspian Energy Canada Ltd. (“CECL”). Caspian’s registered office is located at 2200, 885 West Georgia Street, Vancouver, British Columbia, Canada.

On May 20, 2015, the Company completed an acquisition (the “Acquisition”) whereby Caspian acquired all the remaining interests in Aral Petroleum Capital LLP (“Aral”) not already owned by the Company, by the way of a share purchase agreement (the “Share Purchase Agreement”) made among Caspian, its wholly-owned subsidiary CECL, Asia Sixth Energy Resources Limited (“ASER”), Groenzee B.V. (“Groenzee”), and four other parties (the “Investors”). Prior to the Acquisition, Caspian held a 40% interest in Aral, recognized in its consolidated financial statements using the equity method of accounting.

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 31.

As at March 31, 2016, Sixth Energy Limited (“Sixth Energy”), the sole shareholder of ASER, owned and controlled approximately 59.9% of the Company’s issued and outstanding shares.

#### Going concern

These consolidated financial statements have been presented on a going concern basis. For the three months ended March 31, 2016, the Company reported a loss of \$0.4 million and used funds for operating activities of \$0.4 million. As at March 31, 2016, the Company had a net working capital deficiency of \$29.2 million and a cumulative deficit of \$227.5 million.

The Share Purchase Agreement contains a condition precedent in favour of Caspian that Sixth Energy and Meridian International Capital Fund (“Meridian”) (collectively “the Lenders”) will on closing 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 May 20, 2018 or some other later date agreed to by the parties. In March 2016, pursuant to the Share Purchase Agreement, Sixth Energy and Meridian effected the novation of all rights and obligations of Meridian to Sixth Energy relating to the USD 61.5 million secured loan facility between Aral, Sixth Energy and Meridian.

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.

On November 6, 2015, Aral made a formal application for protection from its trade creditors under the Law of the Republic of Kazakhstan *On Rehabilitation and Bankruptcy* through the implementation of rehabilitation procedures (the “Rehabilitation Procedures”). The initial application for protection from its trade creditors was denied by the courts in December 2015 and Aral’s subsequent appeal was denied in March 2016. Aral is in the process of making a second application. If Aral is able to successfully negotiate the Rehabilitation Procedures with its creditors and obtain the requisite court approval, trade creditors and others will be prevented from commencing litigation against Aral for payment of outstanding amounts and Aral will be afforded the ability to restructure its financial affairs for a period of up to five years.

# Caspian Energy Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016

(Unaudited)

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

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There can be no assurance that Aral will be successful in negotiating the Rehabilitation Procedures. The application for Rehabilitation Procedures results in an automatic moratorium of up to two months on claims by creditors regardless of whether or not negotiations for Rehabilitation Procedures are successful.

As of the issue date of these consolidated financial statement, Aral's property and several bank accounts are blocked by major trade creditors. Aral's management is negotiating debt repayment schedules with major trade creditors in order to unblock property and bank accounts.

Subsequent to March 31, 2016, Aral received loan advances from Sixth Energy Limited totalling USD 550 thousand for ongoing operating activities (Note 17). As a result, Aral continues to perform its operating activities without interruption.

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

The consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, including International Accounting Standard 34 – Interim Financial Reporting.

The Company has consistently applied the same accounting policies throughout all periods presented (see Note 3). 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, 2015.

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 consolidated financial statements are presented in CAD.

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 30, 2016.

### 3. Changes in accounting standards

On January 1, 2016, the Company adopted amendments to *IFRS 11 Joint Arrangements*. The adoption of these amendments had no impact on the amounts recorded in the condensed interim consolidated financial statements for the three months ended March 31, 2016.

# Caspian Energy Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016

(Unaudited)

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

### 4. Cash and cash equivalents

	<b>March 31 2016</b>	<b>December 31 2015</b>
Cash in CAD	\$ 7	\$ 2
Cash in USD	6	188
Cash in Pounds Sterling	1	1
Cash in KZT	3	31
	<b>\$ 17</b>	<b>\$ 222</b>

### 5. Trade accounts receivable and other current assets

	<b>March 31 2016</b>	<b>December 31 2015</b>
Compensation receivable from participants	\$ 1,259	\$ 1,345
Goods and services tax receivable	6	7
Prepaid taxes, insurance and other items	29	91
	<b>\$ 1,294</b>	<b>\$ 1,443</b>

The compensation receivable from participants as December 31, 2015 and March 31, 2016 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 2016.

The Company considers its receivables to be aged as follows:

	<b>March 31 2016</b>	<b>December 31 2015</b>
Current	\$ 24	\$ 7
31 to 120 days past due	11	24
Over 120 days past due	1,259	1,412
	<b>\$ 1,294</b>	<b>\$ 1,443</b>

In determining the recoverability of trade accounts receivable 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 is required.

# Caspian Energy Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016

(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
<b>Cost</b>					
Balance at December 31, 2015	\$	70	\$	589	\$ 659
Foreign exchange		(4)		(38)	(42)
<b>Balance at March 31, 2016</b>	<b>\$</b>	<b>66</b>	<b>\$</b>	<b>551</b>	<b>\$ 617</b>
<b>Accumulated depletion and depreciation</b>					
Balance at December 31, 2015	\$	70	\$	49	\$ 119
Depletion and depreciation included in expense		–		26	26
Depletion and depreciation included in inventory		–		10	10
Foreign exchange		(4)		(4)	(8)
<b>Balance at March 31, 2016</b>	<b>\$</b>	<b>66</b>	<b>\$</b>	<b>81</b>	<b>\$ 147</b>
<b>Carrying amount</b>					
December 31, 2015	\$	–	\$	540	\$ 540
March 31, 2016	\$	–	\$	470	\$ 470

### 7. Exploration and evaluation assets

Balance at December 31, 2015		\$	31,106
Additions			1
Foreign exchange			(1,984)
<b>Balance at March 31, 2016</b>		<b>\$</b>	<b>29,123</b>

### 8. Loans payable

	March 31 2016		December 31 2015	
Asia Dynamic (a)	\$	9,279	\$	9,532
Sixth Energy (b)		12,137		11,815
Meridian (c)		–		267
ASER (d)		335		259
Emir Oil (e)		587		980
		22,338		22,853
Current portion of loans payable		(587)		(980)
	<b>\$</b>	<b>21,751</b>	<b>\$</b>	<b>21,873</b>

#### (a) Asia Dynamic loan

As at December 31, 2015 and March 31, 2016, the Company had a USD 6 million facility agreement with Asia Dynamic Energy Corporation (“Asia Dynamic”) at an interest at a rate of 10% per annum until May 20, 2019.

As at March 31, 2016, the \$9,279,000 balance owing under the Loan is comprised of \$7,792,000 (USD 6 million) of principal plus \$2,831,000 of accrued interest net of \$1,344,000 for the effect of the loan modification (December 31,

# Caspian Energy Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016

(Unaudited)

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

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2015 – \$9,532,000 balance comprised of \$8,304,000 (USD 6 million) of principal plus \$2,742,000 of accrued interest less \$1,514,000 loan modification).

### (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 7.9 million was drawn as at March 31, 2016 (December 31, 2015 – USD 7.6 million). The Interim Loan bears interest at an annual rate of 10%. 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. As the Interim Loan will be consolidated with the Loan Facility, it has been classified as long-term.

In March 2016, the Meridian loan (Note 8(c)) was transferred to Sixth Energy in connection with the novation of rights and obligations of Meridian to Sixth Energy.

As at March 31, 2016, the \$12,137,000 balance owing under the Interim Loan is comprised of \$10,151,000 (USD 8.1 million) of principal plus \$1,986,000 of accrued interest (December 31, 2015 – \$11,815,000 balance comprised of \$10,479,000 (USD 7.6 million) of principal plus \$1,336,000 of accrued interest).

### (c) Meridian loan

On April 10, 2015, Meridian advanced to Aral (indirectly through Sixth Energy) USD 0.2 million principal amount as an advance under the Interim Loan which bears interest at an annual rate of 10%. Meridian, Sixth Energy and the Aral executed in favour of Meridian an acknowledged “Assignment of Interest in Loan Agreement” dated April 10, 2015 pursuant to which the USD 0.2 million principal amount together with interest thereon accrued from April 10, 2015 was assigned by Sixth Energy to Meridian.

As at December 31, 2015, the \$267,000 balance owing under the Meridian portion of the Interim Loan was comprised of \$249,000 (USD 0.2 million) of principal plus \$18,000 of accrued interest.

In March 2016, the loan was transferred to Sixth Energy in connection with the novation of rights and obligations of Meridian to Sixth Energy.

### (d) ASER loan

On May 25, 2015, the Company signed a USD 1 million facility agreement with ASER. The facility is unsecured, bears interest at an annual rate of 10% per annum and due on May 25, 2025 or such later date as agreed by the Company and ASER.

During 2015, the Company drew USD 185,000 under the facility. During the three months ended March 31, 2016, the Company drew an additional USD 65,000 under the facility.

As at March 31, 2016, the \$335,000 balance owing under the facility is comprised of \$325,000 (USD 225,000) of principal plus \$10,000 of accrued interest (December 31, 2015, \$259,000 balance comprised of \$256,000 (USD 185,000) of principal plus \$3,000 of accrued interest).

### (e) Emir loan

As at December 31, 2015, the Company had a short term non-interest bearing loan due to Emir Oil in the amount of KZT 241 million for which the aggregate amortized cost at December 31, 2015 was \$980,000. The maturity date of the loans was December 31, 2015 and on February 10, 2016, Aral repaid KZT 87 million to Emir Oil, reducing the balance to KZT 154 million for which the amortized cost at March 31, 2016 was \$587,000.

# Caspian Energy Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016

(Unaudited)

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

### 9. Stock options

As at December 31, 2015, the Company had 717,000 stock options outstanding and exercisable. In January 2016, 530,000 stock options expired. As at March 31, 2016, the Company had 187,000 stock options outstanding and exercisable.

Information about stock options outstanding and exercisable as at March 31, 2016 is summarized in the following table:

Exercise price	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life (years)	Number exercisable
\$ 0.70	50,000	0.70	1.82	50,000
\$ 0.95	50,000	0.95	1.61	50,000
\$ 1.80	37,000	1.80	0.23	37,000
\$ 1.90	50,000	1.90	1.02	50,000
	187,000	\$ 1.28	1.24	187,000

### 10. Consideration warrants

As at December 31, 2015, the Company had 1,075,500 consideration warrants outstanding. In January 2016, in connection with the expiry of stock options, 795,000 consideration warrants expired. As at March 31, 2016, the Company had 280,500 consideration warrants outstanding.

Each consideration warrant is exercisable only following the issuance of a Caspian common share upon the exercise of an outstanding stock option or performance share in accordance to which the terms of the particular consideration warrant corresponds.

Information about consideration warrants outstanding as at March 31, 2016 is summarized in the following table:

Exercise price	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life (years)	Number exercisable
\$ 0.70	75,000	0.70	1.82	–
\$ 0.95	75,000	0.95	1.61	–
\$ 1.80	55,500	1.80	0.23	–
\$ 1.90	75,000	1.90	1.02	–
	280,500	\$ 1.28	1.24	–

### 11. Per share amounts

For the three months ended March 31	2016	2015
Net loss for the period	\$ (418)	\$ (988)
Weighted average number of shares (in thousands) – basic:		
Issued common shares at January 1	463,658	134,434
Effect of shares issued since January 1	–	–
	463,658	134,434
Net loss per share – basic and diluted	\$ (0.00)	\$ (0.01)

The effect of stock options, performance shares and consideration warrants is anti-dilutive in loss periods.

# Caspian Energy Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016

(Unaudited)

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

### 12. Finance expense

For the three months ended March 31		2016		2015
Interest and accretion on loans payable (Note 8)	\$	615	\$	222
Interest and accretion on convertible loans		–		301
<b>Net finance expense</b>	<b>\$</b>	<b>615</b>	<b>\$</b>	<b>523</b>

### 13. Related party transactions

The Company conducts business with the following related parties:

Company	Relationship as at March 31, 2016
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

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 three months ended March 31		2016		2015
Interest and accretion on loans payable				
Sixth Energy	\$	273	\$	–
ASER		7		–
Asia Dynamic		335		222
	<b>\$</b>	<b>615</b>	<b>\$</b>	<b>222</b>

### 14. Foreign currency exchange 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. A substantial portion of the Company's activities are conducted in a foreign jurisdiction and a portion of the Company's financial assets and liabilities are denominated in USD and KZT. The Company has not entered into foreign exchange rate contracts to mitigate this risk.

Foreign exchange rates to Canadian dollars for the noted dates and periods are as follows:

	Closing rate as at		Average rate	
	March 31 2016	December 31 2015	Three months ended March 31 2016	2015
KZT	0.0038	0.0041	0.0039	0.0068
USD	1.2987	1.3840	1.3724	1.2412

# Caspian Energy Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016

(Unaudited)

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

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

As at March 31, 2016	Balance denominated in		Total CAD equivalents
	KZT	USD	
Cash and cash equivalents	910	5	10
Trade receivables and other current assets	338,451	–	1,288
Trade and other payables	(7,853,423)	(58)	(29,973)
Loans payable	–	(17,200)	(22,338)

As at December 31, 2015	Balance denominated in		Total CAD equivalents
	KZT	USD	
Cash and cash equivalents	7,601	127	207
Trade receivables and other current assets	353,138	–	1,436
Trade and other payables	(7,846,141)	(100)	(32,043)
Loans payable	–	(16,512)	(22,853)

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 March 31, 2016 on foreign denominated financial instruments held by the Company, with other variables such as interest rates and commodity prices held constant:

KZT	5,720
USD	2,240
	<u>7,960</u>

### 15. Selected financial information for Aral Petroleum Capital LLP

During the comparative three months ended March 31, 2015, the Company held a 40% interest in Aral, recognized using the equity method of accounting. A summary of Aral's results of operations and Caspian's 40% interest in Aral's results of operations for the three months ended March 31, 2015 is presented below:

For the three months ended March 31, 2015	Aral's Results of Operations	Caspian's 40% share
Oil and natural gas revenue, net	–	–
General and administrative expenses	(239)	(96)
Operating and transportation expenses	(309)	(124)
Depletion and depreciation expense	(85)	(34)
Interest expense	(7,006)	(2,802)
Foreign exchange and other expenses	(4,814)	(1,928)
Loss and comprehensive loss	(12,453)	(4,984)

# Caspian Energy Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016

(Unaudited)

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

### 16. 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.

	March 31, 2016			December 31, 2015		
	Kazakhstan	Other	Total	Kazakhstan	Other	Total
Property and equipment	\$ 470	-	470	\$ 540	-	540
Exploration and evaluation assets	\$ 29,123	-	29,123	\$ 31,106	-	31,106
Other assets	\$ 5,986	20	6,006	\$ 6,425	156	6,581
Total liabilities	\$ 43,521	14,678	58,199	\$ 45,927	14,997	60,924
Capital expenditures	\$ 1	-	1	\$ 129	-	129

	Three months ended March 31, 2016			Three months ended March 31, 2015		
	Kazakhstan	Other	Total	Kazakhstan	Other	Total
Revenue	\$ 101	1	102	\$ -	1	1
Operating costs	167	-	167	-	-	-
General and administrative	140	85	225	-	122	122
Depletion and depreciation	26	-	26	-	-	-
Finance expense	273	342	615	-	523	523
Other items	95	(608)	(513)	-	344	344
Segment net loss	\$ (600)	182	(418)	\$ -	(988)	(988)

### 17. Subsequent event

Subsequent to March 31, 2016, Aral received loan advances from Sixth Energy Limited (Note 8(b)) totalling USD 550 thousand for ongoing operating activities.