

# **Caspian Energy Inc.**

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

**June 30, 2015**

**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, 2015 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)

<b>As at</b>	<b>June 30 2015</b>	<b>December 31 2014</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 4)	62	59
Trade receivables and other current assets (Note 5)	2,411	19
Inventory	390	–
	<u>2,863</u>	<u>78</u>
<b>Non-current assets</b>		
Restricted cash (Note 6)	602	–
VAT receivable (Note 7)	7,956	–
Property and equipment (Note 8)	908	–
Exploration and evaluation assets (Note 9)	50,872	–
Goodwill (Note 3)	20,420	–
	<u>83,621</u>	<u>78</u>
<b>Total assets</b>	<u>83,621</u>	<u>78</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	53,313	370
Convertible loans (Note 11)	–	2,680
Derivative liability (Note 11)	–	677
Loans payable (Note 12)	994	–
	<u>54,307</u>	<u>3,727</u>
<b>Non-current liabilities</b>		
Loans payable (Note 12)	19,632	8,436
Decommissioning liability (Note 10)	1,306	–
	<u>75,245</u>	<u>12,163</u>
<b>Total liabilities</b>	<u>75,245</u>	<u>12,163</u>
<b>Equity</b>		
Share capital (Note 13)	183,035	159,903
Warrants (Note 14)	–	64
Contributed surplus	18,507	18,443
Deficit	(193,522)	(190,495)
Accumulated other comprehensive income	356	–
	<u>8,376</u>	<u>(12,085)</u>
<b>Total equity</b>	<u>8,376</u>	<u>(12,085)</u>
<b>Total liabilities and equity</b>	<u>83,621</u>	<u>78</u>

Reporting entity and going concern (Note 1)  
Subsequent events (Note 22)  
Segmented information (Note 23)

# Caspian Energy Inc.

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

(in thousands of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Revenue</b>				
Oil and natural gas revenue, net	16	2	17	6
<b>Expenses</b>				
Operating costs (recovery)	(33)	8	(41)	8
General and administrative	310	645	440	1,004
Transaction costs (Note 3)	143	314	143	314
Depletion and depreciation	53	–	53	–
	473	967	595	1,326
<b>Operating loss before other items</b>	(457)	(965)	(578)	(1,320)
Derivative fair value adjustment (Note 11)	72	–	864	–
Gain on conversion of convertible debentures	–	–	–	486
Other expense (Note 3)	(1,137)	–	(1,137)	–
Finance income (expense) (Note 18)	(176)	(159)	(699)	(496)
Foreign exchange gain (loss)	(341)	275	(1,477)	(572)
<b>Net loss</b>	(2,039)	(849)	(3,027)	(1,902)
Exchange differences on translation of foreign operations	356	–	356	–
<b>Comprehensive loss</b>	(1,683)	(849)	(2,671)	(1,902)
<b>Loss per share</b> (Note 17)	(0.01)	(0.01)	(0.01)	(0.02)

# Caspian Energy Inc.

## Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)

(in thousands of Canadian dollars)

<b>For the six months ended June 30</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Share capital</b>		
Balance, January 1	159,903	143,559
Issuance of shares, net of issue costs (Note 13)	23,132	16,156
Balance, June 30	183,035	159,715
<b>Warrants</b>		
Balance, January 1	64	247
Expiry of warrants (Note 14)	(64)	(119)
Balance, June 30	–	128
<b>Contributed surplus</b>		
Balance, January 1	18,443	18,260
Expiry of warrants	64	119
Balance, June 30	18,507	18,379
<b>Deficit</b>		
Balance, January 1	(190,495)	(185,647)
Net loss	(3,027)	(1,902)
Balance, June 30	(193,522)	(187,549)
<b>Accumulated other comprehensive loss</b>		
Balance, January 1	–	–
Exchange differences on translation of foreign operations	356	–
Balance, June 30	356	–
<b>Total Equity</b>	<b>8,376</b>	<b>(9,327)</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>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flow provided by (used in)</b>		
<b>Operating activities</b>		
Loss and comprehensive loss	(3,027)	(1,902)
Adjustments for:		
Depletion and depreciation	53	–
Finance expense	699	488
Derivative fair value adjustment	(864)	–
Other expense	1,137	–
Gain on convertible debentures	–	(486)
Foreign exchange	923	551
Changes non-cash working capital (Note 19)	113	82
<b>Net cash used in operating activities</b>	<b>(966)</b>	<b>(1,267)</b>
<b>Financing activities</b>		
Proceeds from convertible loans	724	–
Repayment of promissory note	–	(47)
Proceeds from loans payable	–	1,424
Share issue costs	–	(92)
<b>Net cash provided by financing activities</b>	<b>724</b>	<b>1,285</b>
<b>Investing activities</b>		
Cash and cash equivalents acquired	71	–
Decrease in restricted cash	133	–
Decrease in VAT receivable	40	–
<b>Net cash provided by investing activities</b>	<b>244</b>	<b>–</b>
<b>Change in cash and cash equivalents</b>	<b>2</b>	<b>18</b>
Foreign exchange on cash held in foreign currencies	1	–
<b>Cash and cash equivalents – January 1</b>	<b>59</b>	<b>17</b>
<b>Cash and cash equivalents – June 30</b>	<b>62</b>	<b>35</b>

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, 2015

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

(Unaudited)

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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 396 11<sup>th</sup> Avenue S.W., Calgary, Alberta, 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 BV, and four other parties (the “Investors”). See Note 3.

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 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 21.

As at June 30, 2015, Sixth Energy Limited (“Sixth Energy”), the majority shareholder of ASER, owned and controlled approximately 33.4% of the Company’s issued and outstanding shares.

#### Going concern

These consolidated financial statements have been presented on a going concern basis. For the six months ended June 30, 2015, the Company reported a loss of \$3million and used funds for operating activities of \$1 million. As at June 30, 2015, the Company had a net working capital deficiency of \$51.4 million and a cumulative deficit of \$193.5 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 US\$61.5 million to Aral (the “Loan Facility”) (Note 11(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.

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

#### (a) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), including International Accounting Standard (“IAS”) 34 – Interim Financial Reporting.

# Caspian Energy Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2015

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

(Unaudited)

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These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 28, 2015.

### (b) Presentation and functional currency

The presentation currency of the Company is the Canadian dollar (“CAD”).

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

### (c) Accounting policies

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, 2014. The Company has consistently applied the same accounting policies throughout all periods presented. Upon completion of the Acquisition (Note 3), the following accounting policies are applicable to these unaudited condensed interim consolidated financial statements:

#### Consolidation

##### *Subsidiaries*

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
Caspian Energy Canada Ltd. (CECL)	Canada	100%
Groenzee B.V.	Netherlands	100%
Aral Petroleum Capital LLP (“Aral”)	Kazakhstan	50% by CECL and 50% by Groenzee B.V.

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

##### *Business combinations*

The acquisition method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their recognized amounts (generally fair value) at the acquisition date. The excess of the cost of acquisition over the recognized amounts of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, a bargain purchase gain is recognized immediately in the consolidated statement of income (loss) and comprehensive income (loss).

Transaction costs that are incurred in connection with a business combination other than those associated with the issue of debt or equity instruments, are recognized in income.



# Caspian Energy Inc.

## Notes to Condensed Interim Consolidated Financial Statements

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

(Unaudited)

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### *Joint arrangements*

The Company's oil and natural gas activities involve jointly controlled assets. The consolidated financial statements include the Company's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

### *Transactions eliminated on consolidation*

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

### **Inventory**

Inventory is recorded at the lower of cost or net realisable value. The cost of inventory and supplies represents purchase cost. The cost of crude oil inventory comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity). The cost of inventory is assigned on a weighted-average basis. Net realisable value is determined by reference to the sales proceeds of items sold in the ordinary course of business less selling expenses or to management's estimates based on prevailing market conditions. Supplies are capitalised to property and equipment when used for renewals and betterments of oil and natural gas properties or recognised as expenses when used for daily operations. Slow-moving or obsolete inventory items are written-off to profit or loss.

### **Restricted cash**

Restricted cash account represents funds accumulated on a special account in JSC Kazkommertsbank in Kazakhstan to meet future liabilities on site restoration.

### **Value added tax**

Value added tax ("VAT") related to sales is payable to the tax authorities when goods are shipped or services are rendered. Purchase VAT is reclaimable, except for VAT on vehicles, against sales VAT upon the receipt of a tax invoice from a supplier. Tax legislation applicable to the Company allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchase transactions, which have not been settled at the reporting date, is recognised in the statement of financial position on a net basis.

### **Exploration and evaluation assets**

#### *Recognition and subsequent measurement*

Costs directly associated with an exploration drilling and geological and geophysical works related to the licensed area, historical costs and bonuses paid to the Government of Kazakhstan are capitalised until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are recognised in profit or loss at the point at which this determination is made. No depletion is recognised during the exploration and evaluation phase as the assets are not yet in use.

#### *Impairment of exploration and evaluation assets*

Exploration and evaluation assets are tested for impairment on an annual basis or whenever facts and circumstances indicate impairment. An analysis is performed on a well-by-well basis, and once the well is considered dry, its cost is fully written-off.

# Caspian Energy Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2015

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(Unaudited)

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One or more of the following facts and circumstances indicate that the Company should test exploration and evaluation assets for impairment (the list is not exhaustive):

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of oil and natural gas resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of oil and natural gas resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Once commercial reserves are found, and development is sanctioned by management, exploration and evaluation assets are tested for impairment and transferred to development assets. Expenditure on the construction, installation or completion of infrastructure facilities such as pipelines and the drilling of commercially proven development wells, is capitalised within property, plant and equipment and intangible assets according to nature. When development is completed on a specific field, it is transferred to production assets. Extraction assets are aggregated with exploration and evaluation tangible assets, and development expenditures associated with the production of proved reserves.

### **Property and equipment**

#### *Recognition and subsequent measurement*

Property and equipment are stated at cost, less accumulated depletion and depreciation and impairment provisions, where required. The cost of property and equipment comprises construction cost or purchase price, including import duties and non-refundable taxes, and any directly attributable costs of bringing the asset to working condition for its intended use, and development costs of oil and natural gas properties.

Development costs include the cost of drilling wells to produce proved reserves, the cost of production facilities (such as flow lines, separators, treaters, heaters, storage tanks, improved recovery systems and gas processing facilities) and other overhead costs related to development of oil and natural gas resources.

The individual significant parts of an item of property, plant and equipment (components), whose useful lives are different from the useful life of the given asset as a whole are depreciated individually, applying depreciation rates reflecting their anticipated useful lives. Cost of replacing major parts or components of property and equipment items are capitalised and the replaced part is retired.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Recognised as an item of property and equipment are specialised spare parts and servicing equipment with a significant initial value and a useful life of more than one year. Other spare parts and servicing-related equipment are recognised as inventories and accounted for in profit or loss at the moment they are used.

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(Unaudited)

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Gains and losses on disposals of property, plant and equipment (or component of an item of property and equipment) determined by comparing proceeds with carrying amount are recognised in profit or loss.

### *Depletion and depreciation*

The cost of each item of property and equipment is depreciated using the straight-line method to their residual values over their estimated useful lives, except for production wells which are depreciated using the unit of production method applied to the net book value of assets at end of period, net of estimated salvage values and based on total proved developed reserves as determined by independent consulting engineers.

The expected useful lives are as follows:

	<u>Useful lives in years</u>
Oil and natural gas property	unit of production method
Other tangible assets	
Machinery and equipment	5-10
Vehicles and other	3-14

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

### *Impairment*

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in profit or loss. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of the asset in an arm's length transaction less selling expenses while value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if that is not possible, for the cash-generating unit.

For the purposes of assessing impairment, property and equipment (specifically oil and natural gas properties) are grouped on a field-by-field basis. Accordingly, the management of the Company considers East Zhagabulak field as a separate cash generating unit.

Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in profit or loss.

### **Decommissioning obligation**

The Company recognizes a decommissioning obligation in the period in which a well is drilled or acquired and a reasonable estimate of the future costs associated with removal, site restoration and asset retirement can be made. The estimated decommissioning obligation is recorded with a corresponding increase in the carrying amount of the related cost centre.

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## Notes to Condensed Interim Consolidated Financial Statements

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(Unaudited)

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Decommissioning obligations are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the statement of financial position date. Subsequent to the initial measurement, the provision is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

### 3. Acquisition

On May 20, 2015, Caspian acquired ASER's 10% interest in Aral, all of the issued and outstanding shares of Groenzee BV and US\$146.9 million of debt owed by Groenzee BV to ASER (the "Acquisition"). Consideration for the Acquisition was 278,194,556 Caspian common shares and 1,506,000 consideration warrants (Note 16) on terms corresponding to a warrant, stock option or performance share of Caspian outstanding on May 20, 2015. Each consideration warrant is exercisable only following the issuance of a Caspian common share upon the exercise of an outstanding warrant, stock option or performance share in accordance to which the terms of the particular consideration warrant corresponds.

Prior to the Acquisition, Caspian held a 40% interest in Aral, recognized in its consolidated financial statements using the equity method of accounting. As a result of the Acquisition, Caspian's 40% interest in Aral is recognized in the consolidated financial statements as a step-acquisition.

Caspian has accounted for the Acquisition using the acquisition method of accounting. The preliminary recognized amounts of identifiable assets acquired and liabilities assumed have been determined as follows:

#### Estimated fair value of net assets acquired

Cash and cash equivalents	\$ 71
Current assets	2,754
Property and equipment	939
Exploration and evaluation assets	50,470
Other non-current assets	8,660
Goodwill	20,420
Current liabilities	(63,693)
Decommissioning provision	(147)
	<hr/>
	\$ 19,474

#### Consideration

Estimated fair value of Caspian common shares issued	\$ 19,474
Estimated fair value of consideration warrants issued	—
Estimated fair value of Caspian's 40% interest in Aral	—
	<hr/>
	\$ 19,474

The above preliminary purchase price and recognized amounts of identifiable assets acquired and liabilities assumed has been determined from information that is available to the management of Caspian at this time and incorporates estimates. The Acquisition accounting will be finalized after all actual results have been obtained and the final fair values of the assets and liabilities have been determined. Accordingly, the above Acquisition accounting is subject to change.

The fair value of the share consideration is based on the \$0.07 closing share price of Caspian's common shares on May 20, 2015, the closing date of the Acquisition. The estimated fair value of the consideration warrants was determined to be a nominal amount as the likelihood of such consideration warrants being exercisable is remote. The estimated fair value of

# Caspian Energy Inc.

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(Unaudited)

Caspian's 40% interest in Aral is a nominal amount as Caspian's investment in Aral was in a net liability position, with no representation of the investment in Caspian's consolidated financial statements.

The fair value of decommissioning obligation assumed was determined using the timing and estimated costs associated with the abandonment, restoration, and reclamation of the wells and facilities acquired, discounted at a credit-adjusted rate in accordance with IFRS 3 Business Combinations and IFRS 13 Fair Value Measurement. On May 21, 2015, the day immediately following the acquisition date, the decommissioning obligation assumed was re-measured using a long-term risk-free rate based on the expected timing of cash flows, in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The result was a \$1,147,000 increase in the decommissioning obligation associated with the acquired assets and the recognition of a \$1,147,000 measurement adjustment in the consolidated statement of loss and comprehensive loss for the three and six months ended June 30, 2015.

The Company expensed transaction costs related to the Acquisition of \$143,000 during the three and six months ended June 30, 2015 (three and six months ended June 30, 2014 – \$314,000). During the period from May 20, 2015 to June 30, 2015, the acquisition attributed revenues of \$15,000 and a net loss of \$3,998,000 for the period, which is included in the consolidated statement of loss and comprehensive loss for the three and six months ended June 30, 2015.

If the business combination, as described above, had occurred on January 1, 2015, the Company estimates that in the six months ended June 30, 2015, revenue would have increased by approximately \$27,000 and consolidated net loss would have increased by approximately \$2,562,000. This pro forma information is not necessarily indicative of results had the acquisition occurred on January 1, 2015.

#### 4. Cash and cash equivalents

	June 30 2015	December 31 2014
Cash in CAD	\$ 11	\$ 53
Cash in USD	40	5
Cash in Pounds Sterling	1	1
Cash in KZT	10	–
	\$ 62	\$ 59

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

	June 30 2015	December 31 2014
Compensation receivable from participants	\$ 2,207	\$ –
Goods and services tax receivable	15	19
Prepaid taxes, insurance and other items	189	–
	\$ 2,411	\$ 19

The compensation receivable from participants as June 30, 2015 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 2015.

# Caspian Energy Inc.

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(Unaudited)

The Company considers its receivables to be aged as follows:

	June 30 2015	December 31 2014
Current	\$ 15	\$ 19
31 to 120 days past due	165	–
Over 120 days past due	2,231	–
	\$ 2,411	\$ 19

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.

### 6. Restricted cash

Under the terms of the Exploration Contract, the Aral has an obligation to create a liquidation fund of 1% of the capital cost of exploration (“the Liquidation Fund”) and deposit cash in a restricted bank account. The account balance at June 30, 2015 was \$592,000 (KZT 88,712,000). It is anticipated that the Liquidation Fund will be used to finance the cost of restoring the License Area upon expiration of the Exploration Contract and the Production Contract.

As at June 30, 2015, Aral also had a security deposit for foreign personnel in the amount of approximately \$10,000 (KZT1,499,000).

### 7. VAT receivable

As at June 30, 2015, the Company has non-current VAT receivable of \$7,956,000 (KZT 1,192,217,000). The Company expects that the full amount of non-current VAT receivable will be recovered against VAT accrued on future local sales.

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

(Unaudited)

### 8. Property and equipment

	Oil and natural gas property		Other tangible assets		Total
<b>Cost</b>					
Balance at December 31, 2014	\$	–	\$	–	\$ –
Acquired (Note 3)		–		939	939
Foreign exchange		–		7	7
Balance at June 30, 2015	\$	–	\$	946	\$ 946
<b>Accumulated depletion and depreciation</b>					
Balance at December 31, 2014	\$	–	\$	–	\$ –
Depletion and depreciation included in expense		–		53	53
Depletion and depreciation included in inventory		–		(14)	(14)
Foreign exchange		–		(1)	(1)
Balance at June 30, 2015	\$	–	\$	38	\$ 38
<b>Carrying amount</b>					
December 31, 2014	\$	–	\$	–	\$ –
June 30, 2015	\$	–	\$	908	\$ 908
<b>9. Exploration and evaluation assets</b>					
Balance at December 31, 2014				\$	–
Acquired (Note 3)					50,470
Foreign exchange					402
Balance at June 30, 2015				\$	50,872

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### 10. Decommissioning obligation

The following table presents the reconciliation of the carrying amount of the obligation associated with the reclamation and abandonment of the Company's oil and natural gas properties:

Balance at December 31, 2014	\$	–
Acquired (Note 3)		147
Measurement adjustment (Note 3)		1,137
Accretion		11
Foreign exchange		11
<hr/>		
Balance at June 30, 2015	\$	1,306

The following significant weighted average assumptions were used to estimate the June 30, 2015 decommissioning obligation:

Undiscounted cash flows - uninflated	\$1.3 million (KZT 195.5 million)
Inflation rate	8%
Risk-free rate	8%
Expected timing of cash flows	20.5 years

### 11. Convertible loans

In 2014, the Company entered into an amended loan agreement (the "Loan Facility") with its principal shareholders, Meridian and Firebird Global Master Fund Holdings, Ltd. and Firebird Aurora Fund, Ltd. (collectively, "Firebird"), pursuant to which Meridian and Firebird provided short-term financing to Caspian by way of a secured convertible loan of up to USD 3.0 million (\$3.8 million), of which USD 2.4 million was drawn and received by the Company in 2014 and the remaining USD 0.6 million was drawn down and received in the three months ended March 31, 2015.

Interest is payable on the Loan Facility at an annual rate of 12% per annum. The principal outstanding and any interest accrued thereon is payable on the earliest of (i) the later of November 30, 2014 and the termination of discussions in respect of a further transaction specified in the Loan Agreement, (ii) after the execution and delivery of a binding agreement with respect to such further transaction, the termination or non-fulfilment of any conditions specified in such binding agreement, and (iii) the occurrence of an event of default under the Loan Agreement. Notwithstanding the foregoing, all accrued interest will be forgiven in the event that the full principal amount outstanding is converted to equity prior to the repayment date. All liabilities under the Loan Agreement are secured by a pledge by Caspian of 100% of the equity interests in its wholly-owned subsidiary, Caspian Energy Limited.

As a condition of the closing of the Acquisition described in Note 3, the principal amount of the first USD 1.5 million of principal advanced under the Loan Facility was converted into 26,692,500 common shares at a conversion price of CAD \$0.06 per common share and the principal amount of remaining USD 1.5 million principal was converted into 24,336,428 common shares at a conversion price of CAD \$0.07 per common share. All accrued interest was forgiven upon conversion.



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A continuity of convertible loans is as follows:

	Liability component	Derivative liability of conversion feature
Balance at December 31, 2014	\$ 2,680	\$ 677
Advances	537	187
Fair value adjustment	–	(864)
Interest and accretion	488	–
Conversion	(3,658)	–
Forgiveness of interest	(286)	–
Foreign exchange	239	–
Balance at June 30, 2015	\$ –	\$ –

The fair value of the derivative liability at initial recognition of the USD 0.6 million received in January 2015 and the USD 2.4 million received in 2014 was determined using the Black-Scholes pricing model based on the following weighted average assumptions:

	At initial recognition
Risk free interest rate	0.88%
Expected life	0.34 years
Expected volatility	120%

## 12. Loans payable

	June 30 2015	December 31 2014
Alpha Asia Sixth (a)	\$ 9,515	\$ 8,436
Sixth Energy (b)	10,117	–
Emir Oil (c)	994	–
	20,626	8,436
Current portion of loans payable	(994)	–
	\$ 19,632	\$ 8,436

### (a) Alpha Asia Sixth loan

As at December 31, 2014, the Company a facility agreement with ASER pursuant to which ASER advanced USD 6 million in loans to Caspian. The amounts drawn under the facility bore interest at a rate of 10% per annum until December 28, 2016 and 18% per annum, compounded annually, thereafter until November 1, 2020. The loan was to be repaid with all proceeds received by the Company by way of dividends from Aral or from the sale of any asset by the Company with the balance of all principal and interest due on November 1, 2020. Pursuant to the facility agreement, the Company provided a pledge of all of its interest in Aral in favour of ASER as security for the Company's obligations under the facility.

In connection with the execution of the Share Purchase Agreement, ASER agreed to assign the loan payable, prior to the execution of the Share Purchase Agreement, to Alpha Asia Enterprises Limited, and prior to such assignment, ASER also agreed to amend the terms of the loan with more favourable terms to the Company by: (a) fixing the interest rate at 10% per annum; (b) amending the repayment date of the loan to the earlier of four years

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from the closing of the Share Purchase Agreement, May 20, 2019, or if the Share Purchase Agreement is terminated, October 31, 2018; and (c) discharging all security granted by the Company to ASER in respect of the loan.

As at June 30, 2015, the \$9,514,944 balance owing under the facility is comprised of \$7,494,000(USD 6 million) of principal plus \$2,020,944 of accrued interest (December 31, 2014– \$8,436,057 comprised of \$6,976,200(USD 6 million) of principal plus \$1,459,857 of accrued interest).

### (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 7.5 million was drawn as at June 30, 2015. The Interim Loan bears interest at an annual rate of 10%. On the first draw-down under the 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 \$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.

As at June 30, 2015, the balance owing under the Interim Loan, including accrued interest, is \$10,117,000.

### (c) Emir loan

In 2015, prior to the closing of the Acquisition, Aral received a short term non-interest bearing loan from Emir Oil in the amount of USD 0.8 million for which the amortized cost at June 30, 2015 is \$994,000.

## 13. Share capital

	Number of shares	Amount
Balance, December 31, 2014	134,434,109	159,903
Acquisition (Note 3)	278,194,556	19,474
Conversion of convertible loans (Note 11)	51,028,928	3,658
Balance, June 30, 2015	463,657,593	183,035

## 14. Warrants

A continuity of warrants outstanding is summarized as follows:

	Number of warrants	Weighted average exercise price	Amount
Balance, December 31, 2014	163,055	\$ 0.60	64
Expired in January and April 2015	(163,055)	(0.60)	(64)
Balance, June 30, 2015	–	\$ –	–

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### 15. Share-based compensation

#### (a) Stock options

As at December 31, 2014, the Company had 1,004,000 stock options outstanding. In June 2015, 100,000 options expired. As at June 30, 2015, the Company had 904,000 stock options outstanding as summarized in the following table:

Exercise price	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life (years)	Number exercisable
\$ 0.70	250,000	0.70	2.58	250,000
\$ 0.95	250,000	0.95	2.36	250,000
\$ 1.80	204,000	1.80	0.99	204,000
\$ 1.90	200,000	1.90	1.78	200,000
	904,000	\$ 1.28	1.98	904,000

#### (b) Performance shares

The Company entered into an agreement on August 18, 2012 and amended in January 2013, (“the Amended Consulting Agreement”) with a petrophysicist (the “Consultant”) for the provision of consulting services in connection with the exploitation, development and completion of eight Aral wells in the Republic of Kazakhstan. Pursuant to the amended Consulting Agreement, remuneration for consulting services is performance based and the Consultant will be compensated with common shares of the Company according to certain performance criteria.

If all performance criteria are met, the Consultant would be entitled to a maximum of 2.6 million common shares of the Company comprised of 2 million Consideration Shares and 600,000 Bonus Shares. At the Company’s option, the Company can elect to satisfy all or a portion of consideration payable in cash. Any amounts elected to be paid in cash would be determined by the number of Consideration Shares or Bonus Shares payable multiplied by the market price of the Company’s common shares at the close of trading on the date the particular Consideration Shares or Bonus Shares became payable.

The fair value of performance shares was estimated to be a negligible amount and therefore no amount has been recognized in the consolidated financial statements in respect of the consulting services performed to date. As of June 30, 2015, no performance shares had been issued.

### 16. Consideration warrants

Pursuant to the Acquisition and the terms of the Share Purchase Agreement, the Company issued 1,506,000 consideration warrants to ASER and the Investors, based on a multiplier of 1.5 times the number of warrants, stock options or performance shares of Caspian outstanding on May 20, 2015 of which there were nil warrants, 1,004,000 stock options and nil performance shares outstanding. Each consideration warrant is exercisable only following the issuance of a Caspian common share upon the exercise of an outstanding warrant, stock option or performance share in accordance to which the terms of the particular consideration warrant corresponds.

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In June 2015, 150,000 consideration warrants expired. As at June 30, 2015, the Company had 1,356,000 consideration warrants outstanding as summarized in the following table:

Exercise price	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life (years)	Number exercisable
\$ 0.70	375,000	0.70	2.58	–
\$ 0.95	375,000	0.95	2.36	–
\$ 1.80	306,000	1.80	0.99	–
\$ 1.90	300,000	1.90	1.78	–
	1,356,000	\$ 1.28	1.98	–

### 17. Per share amounts

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Loss for the period	\$ (2,039)	\$ (849)	\$ (3,027)	\$ (1,902)
Weighted average number of shares (in thousands) – basic:				
Issued common shares at January 1	134,434	23,022	134,434	23,022
Effect of shares issued during the period	180,892	108,274	74,576	77,755
	315,326	131,296	209,010	100,777
Net loss per share – basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)

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

### 18. Finance expense

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Interest and accretion on convertible loans (Note 11)	\$ 187	\$ –	\$ 488	\$ –
Forgiveness of interest (Note 11)	(286)	–	(286)	–
Interest and accretion on convertible debentures	–	–	–	179
Interest expense on loans payable	264	159	486	317
Accretion of decommissioning obligation	11	–	11	–
Net finance (income) expense	\$ 176	\$ 159	\$ 699	\$ 496

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### 19. Change in non-cash working capital

For the six months ended June 30	2015	2014
Trade accounts receivable and other current assets	\$ (46)	\$ –
Inventory	41	–
Trade and other payables	(266)	82
Effects of foreign exchange on working capital in foreign currencies	384	–
Change in non-cash working capital related to operating activities	\$ 113	\$ 82

### 20. Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

#### (a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or counter party to a financial instrument fails to meet its commercial obligations. The Company's maximum credit risk exposure is limited to the carrying amount cash of \$62,000 (December 31, 2014 – \$59,000), trade accounts receivable and other current assets of \$2,411,000 (December 31, 2014 – \$19,000), restricted cash of \$602,000 (December 31, 2014 – \$nil) and VAT receivable of \$7,956,000 (December 31, 2014 – \$nil). See Note 5 for information on the Company's trade accounts receivable and other current assets.

#### (b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and distressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

As at June 30, 2015, the Company had \$54,307,000 (December 31, 2014 – \$3,727,000) of current liabilities for which the Company's \$62,000 (December 31, 2014 – \$59,000) cash balance is insufficient to settle the current liabilities. It is expected that further debt (Note 1) and equity financings will be required in order to settle existing current liabilities, continue development of the Company's assets and meet future obligations. There can be no assurance that future financings will be available to the Company.

As of June 30, 2015, the contractual cash flows, including estimated future interest, of current and non-current financial liabilities mature as follows:

	Carrying amount	Estimated contractual cash flows	Due on or before June 30 2016	Due in 2019
Trade and other payables	53,313	53,313	53,313	–
Loans payable	20,626	27,843	994	26,849
	73,939	81,156	54,307	26,849

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### (c) Market risk

Market risk is the risk that changes in foreign exchange rates, commodity prices, and interest rates will affect the Company's net income (loss) or the value of financial instruments.

#### i) Currency risk

Foreign currency exchange 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 2015	December 31 2014	Six months ended June 30 2015	2014
KZT	0.0067	0.0065	0.0064	0.0063
USD	1.2490	1.1627	1.2352	1.0968

The following represents the estimated impact on net income (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, 2015 and 2014 on foreign denominated financial instruments held by the Company, with other variables such as interest rates and commodity prices held constant:

For the six months ended June 30	2015	2014
KZT	\$12,701	\$ –
USD	2,061	138
	\$14,762	\$ 138

#### ii) Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. As the Company's oil and natural gas properties are currently shut-in due to low oil prices, the Company is not subject to commodity price risk at this time.

#### iii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has fixed rates of interest on loans payable and therefore is not exposed to interest rate risk.

## 21. Commitments and contingencies

### (a) Tax contingent liabilities in the Republic of Kazakhstan

The Kazakhstan tax system is relatively new and is characterised by numerous taxes and frequent changes to legislation, official definitions and court verdicts. Taxes are audited by many different regulatory bodies with the right to impose significant fines, accrue and charge penalties. Tax periods remain open for audit for five calendar years. However, under certain circumstances, a tax period may remain open for longer. The various legislative acts and norms in Kazakhstan are not always clear, and their interpretation depends on the opinion of local tax inspectors and the Ministry of Finance. Differences of opinion are frequent among local, regional and national tax authorities. The current method of accruing fines and penalties on breaches of Kazakhstan laws, edicts and standards is very severe. Sanctions include the confiscation of disputed amounts (breaches of currency legislation), and penalties of 2.5 times the official rate of refinancing set by the National Bank for each day of the breach. Fines are charged at 50% of additionally accrued tax. As a result penalties and fines may be multiples of any incorrectly calculated taxes.

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The Company believes that tax liabilities have been accounted for sufficiently. Nevertheless, the interpretation of the relevant authorities may differ, which could have a serious effect on these financial statements.

### **(b) Transfer pricing**

The Kazakhstani law on transfer pricing prescribes Kazakhstani companies to maintain and, if required, to provide economic rationale and method of the determination of prices used in international transactions, such as export sales, including existence of the documentation supporting the prices and differentials. Additionally, differentials could not be applied to the international transactions with companies registered in off-shore countries. In case of deviation of transaction price from market price the tax authorities have the right to adjust taxable items and to impose additional taxes, fines and interest penalties.

Aral has had no export sales in recent years. The Company's transfer pricing policy is considered to be in accordance with transfer pricing legislation and the Company believes that its transfer pricing policy will be sustained and all documentation supporting determination of export prices will be provided to the government authorities, if required.

Regardless of the inherent risks that the tax authorities may question transfer pricing policy of the Company, related to the law on transfer pricing, the management of the Company believes that it will be able to sustain its position in case the transfer pricing policy of the Company will be challenged by the tax authorities.

### **(c) Royalties**

In accordance with Kazakhstani tax legislation applicable to the Aral prior to January 1, 2009, Aral should have paid royalties in relation to the oil produced. However, management of Aral believed that, in accordance with the Exploration Contract, the test production phase was not subject to royalties and that Aral would be liable to pay royalties only at the experimental-industrial phase or upon the signing of the Production Contract before January 1, 2009. Should tax authorities consider Aral's position to be incorrect, additional taxes and fines in the amount of \$1,154,000 (KZT 172,997,000) may be imposed relating to oil production in 2007 and 2008.

### **(d) Export sales**

According to the Exploration Contract, Aral is required to sell 100% of oil extracted during the term of the Exploration Contract for refining in Kazakhstan. Commencing from September 2005, Aral applied on a monthly basis to the ME of ROK for its production for the succeeding month to be included in the Ministry's Export Quota for transportation by rail. Should Kazakhstani government authorities determine that Export Quotas received by the Company were in violation of the Exploration Contract, Aral may be subject to fines and penalties which cannot be reliably estimated and/or to the termination of the Exploration Contract.

According to the Production Contract, Aral is obliged to sell 20% of produced crude oil to the domestic market. Aral has had no export sales in recent years and all produced crude oil was sold to the domestic market.

### **(e) Minimum work program**

On December 26, 2014, Aral signed Addendum No. 9 to its Subsurface Use Contract No. in relation to a four-year extension of the Exploration Contract to December 29, 2018. The addendum specifies drilling of additional 8 wells and a minimum work program commitment of USD 58.3 million.

Due to the very recent economic turmoil in the energy industry, Aral has made a proposal to the ME of ROK, which reduces the 2015 exploratory expenditures undertaking, without reducing the aggregate amount over the term of the Contract, and transfers 2015 minimal commitments including drilling of two wells to further years. To date, ME confirmed their approval of Aral's action; however formal document from ME has not been received yet.

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Non-fulfilment of commitments under the minimum work program may result in punitive actions by the Government of the ROK, including suspending or revoking the Exploration Contract. Aral believes that non-compliance with these Exploration Contract terms would not lead to any significant adjustments to the financial statements.

### (f) Social and training commitments

In accordance with the Exploration Contract, the Aral is obliged to finance certain training of Kazakhstani staff engaged in the works to be executed under the Exploration Contract in amount of not less than 1% of Aral's annual investment cost.

In accordance with the Exploration Contract and the Production Contract, Aral is obliged to finance certain social infrastructure annually. The annual amount of social obligation is equal to USD 160,000.

### (g) Restoration

Under the terms of the Exploration Contract, Aral should create a liquidation fund (Note 6). The full extent of the Aral's obligation to restore the License Area will not be known until it submits and agrees a proposed program for restoration of the License Area which is required to be submitted within two years after the Production Contract signing.

### (h) Gas utilisation

In January 2014, Aral received approval from Ministry of Industry and New Technologies of its submission of a technical scheme on development and production in the East Zhagabulak area of the License Area. Accordingly, as of December 31, 2013, the Production Contract was considered to be fully approved by the ME of the ROK.

Subsequently, Aral made an assessment on realisation of the approved gas utilisation plan by construction of special plant that will pump back gas to land. For the period of construction, Aral requested state authorities for an approval on associated gas flaring. At the same time, the ME of the ROK offered a program under which Aral will be provided with approval for associated gas flaring till December 2016. During this period, state authorities' plans to construct gas processing plant in the Aktobe region, and in its turn after completion and commissioning of the gas processing plant, Aral along with other oil producers in this region can supply the processing plant with associated gas on a free of charge basis. On August 25, 2014, Aral obtained a permission for gas utilization till August 1, 2015.

During 2015, the ME of the ROK decided that delivery of Aral gas from the East Zhagabulak field to an existing gas processing facility, located 7 kilometres distant from the field, is a viable alternative to the construction of gas reinjection facilities. This decision was approved on July 30, 2015. On August 27, 2015 Aral obtained a permission for gas flaring till December 31, 2015.

## 22. Subsequent events

- (a) Batys-Munai LLP ("BM"), one of Aral's trade creditors, initiated litigation in Kazakh courts in July 2015 against Aral in respect of overdue trade payables in the amount of approximately US\$0.54 million. Management signed a repayment schedule with BM based on which Aral should repay US\$0.3 million by August 31, 2015 and the residual amount by October 31, 2015. Aral paid the first tranche in the amount of US\$0.3 million on August 20, 2015.
- (b) On August 20, 2015, the National Bank of Kazakhstan switched from a policy bank-controlled foreign exchange rates to a market-driven foreign exchange rates. As a result, the KZT devalued by more than 25%. Aral's revenues and trade receivables and other current assets as well as the majority of Aral's expenses and accounts payable are denominated in KZT, all of which devalued accordingly (Note 20(c)).



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- (c) During July and August 2015 Aral received interest free loans from Emir Oil in the amount of USD 500 thousand for ongoing operating activities. The maturity date of the loans is 31 December.
- (d) On August 27, 2015 Aral obtained a permission for gas flaring till December 31, 2015.

### 23. 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.

	June 30, 2015			December 31, 2014		
	Kazakhstan	Other	Total	Kazakhstan	Other	Total
Property and equipment	\$ 908	-	908	\$ -	-	-
Exploration and evaluation assets	\$ 50,872	-	50,872	\$ -	-	-
Other assets	\$ 31,772	69	31,841	\$ -	78	78
Total liabilities	\$ 65,637	9,608	75,245	\$ -	12,163	12,163
Capital expenditures	\$ -	-	-	\$ -	-	-

	Three months ended June 30, 2015			Three months ended June 30, 2014		
	Kazakhstan	Other	Total	Kazakhstan	Other	Total
Revenue	\$ 15	1	16	\$ -	2	2
Operating costs (recovery)	(35)	2	(33)	-	8	8
General and administrative	120	190	310	-	645	645
Transaction costs	-	143	143	-	314	314
Depletion and depreciation	53	-	53	-	-	-
Finance expense	42	134	176	-	159	159
Other items	5,470	(4,064)	1,406	-	(275)	(275)
Segment loss	\$ (5,635)	3,596	(2,039)	\$ -	(849)	(849)

	Six months ended June 30, 2015			Six months ended June 30, 2014		
	Kazakhstan	Other	Total	Kazakhstan	Other	Total
Revenue	\$ 15	2	17	\$ -	6	6
Operating costs (recovery)	(35)	(6)	(41)	-	8	8
General and administrative	120	320	440	-	1,004	1,004
Transaction costs	-	143	143	-	314	314
Depletion and depreciation	53	-	53	-	-	-
Finance expense	42	657	699	-	496	496
Other items	5,470	(3,720)	1,750	-	86	86
Segment loss	\$ (5,635)	2,608	(3,027)	\$ -	(1,902)	(1,902)