

Sozak Oil & Gas JSC

Financial statements

*For the year ended 31 December 2023
with independent auditor's report*

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Independent auditor's report

To the Shareholders, Board of Directors and Management of Sozak Oil and Gas JSC

Opinion

We have audited the financial statements of Sozak Oil and Gas JSC (hereinafter, the "Company") which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to *Note 2* to the financial statements, which indicates that as at 31 December 2023 the Company's current liabilities exceeded its current assets by 48,057,855 thousand tenge. As stated in *Note 2*, these events or conditions, along with other matters as set forth in *Note 2*, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. In addition to the matter described in the Material uncertainty related to going concern section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report. This matter were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters. For matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment of exploration and evaluation assets</i></p>	
<p>We considered this matter to be one of most significance to our audit due to the significance of exploration and evaluation assets as at 31 December 2023, and subjectivity of judgements and estimates made by management in respect of assumptions underlying impairment indications analysis.</p> <p>In 2023 the Company performed an analysis of impairment indications of its exploration and evaluation assets and concluded that there are no indications of potential impairment.</p> <p>Information on exploration and evaluation assets is disclosed in <i>Note 5</i> to the financial statements.</p>	<p>We have examined the analysis of the presence of indications of impairment made by management. Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • the assessment of the period for which the Company has the right to explore the contract territory; • the analysis of license agreements and supplemental agreements to them; • the analysis and assessment of communication with relevant government bodies, provided by management; • the inquiry of management about the intention to carry out exploration and evaluation activity in the contract territory and the comparison of the budget for 2024 with the working program of the Company, approved by governmental bodies. <p>We assessed the disclosures related to the exploration and evaluation assets in the financial statements.</p>

Other information included in the Company's 2023 Annual Report

Other information consists of the information included in the Company's 2023 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2023 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Board of Directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors of Sozak Oil and Gas JSC regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



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From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Kairat Medetbayev.

Ernst & Young LLP




Kairat Medetbayev
Auditor

Auditor qualification certificate
No. MD-0000137 dated 8 February 2013




Rustamzhan Sattarov
General Director
Ernst & Young LLP

State Audit License for audit activities on
the territory of the Republic of Kazakhstan:
series MFOY-2 No. 0000003 issued by
the Ministry of Finance of the Republic of
Kazakhstan on 15 July 2005

050060, Republic of Kazakhstan, Almaty
Al-Farabi ave., 77/7, Esentai Tower

29 May 2023

STATEMENT OF FINANCIAL POSITION


At 31 December 2023

<i>In thousands of tenge</i>	Notes	31 December 2023	31 December 2022
Assets			
Non-current assets			
Exploration and evaluation assets	5	56,968,401	43,750,396
Property, plant and equipment		17,515	17,758
Long-term VAT recoverable	6	3,973,465	2,653,350
Restricted cash	7	193,109	193,109
Total non-current assets		61,152,490	46,614,613
Current assets			
Loan issued	8	-	230,000
Other current assets		7,170	17,638
Short-term VAT recoverable	6	32,961	-
Trade accounts receivable		137,524	77,746
Cash and cash equivalents	9	21,245	11,416
Total current assets		198,900	336,800
Total assets		61,351,390	46,951,413
Equity and liabilities			
Equity			
Share capital	10	283,780	283,780
Accumulated loss		(3,634,464)	(3,649,381)
Total equity		(3,350,684)	(3,365,601)
Non-current liabilities			
Abandonment and site restoration provision	11	245,827	135,689
Long-term loans	12	16,199,492	1,112,286
Total non-current liabilities		16,445,319	1,247,975
Current liabilities			
Accounts payable and other debts	13	19,983,092	7,396,317
Loans	12	27,699,235	41,235,628
Other current liabilities	14	574,428	437,094
Total current liabilities		48,256,755	49,069,039
Total equity and liabilities		61,351,390	46,951,413

General Director


 Lu Wei

Chief Accountant


 Koshekbayeva A.


The accounting policies and explanatory notes on pages 5 to 29 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE LOSS

For the year ended 31 December 2023

<i>In thousands of tenge</i>	Notes	2023	2022
General and administrative expenses	15	(569,026)	(700,604)
Other income		272,284	98,650
Operating loss		(296,742)	(601,954)
Finance income	16	113,861	113,861
Finance costs	16	(21,796)	(5,834)
Net foreign exchange differences		294,938	(1,011,923)
Profit/(loss) before taxes		90,261	(1,505,850)
Income tax expense	17	(75,344)	(40,586)
Net income/(loss) for the year		14,917	(1,546,436)
Total comprehensive income/(loss) for the year, net of tax		14,917	(1,546,436)

General Director


 Lu Wei

Chief Accountant



 Koshekbayeva A.

The accounting policies and explanatory notes on pages 5 to 29 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

<i>In thousands of tenge</i>	Share capital	Accumulated loss	Total
As at 1 January 2022	283,780	(2,102,945)	(1,819,165)
Net loss for the year	-	(1,546,436)	(1,546,436)
As at 31 December 2022	283,780	(3,649,381)	(3,365,601)
Net profit for the year	-	14,917	14,917
Total comprehensive loss for the year	-	14,917	14,917
As at 31 December 2023	283,780	(3,634,464)	(3,350,684)

General Director


 Lu Wei

Chief Accountant


 Koshekbayeva A.


The accounting policies and explanatory notes on pages 5 to 29 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

<i>In thousands of tenge</i>	Notes	2023	2022
Operating activities			
Profit/(loss) before taxes		90,261	(1,505,850)
<i>Adjustments to reconcile profit before tax to net cash flows</i>			
Depreciation and amortisation	15	243	219
Finance income	16	(113,861)	(113,861)
Finance costs	16	21,796	5,834
Net foreign exchange difference		(294,938)	1,011,923
Accrual/(recovery) of unused vacation allowance	15	3,817	(79)
Accrual of provision on loans given	8	323,584	530,475
<i>Working capital adjustments:</i>			
Change in receivable and other current assets		(49,307)	(78,889)
Change in VAT recoverable		(32,961)	(48,934)
Change in other current liabilities		(3,435)	16,402
		(54,801)	(182,760)
Income tax paid		(37,630)	(19,824)
Interest received		20,277	20,276
Net cash flows used in operating activities		(72,154)	(182,308)
Investing activities			
Purchase of exploration and evaluation assets		(348,782)	(296,662)
Purchases of property, plant and equipment		-	(1,048)
Net cash flows used in investing activities		(348,782)	(297,710)
Financing activities			
Proceeds from loans	12	431,873	494,728
Repayment of loans	12	-	(20,000)
Net cash flows from financing activities		431,873	474,728
Net increase/(decrease) in cash and cash equivalents		10,937	(5,290)
Net foreign exchange rate difference		(1,108)	(1,202)
Cash and cash equivalents as at 1 January		11,416	17,908
Cash and cash equivalents as at 31 December	9	21,245	11,416

SIGNIFICANT NON-CASH AND OTHER TRANSACTIONS: ADDITIONAL DISCLOSURE

The following non-cash transactions have been excluded from the statement of cash flows:

Purchase of exploration and evaluation assets

Additions to exploration and evaluation assets include capitalisation of interest on loans received and amount to 1,414,983 thousand tenge (2022:1,412,794 thousand tenge). During 2023 and 2022, the Company did not pay the principal and interest accrued on the loans.

General Director



Lu Wei

Chief Accountant

Koshekbayeva A.

The accounting policies and explanatory notes on pages 5 to 29 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. ORGANIZATION AND PRINCIPAL ACTIVITIES****CORPORATE INFORMATION**

Sozak Oil and Gas JSC (the “Company”) is a joint stock company established under the laws of the Republic of Kazakhstan, as a result of reorganization of limited liability partnership on 4 September 2019. Date of the initial registration was on 16 July 2001.

The shareholders of the Company are:

	31 December 2023	31 December 2022
Sino-Science Netherlands Petroleum B.V.	51.4%	1.3999%
Singapore Charter Power Pte. Ltd.	17%	17%
Maten Petroleum JSC	10%	10%
Singapore Starlights Energy Investment Pte. Ltd.	5.855%	5.855%
Sino-Science Netherlands Energy Group B.V.	5.659%	5.659%
Luck Gain Internation Al Limited	5.45%	5.45%
Hongkong Loong Sapphire Energy Limited	4.636%	–
Danq Investment Pte. Ltd.	–	50,0001%
Shenzhen Andachang Industrial Co., Ltd.	–	4.636%
	100%	100%

Hui Ling is the ultimate controlling party.

These financial statements were approved by the management of the Company on 29 May 2024.

Registered address

The Head office of the Company is registered at the following address: 12 Zheltoksan Street, Kyzylorda, 120014, Republic of Kazakhstan.

Principal activities

The Company conducts operations in the field of subsoil use in the Turkestan region of the Republic of Kazakhstan. The company is at the exploration stage for trial production of the Asa, Kendirlik, Ortalyk, Oppak, Tamgalytar fields and has not yet begun commercial hydrocarbon production.

The Company performs its activities in accordance with hydrocarbon exploration contract No. 2433 (hereinafter referred to as the “Contract”), concluded with the Ministry of Energy of the Republic of Kazakhstan (hereinafter referred to as “ME”) on July 27, 2007. In 2023, the Company made the transition to the terms of a standard contract for exploration and production or production of hydrocarbons for a complex project. The provisions of Contract No. 2433 dated July 27, 2007 are set out in a new edition, in accordance with the Standard Contract for the exploration and production of hydrocarbons for complex projects. The validity period of Contract No. 2433 dated July 27, 2007 is combined and consists of: (1) an exploration period for trial production of the Asa, Kendirlik, Ortalyk, Oppak, Tamgalytar fields, and is valid until July 27, 2025; (2) production period for the Pridorozhnoye Yuzhnoye field of 25 (twenty-five) years.

Exploratory drilling

In December 2008, the Company completed exploratory drilling of a well Kenderlyk-5. As result of this exploratory drilling, the Company decided to close this well due to the fact that it was dry. In 2010-2011 the Company drilled 2 wells. The wells have gas inflow, and by the management decision, further operations were suspended.

In 2013, the Company completed drilling operations on Bugulzhinskaya-1 well. In 2014, the Company completed drilling operations on Assa-2, Yuzhnoe-Pridorozhnoe-18 wells. In 2015, the Company completed drilling operations on wells Tamgalytar-6, Tamgalytar-8, Kendyrlyk-6, Kendyrlyk-7, and Tamgalynskaya-1. The wells have gas inflow, and by the management decision, further testing works on the specified wells will be performed. In 2016, the Company started drilling 2 wells SK-1012 (drilling was completed in 2017) and SK-1017 (drilling was completed in 2017).

In 2017, the Company drilled another exploration well SK-1018. In 2017, testing was carried out in 5 intervals in exploratory wells built on the contractual area. During 2018, SK-1018 well testing works were completed, as well as analysis of core boring for further drilling operations. In 2021, the construction of the evaluation well SK-1006 was commenced and completed. In 2022, the well SK-1006 was tested and two wells SK-1007 and SK-1005 were drilled. Cores from new wells were selected for analysis. In 2023, seven wells SK-1008, SK-1024, SK-1004, SK-1001, SK-1002, SK-1003, SK-1009 were drilled.

The accounting policies and explanatory notes on pages 5 to 29 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (continued)**Exploratory drilling (continued)**

On 11 December 2019, the Company filed an application to the Ministry of Ecology, Geology and Natural Resources of the Republic of Kazakhstan for confirmation of discovery at the Assa and Pridorozhnoe Yuzhnoe wells.

On 25 December 2019, the Ministry of Ecology, Geology and Natural Resources of the Republic of Kazakhstan confirmed availability of hydrocarbons at the Assa and Pridorozhnoe Yuzhnoe wells.

On 29 April 2020, the Company sent a request to the Ministry of Geology to confirm the detection of gases at the Kenderlyk and Tamgalytar fields; on 15 May 2020, confirmation was received.

The Company sent a request to the Ministry of Geology to confirm the detection of gases at the Ortalyk and Appak fields, on 15 May 2020, confirmation was received.

On 14 October 2020, an operational report received on the approval of the reserves at Pridorozhnoe field.

On 8 December 2020, an operational report received on the approval of the reserves at Assa field.

On 28 June 2021, an operational report received on the approval of the reserves at Ortalyk field.

On 17 November 2021, an operational report received on the approval of the reserves at Kenderlyk field.

On 30 May 2022, an operational report received on the approval of the reserves at Tamgalytar field.

On 17 October 2022, an operational report received on the approval of the reserves at Oppak field.

On 24 August 2023, "Projects for trial exploitation of the Asa, Ortalyk, Kendirlik, Oppak, Tamgalytar fields" were presented and agreed upon at a meeting of the Central Commission for Exploration and Development of Hydrocarbon Fields of the Republic of Kazakhstan.

2. BASIS OF PREPARATION AND CHANGES IN THE COMPANY'S ACCOUNTING POLICY**Basis of preparation**

The accompanying financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

The financial statements are prepared under the historical cost basis, except as described in the accounting policies and the notes to the financial statements. All values in these financial statements are rounded to the nearest thousands, except when otherwise indicated.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in *Note 4*. These estimates are based on information available as of the date of the financial statements. Actual results, therefore, could differ from these estimates.

Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

As of the reporting date, the Company's current liabilities exceeded its current assets by 48,057,855 thousand tenge (as of December 31, 2022: by 48,732,239 thousand tenge). These circumstances indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The ability of the Company to settle its trade payables, repay its borrowings and continue its planned exploration and evaluation activities, as well as to maintain its going concern status depend on the Company raising additional cash in the foreseeable future. At the date of these financial statements, the management is satisfied that there are reasonable grounds to believe that the Company will be able to continue as a going concern by raising additional funds as required. In developing this opinion, the management reviewed the position of the Company and analysed the option of raising additional funds from the company's shareholders. The significant uncertainty about the successful completion of the financing option listed above may cause significant doubts about the Company's ability to repay its debts on time, and, consequently, to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts or classifications of liabilities that might be necessary should the Company not be able to continue as a going concern.

The accounting policies and explanatory notes on pages 5 to 29 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)**2. BASIS OF PREPARATION AND CHANGE IN THE COMPANY'S ACCOUNTING POLICY (continued)****Foreign currency translation**

The financial statements are presented in tenge, which is the Company's functional and presentation currency.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Any exchange gains and losses arising from assets and liabilities denominated in foreign currencies subsequent to the date of the underlying transaction are credited or charged to the statement of comprehensive income (loss).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

The following foreign exchange rates of tenge to US dollars have been used in the preparation of these financial statements:

	Exchange rate as at	The weighted average interest rate during the year
31 December 2023	454.56	456.31
31 December 2022	462.65	460.48

New and amended standards and interpretations

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 but they did not have any impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. New and amended standards and interpretations are listed below:

- IFRS 17 Insurance Contracts;
- Amendments to IAS 8 — *Definition of Accounting Estimates*;
- Amendments to IAS 1 and IFRS Practice Statement 2 — *Disclosure of Accounting Policies*;
- Amendments to IAS 12 — *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*;
- Amendments to IAS 12 — *International Tax Reform — Pillar Two Model Rules*.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective:

- Amendments to IFRS 16 — *Lease Liability in a Sale and Leaseback*;
- Amendments to IAS 1 — *Classification of Liabilities as Current or Non-current*;
- Amendments to IAS 7 and IFRS 7 — *Supplier Finance Arrangements*.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early application is permitted, provided that fact is disclosed. These amendments are not expected to have a material impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ASSUMPTIONS

The Company uses estimates and judgements, which exert an influence on the amounts and carrying amount of assets and liabilities stated in the financial statements during the next financial period. Estimates and judgements are subject to constant critical analysis and are based on the past experience of the management and other factors including expectations regarding future events, which, as deemed, are reasonable in the existing circumstances. The management also uses certain judgements, except for those requiring estimates, in the process of application of accounting policies. Judgements, which exert the most significant influence on figures stated in the financial statements and estimates, which may lead to a significant adjustment of carrying amount of assets and liabilities during the next financial period include:

Exploration and evaluation assets

Exploration license costs are capitalized within intangible assets and amortized on a straight-line basis over the estimated period of exploration. Each property is reviewed on an annual basis to confirm that drilling activity is planned. If no future activity is planned, the remaining balance of the license cost is written off. Upon determination of economically recoverable reserves (“proved reserves” or “commercial reserves”), amortisation ceases, and the remaining costs are aggregated with exploration expenditure and held on a field-by-field basis as proved properties awaiting approval within other intangible assets. When development is approved internally, and all licenses and approvals are obtained from the appropriate regulatory bodies, the relevant expenditure is transferred to property, plant and equipment (oil and natural gas properties).

(i) Recognition and subsequent measurement

Exploration and evaluation assets are measured at cost less any provision for impairment, where necessary.

Exploration and evaluation assets include capitalised expenditures on acquisition of exploration rights, geological and geophysical studies, drilling of both successful and unsuccessful exploratory wells, support equipment and facilities, borrowing costs as well as administrative and other general overhead costs that are directly attributable to the exploration and evaluation activities.

Acquisition costs include the cost of a subscription bonus and other costs incurred to acquire subsurface rights.

Administrative and other general overhead costs capitalised into the exploration and evaluation assets, include the costs incurred to finance social projects and professional training of Kazakhstani employees, administrative expenses of the site offices (office rent, office cars, administrative personnel) and other overhead costs that are directly attributable to the exploration and evaluation activities. The Company includes these expenditures into the cost of exploration and evaluation assets as incurred.

General and administrative expenses that cannot be attributed directly to a particular exploration project are charged to the statement of comprehensive income during the financial period as they are incurred.

Expenditures related to the development of hydrocarbon resources are not recognised as exploration and evaluation assets. Development costs include the cost of development wells to produce proved reserves, the cost of production facilities (such as flow lines, separators, treaters, heaters, storage tanks, improved oil production systems and gas processing facilities) and other overhead costs related to the development of hydrocarbon resources.

The Company classifies exploration and evaluation assets as tangible and intangible assets according to the nature of the assets acquired. Intangible exploration and evaluation assets include a subscription bonus, social and training costs. All other exploration and evaluation assets are classified as tangible assets.

Exploration and evaluation assets are no longer classified as such when the technical feasibility and commercial viability of extracting a hydrocarbon resource is demonstrable. Once commercial reserves are found, exploration and evaluation assets are transferred to development assets and amortised using the unit-of-production method based on proved developed reserves.

Activities preceding the acquisition of oil and gas properties are defined as pre-exploration (or pre-license). All pre-exploration expenditures are recognised as an expense in the statement of comprehensive income when incurred and include project feasibility studies, surface mapping and appraisal activities, as well as other overhead costs related to pre-exploration activities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ASSUMPTIONS (continued)**Exploration and evaluation assets (continued)***(ii) Impairment of exploration and evaluation assets*

Exploration and evaluation assets are tested by the Company for impairment when reclassified to development assets or whenever facts and circumstances indicate impairment of assets. An impairment loss is recognised for the amount by which exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is determined as the greater of the exploration and evaluation assets' fair value less costs to sell and their value in use.

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 entity 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 the further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of hydrocarbon resources and the Company has decided to discontinue such activities in the specific area;

The Company has sufficient evidence that, while it is probable that a particular area will be developed, the carrying amount of the exploration and evaluation assets will likely not be fully recovered through successful development or disposal.

Historical costs

Historical costs relate to geological information and other costs incurred by the Republic of Kazakhstan for the exploration of the contract area prior to transferring subsurface rights to the Company. In accordance with the Contract, the Company will reimburse these costs to the State budget upon commencement of commercial production in equal quarterly instalments over 10 (ten) years. The management believes that the commercial discovery and the commitment for development of production facilities will be an obligating event to trigger the recognition of the liability for historical costs. The exploration activities were in progress and no commercial discoveries were made at the Company's field at the reporting date, and thus no liability for historical costs was recognised in these financial statements. These costs must be paid by the Company only if the production agreement is signed.

Provisions for asset retirement obligations

The Company estimates the future asset retirement obligations with reference to the estimates provided from either internal or external engineers after taking into consideration the anticipated method of dismantlement and the extent of site restoration required in accordance with current legislation and industry practices.

Provisions are made, based on net present values, for site restoration and rehabilitation costs as soon as the obligation arises from past activities. The provision for site restoration obligation is estimated based on the management's interpretation of the current environmental legislation of the Republic of Kazakhstan and the Company's related program for liquidation of consequences of subsurface use on the contractual area supported by a feasibility study and engineering research in accordance with the existing rehabilitation standards and techniques. Asset retirement obligations are subject to potential changes in environmental regulatory requirements and the interpretation of the legislation.

Significant judgements in making such estimates include estimate of discount rate, amount and timing of cash flows.

The discount rate shall be applied to the nominal amounts the management intends to spend on site restoration in the future. Accordingly, management's estimates, which are in current prices, are inflated using expected long-term rate of inflation, and discounted using discount rate that reflects current market assessments of the time value of money and those risks specific to the liability.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ASSUMPTIONS (continued)**Recognition of deferred tax asset**

The Company does not recognize the amount of deferred tax assets since the Company's management at the reporting date does not have a reasonable assurance about when future taxable profit will be received, against which the deferred tax assets for losses of previous years can be used in the periods authorised for transfer, according to current tax legislation, since the Company is at the stage of exploration and has not yet started commercial oil production.

Exploration and evaluation costs

Exploration and evaluation costs are recorded at original cost on an area of interest basis. Expenditure on an area of interest is capitalised and carried forward where rights to tenure of the area of interest are current and:

- (1) It is expected that such expenditures will be reimbursed in the course of successful development and exploitation of the area of interest or, otherwise, by its sale; or
- (2) Exploration and evaluation activities are continuing in an area of interest but at the reporting date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Accumulated costs in respect of areas of interest which are abandoned, are written off in full against profit in the period in which the decision to abandon the area is made. Costs of site restoration are provided from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the exploration permits.

Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Projects are advanced to development stage when it is expected that further expenditure can be recovered through sale or successful development and exploitation of the area of interest.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Impairment of exploration and evaluation assets**

The Company's management reviews the carrying amount of exploration and evaluation assets for impairment in accordance with the requirements of IFRS 6. As of December 31, 2023 and 2022, there were no indications that exploration and evaluation assets were impaired. The following conditions were taken into account by the management of the Company:

- The validity period of Contract No. 2433 dated July 27, 2007 is combined and consists of: (1) an exploration period for trial production of the Asa, Kendirlik, Ortalyk, Oppak, Tamgalytar fields, determined within the maximum exploration period of 18 (eighteen) years, minus the actually used exploration period under such a Contract and is valid until July 27, 2025, taking into account the transition to the terms of a standard contract for the exploration and production of hydrocarbons for a complex project; (2) production period for the Pridorozhnoye Yuzhnoye field of 25 (twenty-five) years;
- Based on the results of interpretation of the latest 2D and 3D seismic studies, as well as drilling operations, Management plans to incur significant costs for further exploration and evaluation of the Company's Contract Area;
- The company plans to continue financing the costs of its work program.

Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (twelve) months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- it is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.
- The Company classifies all other liabilities as current and non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Property, plant and equipment*(i) Recognition and subsequent measurement*

Property, plant and equipment include vehicles, office and other equipment. Property, plant and equipment are stated at cost, less accumulated amortisation and provision for impairment, if required. Such cost comprises acquisition value, including import fees and non-reimbursable taxes on acquisitions, less trade discounts and rebates, and any costs directly related to bringing the asset to the place of its use and condition required for its proper use.

The cost of PPE items that are produced or constructed internally includes the cost of materials used, performed production work and an appropriate portion of direct construction overheads.

Subsequent expenditures are included in the carrying amount of this asset or reflected as a separate asset providing only that there is probability that the Company will have economic benefits from the usage of this asset, and its cost can be reliably measured. The carrying amount of the replaced part is recognized in profit or loss. All other repairs and maintenance costs are charged to statement of comprehensive income during the financial period in which they are incurred.

The accounting policies and explanatory notes on pages 5 to 29 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Property, plant and equipment (continued)**

Subsequent expenditures are included in the carrying amount of this asset or reflected as a separate asset providing only that there is probability that the Company will have economic benefits from the usage of this asset, and its cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to statement of comprehensive income during the financial period in which they are incurred.

Gain or loss on disposal of property, plant and equipment in the amount of difference between consideration received and their carrying amount is recorded in profit and loss.

(ii) Depreciation

Land is not depreciated. Depreciation of other PPE items is calculated on a straight-line basis to allocate the cost to the residual values of the assets over their estimated useful lives as follows:

	Useful lives in years
Buildings and constructions	15
Vehicles	5
Other	4-5

The asset residual value represents the estimation of amount that the Company could currently from disposal of the asset, less cost to sell on the assumption that the asset age and its technical condition already correspond to the expected at the end of its useful life. The asset residual value equals to zero when the Company expects to use the asset until the end of its physical life. Assets residual value and their useful life are reviewed and, if necessary, adjusted at each reporting date.

(iii) Impairment

At each reporting date the management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying value is reduced to its recoverable amount and the impairment loss is recognized in the statement of comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or its fair value less cost to sell.

If an estimate of the recoverable value for an individual asset is not possible, the Company determines the recoverable value of a cash generating unit to which an asset belongs.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the future cash flow estimates have not been adjusted.

Financial instruments*Financial assets**Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)***Financial assets (continued)**Initial recognition and measurement (continued)*

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Financial assets of the Company include cash and loans issued.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

This is the category most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains or losses are recognized in profit or loss when an asset is derecognized, modified or impaired.

The Company includes trade receivables, as well as a loan issued to an associate to the category of financial assets measured at amortised cost.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When the Company has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)*****Impairment of financial assets***

The Company recognises a provision for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

In 2023, the Company provided property storage services in its own warehouses for Loong Sapphire International Operation Group LLP and Qinglong Oil Technology and Engineering Company LLP. Trade receivables as at 31 December 2023 amounted to 31,099 thousand tenge and 106,425 thousand tenge, respectively (31 December 2022: for Loong Sapphire International Operation Group LLP, trade receivables amounted to 77,746 thousand tenge).

Financial liabilities***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, less directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Financial liabilities***Derecognition***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)***Offsetting of financial instruments*

Financial assets and financial liabilities are only offset and reported at the net amount in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded at an active market, the fair value is determined by using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are restated in the financial statements on a periodic basis, the Company determines if it is necessary to transfer them between levels of the fair value hierarchy by re-analysing their classification (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosure, the Company classified assets and liabilities based on their nature, characteristics and risks related to them and applicable level of fair value hierarchy, as specified above (*Note 18*).

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and bank deposits on demand. Cash balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date are included in other non-current assets. Cash balances restricted for being exchanged or used to settle a liability are not included in cash and cash equivalents for the purposes of cash flow statement.

Value added tax (VAT)

Tax legislation allows to offset VAT on a net basis.

VAT payable

VAT is payable to tax authorities upon collection of receivables from customers. Export sales are zero rated. VAT on purchases, which have been settled at the balance sheet date, is deducted from the amount payable.

In addition, VAT related to sales which have not been collected at the balance sheet date is also included in the balance of VAT payable. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT liability is maintained until the debtor is written off for tax purposes.

VAT recoverable

VAT recoverable relates to purchases, which have not been settled at the reporting date. VAT receivable is reclaimable against VAT related to sales upon payment for the purchases or reimbursed by tax authorities by cash or by offset with other taxes payable. Reimbursable VAT is classified as a long-term if it is not expected to be repaid during one year from the reporting date.

Share capital

Gains and losses from transactions with shareholders or parties related to shareholders acting on behalf of shareholders are recognized in equity.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provisions for asset retirement obligations

The Company estimates provision for future asset retirement obligations with reference to the estimates provided from either internal or external engineers after taking into consideration the anticipated method of dismantlement/closure and the extent of site restoration required in accordance with current legislation and industry practices. Provisions for asset restoration obligations are provided for in the period in which the obligation arises if the fair value can be reasonably estimated. The corresponding asset restoration obligations are capitalised as part of the carrying amount of the exploration and evaluation assets, based on the net present value of estimated future cash flows. Provisions do not include any additional obligations which are expected to arise from future disturbance. The cost estimates are calculated annually during the life of the operation to reflect known developments.

NOTES TO THE FINANCIAL STATEMENTS (continued)**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Provisions for asset retirement obligations (continued)**

The amortisation of the discount applied in establishing the net present value of provisions is charged to profit or loss in each accounting period and is recognised as finance costs.

Changes in reserves for future site deconstruction and restoration costs resulting from new disruptions due to the drilling of new wells, revised cost estimates, changes in estimated operating life and revisions to discount rates are capitalized into exploration and evaluation assets. The amount of costs for dismantling 1 well is 11,614 thousand tenge as of December 31, 2023 (as of December 31, 2022: 10,578 thousand tenge).

<i>In percentage terms</i>	2023	2022
Discount rate	12.05%	16.06%
Inflation rate	8.01%	13.18%
Period of fulfilment of the obligation	2 years	1 year

As at 31 December 2023, the carrying amount of the obligation to abandon wells and restore the site was 245,827 thousand tenge (31 December 2022: 135,689 thousand tenge) (*Note 11*)

Payroll expenses and payroll related deductions

Payroll expenses, pension contributions, contributions to the social insurance fund, paid annual vacations and sick leaves, bonuses and non-cash benefits are charged upon completion of certain types of works by employees of the Company. The Company pays pension benefits stipulated by the legislative requirements of the Republic of Kazakhstan on behalf of its employees. Upon retirement of employees, financial liabilities of the Company are derecognized and all subsequent payments to retired employees are made by the state savings pension fund.

Corporate income tax

In these financial statements corporate income tax is recorded in accordance with the tax legislation of the Republic of Kazakhstan, enacted or substantively enacted at the reporting date. Income tax expenses comprise current and deferred taxes and are recorded in the statement of loss, except for the taxes related to transactions recorded in one or different periods in other comprehensive income or directly within equity.

Current income tax represents the amount expected to be recovered from or paid to the tax authorities with respect to taxable profit or loss for the current and prior periods. Taxable profit or loss are based on estimated figures, in the event that the financial statements are submitted prior to filing of tax returns. Other taxes, apart from corporate income tax, are recorded within operating expenses.

Deferred income tax is provided using the liability method on tax losses carry-forward and temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial reporting.

The deferred tax is calculated according to effective tax rates enacted or substantively enacted at the reporting date, which are expected to be applied in the period of restoration of temporary differences or utilisation of tax losses carried forward. Deferred income tax assets with respect to deductible temporary differences and tax losses carried forward are recognised only to the extent that it is probable that taxable profit will be available in future that could be reduced to the amount of such deductions.

Uncertain tax positions

The Company's uncertain tax positions are reassessed by the management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (continued)**5. EXPLORATION AND EVALUATION ASSETS**

<i>In thousands of tenge</i>	Tangible assets	Intangible assets	Total
As at 1 January 2022	41,034,838	732,864	41,767,702
Additions	1,967,434	-	1,967,434
Changes in estimates	15,260	-	15,260
As at 31 December 2022	43,017,532	732,864	43,750,396
Additions	13,216,264	-	13,216,264
Changes in estimates (Note 11)	1,741	-	1,741
As at 31 December 2023	56,235,537	732,864	56,968,401

As at 31 December 2023, exploration and evaluation assets include capitalised inventories in the amount of 279,808 thousand tenge (as at 31 December 2022: 281,816 thousand tenge). Capitalised inventory represents the cost of casing pipes, drilling bits and other drilling materials. During 2023, the Company capitalised geological and geophysical expenses directly attributable to exploration and evaluation operations in the amount of 102,620 thousand tenge (2022: 88,476 thousand tenge). During 2023, the Company capitalised expenses on loans in the amount of 1,414,983 thousand tenge (2022: 1,412,794 thousand tenge). During 2023, the Company drilled 7 wells (2022: the Company drilled 2 wells).

6. LONG-TERM VAT RECOVERABLE

<i>In thousands of tenge</i>	2023	2022
At 1 January	2,653,350	2,604,416
Additions	1,386,037	48,934
Reclassification to the short-term part	(32,961)	-
Netting	(32,961)	-
At 31 December	3,973,465	2,653,350

7. RESTRICTED CASH

Restricted cash, in terms of creating an appropriate liquidation fund, represents cash in tenge in a bank account to fulfil obligations for the future site restoration, in accordance with the Subsoil Use Contract, the Company is obliged to accumulate cash in a special bank account for the relevant purposes. The management of the Company does not intend to use this cash with a restriction on withdrawal until liquidation of the wells. In 2023, interest on accounts restricted in use was accrued at a rate of 10.5% per annum (2022: 10.5%).

8. LOAN ISSUED

<i>In thousands of tenge</i>	Interest rate	Date of repayment	31 December 2023	31 December 2022
North Caspian Petroleum JSC	9%	On demand	-	230,000
			-	230,000

In 2018, the Company provided loans to North Caspian Petroleum JSC in the total amount of 1,684,231 thousand tenge at the rate of 9% per annum. Under the supplementary agreement dated 31 December 2019, repayment of the loan and payment of interest on each loan shall be paid by the borrower within 30 days after receiving an official written request for repayment from the Company. In 2023 the Company accrued additional provision for expected credit losses in the amount of 323,584 thousand tenge (in 2022: 530,475 thousand tenge). Thus, the total provision for expected credit losses amounted to 1,520,950 thousand tenge.

NOTES TO THE FINANCIAL STATEMENTS (continued)**8. LOAN ISSUED (continued)**

The movement in the loans issued for the years ended 31 December 2023 and 2022 was as follows:

<i>In thousands of tenge</i>	1 January 2022	Interest accrued for the year (Note 16)	Accrual of ECL allowance (Note 15)	31 December 2023
Short-term loans	230,000	93,584	323,584)	-
	230,000	323,584	(323,584)	-

<i>In thousands of tenge</i>	1 January 2021	Interest accrued for the year (Note 16)	Accrual of ECL allowance (Note 15)	31 December 2022
Short-term loans	666,891	93,584	(530,475)	230,000
	666,891	93,584	(530,475)	230,000

9. CASH AND CASH EQUIVALENTS

As at 31 December 2023 and 2022 cash and cash equivalents comprised the following:

<i>In thousands of tenge</i>	31 December 2023	31 December 2022
Bank accounts in US dollars	20,865	11,293
Bank accounts in tenge	380	123
Total	21,245	11,416

Current accounts with banks are non-interest bearing. The table below shows the analysis of credit ratings of bank institutions where the Company holds cash balances as at the reporting date.

<i>In thousands of tenge</i>	Standard and Poor's and Fitch	31 December 2023	31 December 2022
Bank CenterCredit JSC	BB/Positive	21,245	11,416
Total		21,244	11,416

10. SHARE CAPITAL

As at 31 December 2023 and 2022, the charter capital of the Company amounted to 283,780 thousand tenge and was fully formed and paid. On 4 September 2019, the Company was reorganised from a limited liability partnership into a Joint Stock Company. In reorganisation, additional paid-in capital in the amount of 34,957,358 thousand tenge was transferred to the share capital and accumulated loss of the Joint Stock Company.

During 2019 authorized share capital was increased by 283,780 thousand tenge through issue of 1,000,000 ordinary shares with nominal value 283,78 tenge each.

11. ABANDONMENT AND SITE RESTORATION PROVISION

<i>In thousands of tenge</i>	2023	2022
At 1 January	135,689	114,595
Additional provision for the year	86,601	16,961
Changes in estimates (Note 5)	1,741	(1,701)
Unwinding of discount (Note 16)	21,796	5,834
At 31 December	245,827	135,689

The accounting policies and explanatory notes on pages 5 to 29 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)**11. ABANDONMENT AND SITE RESTORATION PROVISION (continued)**

Asset retirement obligations consist of provisions for future site restoration and relate to liabilities under the Contract for the recovery of a hydrocarbon field to its initial condition. Mainly, these expenditures will be incurred by the end of the useful life of wells. The volume and cost of future recovery programs will be difficult to estimate. They depend on the estimated useful life of wells, volume of possible contamination, timeline and volume of rehabilitation measures.

In 2019, the Company engaged OPTIMUM Design Institute LLP to determine the residual value of the entire field.

12. LOANS AND BORROWINGS

<i>In thousands of tenge</i>	Interest rate	Currency	Maturity	31 December 2023	31 December 2022
Short-term loans					
Sino-Science Netherlands Petroleum B.V.	0%	KZT	On demand	20,738,492	20,738,492
Kozhan JSC	18%	KZT	On demand	4,738,967	4,371,725
Hong Kong Sino-Science International Oil & Gas, Ltd	8%		31 December 2024	1,629,257	12,709,059
Sino-Science Netherlands Energy Group B.V.	0%	KZT	On demand	570,663	570,663
Financial assistance from employees	0%	KZT	31 December 2024	21,856	21,856
Sino-Science Netherlands Petroleum B.V.	8%	USD	Repaid	-	2,823,833
Total short-term loans				27,699,235	41,235,628
Long-term loans					
Hong Kong Sino-Science International Oil & Gas, Ltd	8%	USD	31 December 2026	13,250,486	1,112,286
Sino-Science Netherlands Petroleum B.V.	8%	USD	31 December 2026	2,949,006	-
Total long-term loans				16,199,492	1,112,286
Total loans				43,898,727	42,347,914

The movement in loans given for the year ended 31 December 2023 and 2022 was as follows:

<i>In thousands of tenge</i>	1 January 2023	Loans received/paid during the year	Interest accrued for the year	Change in reclassification	Change in foreign currencies	31 December 2023
Short-term loans	41,235,628	431,873	472,588	(14,420,607)	(20,247)	27,699,235
Long-term loans	1,112,286	-	942,395	(14,420,607)	(275,796)	16,199,492
	42,347,914	431,873	1,414,983	-	(296,043)	43,898,727

<i>In thousands of tenge</i>	1 January 2022	Loans received during the year	Interest accrued for the year	Change in reclassification	Change in foreign currencies	31 December 2022
Short-term loans	25,321,808	(20,000)	1,349,831	13,601,810	982,179	41,235,628
Long-term loans	14,127,863	494,728	62,963	(13,601,810)	28,542	1,112,286
	39,449,671	474,728	1,412,794	-	1,010,721	42,347,914

The accounting policies and explanatory notes on pages 5 to 29 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)**12. LOANS AND BORROWINGS (continued)****Sino-Science Netherlands Petroleum B.V.**

The loans were received from Sino-Science Netherlands Petroleum B.V., under a loan agreement dated October 11, 2011 and a loan agreement dated April 22, 2013, with a fixed interest rate of 8% in the amount of 142,070 thousand US dollars (equivalent to 64,579,339 thousand tenge as of December 31, 2023) and 6,645 thousand US dollars (equivalent to 3,020,551 thousand tenge as of December 31, 2023), respectively. In October 2014, the Company entered into an additional agreement to the General Agreement with Sino-Science Netherlands Petroleum B.V. to increase the loan amount in the amount of 85,000 thousand US dollars (equivalent to 38,637,600 thousand tenge as of December 31, 2023). The original maturity of the loan was December 31, 2017, which was extended on November 10, 2017 until December 31, 2022.

On December 31, 2018, an assignment agreement was concluded on the transfer of rights to claim the principal amount of the loan from Sino Science Netherlands Petroleum B.V. to Hong Kong Sino-Science International Oil & Gas Investment Group Company in the amount of 19,000 thousand US dollars (equivalent to 8,636,640 thousand tenge as of December 31, 2023).

On 31 December 2018, a supplementary agreement was concluded to the loan agreement dated 11 October 2011 and the loan agreement dated 22 April 2013. The following changes have been made:

- The term of the principal amount of the loan is defined as unlimited, the Company has right to repay the loan in one or several tranches at any time that is convenient to the Company by notifying the Sino-Science Netherlands Petroleum B.V. in writing in advance, one banking day before the date of repayment of the loan;
- The loan under the loan agreement is provided to the Company free of charge, and no interest for using the loan by Sino-Science Netherlands Petroleum B.V. is charged from 31 December 2018;
- Change of currency of the loan agreement from US dollars to the national currency of the Republic of Kazakhstan, i.e., tenge;
- Accumulated interest is payable upon the lender's request.

Upon signing supplementary agreements, the principal debt to the parent company was reclassified to the Company's equity as additional paid-in capital (*Note 10*).

As at 31 December 2023, the loan amounted to 20,738,492 thousand tenge (2022: 20,738,492 thousand tenge), the fair value of the loan approximates the carrying value of the loan.

On May 31, 2019, the Company entered into a non-revolving credit line agreement with Sino Science Netherlands Petroleum B.V. to obtain borrowed funds in the amount of USD 4,800,000 (equivalent to KZT 2,181,888 thousand as of December 31, 2023) (2022: equivalent of 2,220,720 thousand tenge), with a maturity until December 31, 2026.

During 2023, the Company entered into an additional agreement as a result of which the repayment period was extended to December 31, 2026. During 2023 and 2022, the Company accrued but did not pay interest in the amount of 175,329 thousand tenge and 176,539 thousand tenge, respectively.

According to the loan agreement with Sino-Science Netherlands Petroleum B.V., the Company has non-financial covenants. As of December 31, 2023 and 2022, the Company has no outstanding covenants.

Sino-Science Netherlands Energy Group B.V.

On December 18, 2015, the Company entered into a non-revolving credit line agreement with Sino Science Netherlands Energy Group B.V. in order to obtain borrowed funds in the amount of 50,000 thousand US dollars (equivalent to 22,728,000 thousand tenge at the tenge exchange rate as of December 31, 2023) with fixed interest rate of 8% and maturity until December 31, 2022. Loans are denominated in US dollars.

In 2018, the Company additionally received 463 thousand US dollars (equivalent to 210,461 thousand tenge at the tenge exchange rate as of December 31, 2023).

On 31 December 2018, a supplementary agreement was concluded to the loan agreement dated 18 December 2015. The following changes have been made:

- The term of the principal amount of the loan is defined as unlimited, the Company has right to repay the loan in one or several tranches at any time that is convenient to the Company by notifying the Sino-Science Netherlands Petroleum B.V. in writing in advance, one banking day before the date of repayment of the loan;

The accounting policies and explanatory notes on pages 5 to 29 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)**12. LOANS AND BORROWINGS (continued)****Sino-Science Netherlands Energy Group B.V. (continued)**

- Accumulated interest is payable upon the lender's request.
- The loan under the loan agreement is provided to the Company free of charge, and no interest for using the loan by Sino-Science Netherlands Energy Group B.V. is charged from 31 December 2018;
- Change of currency of the loan agreement from US dollars to the national currency of the Republic of Kazakhstan, i.e., tenge;

Upon signing supplementary agreements, the principal debt to the parent company was reclassified to the Company's equity as additional paid-in capital. As at 31 December 2023, the loan amounted to 570,663 thousand tenge (2022: 570,663 thousand tenge), the fair value of the loan approximates its carrying value.

According to the loan agreement with Sino-Science Netherlands Energy Group B.V., the Company has non-financial covenants. As at 31 December 2023 and 2022, the Company has no outstanding covenants.

Kozhan JSC

On 9 March 2017, a short-term agreement was signed between the Company and Kozhan JSC to provide a non-revolving credit line for a total amount of 5,000,000 thousand tenge, with a repayment period until 9 March 2018. The interest rate on the loan is fixed – 18% per annum. In 2018, the Company entered into an additional contract to extend the repayment period until 9 March 2019. In 2019, the Company entered into an additional agreement to extend the repayment period until 16 June 2020. In 2020, the Company entered into an additional agreement to extend the repayment period until 16 June 2021. In 2021, the Company entered into an additional agreement to extend the repayment period until 16 June 2022. In 2022, the Company entered into an additional agreement to extend the repayment period until 16 June 2023. Pursuant to an additional agreement dated 15 June 2023, repayment of the loan and payment of interest on the loan must be paid by the borrower within 30 days after receiving a formal written request for repayment from the Company and the interest rate on the loan is changed from 18% to 15%. As of 31 December 2023, the loan amount is 4,738,968 thousand tenge (2022: 4,371,725 thousand tenge). During 2023 and 2022, the Company accrued but did not pay interest in the amount of Tenge 367,243 thousand and Tenge 400,929 thousand, respectively.

Hong Kong Sino-Science International Oil & Gas, Ltd

On December 31, 2018, an assignment agreement was concluded on the transfer of rights to claim the principal amount of the loan from Sino Science Netherlands Petroleum B.V. to Hong Kong Sino-Science International Oil & Gas Investment Group Company in the amount of 19,000 thousand US dollars (equivalent to 8,636,640 thousand tenge as of December 31, 2023) (2022: equivalent to 8,790,350 thousand tenge). In 2023, the Company entered into an additional agreement as a result of which the repayment period was extended until December 31, 2026. During 2023 and 2022, the Company accrued but did not pay interest in the amount of 694,011 thousand tenge and 698,800 thousand tenge, respectively.

On January 10, 2020, the Company entered into a loan agreement with Hong Kong Sino-Science International Oil & Gas, Ltd. in order to obtain borrowed funds in the amount of USD 2,000 thousand. As of December 31, 2023, the Company received borrowed funds under the loan agreement in the amount of 2,000 thousand US dollars (equivalent to 909,120 thousand tenge as of December 31, 2023) (2022: equivalent to 925,300 thousand tenge) with a fixed interest rate of 8% and repayment period until December 31, 2023. In 2023, the Company entered into an additional agreement, as a result of which the loan repayment period was extended until December 31, 2026. During 2023 and 2022, the Company accrued but did not pay interest in the amount of 73,055 thousand tenge and 73,564 thousand tenge, respectively.

On June 17, 2021, the Company entered into a loan agreement with Hong Kong Sino-Science International Oil & Gas, Ltd. to obtain borrowed funds in the amount of US\$700 thousand. As of December 31, 2023, the Company received borrowed funds under the loan agreement in the amount of 641 thousand US dollars (equivalent to 291,279 thousand tenge as of December 31, 2023) (2022: equivalent of 296,463 thousand tenge) with a fixed interest rate of 8% and maturity until December 31, 2024. During 2023 and 2022, the Company accrued but did not pay interest in the amount of 23,406 thousand tenge and 23,568 thousand tenge, respectively. On August 31, 2021, the Company entered into a loan agreement with Hong Kong Sino-Science International Oil & Gas, Ltd. to obtain borrowed funds in the amount of US\$3,000 thousand. In 2023 and 2022, the Company received borrowed funds under the loan agreement in the amount of 949 thousand US dollars and 1,596 thousand US dollars, respectively (equivalent to 1,170,355 thousand tenge at the tenge exchange rate as of December 31, 2023) with a fixed interest rate of 8% and maturity until December 31, 2024 (2022: equivalent to 738,482 thousand tenge at the tenge exchange rate as of December 31, 2022). Loans are denominated in US dollars.

The accounting policies and explanatory notes on pages 5 to 29 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)**12. LOANS AND BORROWINGS (continued)****Hong Kong Sino-Science International Oil & Gas, Ltd (continued)**

During 2023 and 2022, the Company accrued but did not pay interest in the amount of 81,938 thousand tenge and 39,395 thousand tenge, respectively. On April 10, 2023, the Company entered into a loan agreement with Hong Kong Sino-Science International Oil & Gas Investment Group Company, Ltd for the purpose of financing operations in the amount of 22,000 thousand US dollars (equivalent to 10,000,320 thousand tenge at the tenge exchange rate as of December 31, 2023) with fixed interest rate of 8% and maturity until December 31, 2024. As of December 31, 2023, the Company has not yet disbursed borrowed funds.

13. ACCOUNTS PAYABLE AND OTHER DEBTS

<i>In thousands of tenge</i>	31 December 2023	31 December 2022
Accounts payable from third parties	19,983,092	7,396,317
	19,983,092	7,396,317

Trade and other payables mostly represented by drilling services that are due within the next 12 months. As of 31 December 2023 and 2022 accounts payable and other debt were denominated in Tenge.

14. OTHER CURRENT LIABILITIES

<i>In thousands of tenge</i>	31 December 2023	31 December 2022
Provision for fines and penalties	322,524	223,286
Contract performance bond paid by suppliers	154,141	153,990
Provision for unused vacations	13,032	9,215
Other	84,731	50,603
Total	574,428	437,094

As of 31 December 2023 and 2022, the provision for fines and penalties mainly represents a provision for failure to fulfill contractual obligations to Anton Oilfield International Company Limited Branch in the amount of 223,286 thousand tenge. During 2023, the Company recognized fines for excess emissions from the combustion of raw gas in the amount of 99,238 thousand tenge. As of December 31, 2023 and 2022, contract security paid by suppliers represents advance payments of 3% of the contract amount provided by suppliers during the provision of services. Upon completion of the work, the guarantees are returned to the suppliers.

15. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of tenge</i>	2023	2022
Accrual of provision for expected credit losses (Note 8)	323,584	530,475
Payroll and related taxes	93,421	79,551
Transportation expenses	37,585	23,224
Rent expenses	30,554	31,071
Business trip expenses	20,020	7,608
Consulting services	17,907	12,094
Tax payments and charges	8,762	5,044
Lodging of employees	5,593	934
Accrual/(recovery) of unused vacation allowance	3,817	(79)
Office expenses	1,247	1,661
Telecommunication services	1,226	1,824
Bank charges	606	86
Insurance	366	580
Depreciation and amortization	243	219
Other	24,095	6,312
Total	569,026	700,604

The accounting policies and explanatory notes on pages 5 to 29 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)**16. FINANCE INCOME / COSTS**

<i>In thousands of tenge</i>	2023	2022
Interest income on loans issued (Note 8)	93,584	93,584
Interest income on restricted cash	20,277	20,277
Finance income	113,861	113,861
<i>In thousands of tenge</i>	2023	2022
Unwinding of discount on abandonment and site restoration provision (Note 11)	(21,796)	(5,834)
Finance costs	(21,796)	(5,834)

17. INCOME TAX EXPENSE

The Company is subject to income tax of 20% on taxable profit as determined under the laws of the Republic of Kazakhstan. Income tax expense for the years ended 31 December 2023 and 2022 is as follows:

<i>In thousands of tenge</i>	2023	2022
Current income tax expense	75,344	40,586
Deferred income tax expense	-	-
Income tax expenses	75,344	40,586

A reconciliation of income tax expense applicable to profit/loss before tax at the statutory income tax rate to current income tax expense was as follows for the years ended 31 December 2023 and 2022:

<i>In thousands of tenge</i>	2023	2022
Profit/(loss) before taxes	90,261	(1,505,850)
Statutory tax rate	20%	20%
Theoretical income tax benefit at the statutory tax rate	18,052	(301,170)
Change in unrecognised deferred tax assets	74,685	51,630
Deferred tax adjustment	-	245,602
Other differences	(17,393)	44,524
	75,344	40,586

Deferred tax balances are calculated by applying the income tax rates in effect at the respective balance sheet dates to the temporary differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. Tax losses carried forward as at 31 December 2023 per tax legislation of the Republic of Kazakhstan applied by the Company expire for tax purposes 10 (ten) years from the date they are incurred.

<i>In thousands of tenge</i>	31 December 2023	Charged to statement of comprehensive income	31 December 2022	Charged to statement of comprehensive income	31 December 2021
Deferred tax assets					
Tax loss carry forward	4,174,389	(12,822)	4,187,211	(60,352)	4,247,563
Long-term VAT recoverable	80,713	-	80,713	-	80,713
Accounts payable and other debts	1,247,714	-	1,247,714	-	1,247,714
Asset retirement obligations	49,165	22,027	27,138	5,903	21,235
Provision for unused vacations	2,606	763	1,843	(16)	1,859
Loans issued	304,190	64,717	239,473	106,095	133,378
Deferred tax assets	5,858,777	74,685	5,784,092	51,630	5,732,462
Deferred tax asset provisions	(5,858,777)	(74,685)	(5,784,092)	(51,630)	(5,732,462)
Deferred tax assets, net	-	-	-	-	-

The accounting policies and explanatory notes on pages 5 to 29 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)**18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

Risk management is the important element of the Company's activities. The Company's operations are associated with risks, including liquidity risk, interest rate risk, currency risk and operational risk. The risk management policies of the Company are described as follows:

Capital Management

The Company manages its capital in order to continue to adhere to the principle of going concern while maximizing returns for stakeholders by optimizing the debt and equity balance.

The Company's capital management is strictly dependent on the participants' capital management strategy. Most capital management decisions are made in consultation with the relevant member committees. To maintain or adjust the capital structure, members may make contributions to the Company's capital, undertake debt financing from related parties or authorize the Company to obtain debt financing from third parties by providing guarantees for all significant external borrowings.

The main categories of financial instruments

The Company's principal financial liabilities comprise borrowings, accounts payable and other debts. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company also has various financial assets such as accounts receivable, cash and cash equivalents.

<i>In thousands of tenge</i>	31 December 2023	31 December 2022
Financial assets		
Loan issued (Note 8)	–	230,000
Restricted cash (Note 7)	193,109	193,109
Cash and cash equivalents (Note 9)	21,245	11,416
Total	214,354	434,525
Financial liabilities		
Loans (Note 12)	43,898,727	42,347,914
Accounts payable and other debts (Note 13)	19,983,092	7,396,317
Contract liabilities (Note 14)	154,141	153,900
Total	64,035,960	49,898,221

Fair value of financial instruments

The carrying amount of all financial assets and liabilities are estimated to be approximately equal to their fair value as at 31 December 2023 and 2022.

Set out below is a comparison by class of the carrying amounts and fair values of the Company's financial assets and liabilities that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and liabilities.

<i>In thousands of tenge</i>	Carrying amount 2023	Fair value 2023	Carrying amount 2022	Fair value 2022
Assets				
Loan issued	–	–	230,000	230,000
Restricted cash	193,109	193,109	193,109	193,109
Cash and cash equivalents	21,245	21,245	11,416	11,416
Total	214,354	214,354	434,525	434,525
Liabilities				
Loans	43,898,727	43,898,727	42,347,914	42,347,914
Accounts payable and other debts	19,983,092	19,983,092	7,396,317	7,396,317
Contract liabilities	2,672,250	2,672,250	2,672,250	2,672,250
Total	63,881,818	63,881,818	52,416,481	52,416,481
Net	(66,339,715)	(66,339,715)	(51,981,956)	(51,981,956)

The accounting policies and explanatory notes on pages 5 to 29 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)**18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Credit risk**

Credit risk is the risk that one party with financial instrument will not be able to fulfil an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk from its operating activities and certain investing activities. The Company places deposits with Kazakh banks (*Notes 7 and 9*). The Company's management reviews credit ratings of this bank periodically to eliminate extraordinary credit risk exposure. The Company's management believes that the recent international credit crisis and subsequent changes in credit rating of local banks does not justify extraordinary credit risk.

Interest rate risk

The interest rate on loans is fixed. Therefore, as at 31 December 2023, income and cash flows from the principal activities of the Company are not exposed to changes in market interest rate. The Company's policy is to capitalise all borrowing costs eligible for capitalisation.

Currency risk

The Company is exposed to foreign currency risk with respect to loans denominated in currency other than tenge. US dollar is the main currency that causes such risk. The Company does not hedge the currency risk exposure, at the same time the management attempts to reduce this risk through management of monetary assets and liabilities in foreign currency at the same (more or less stable) level.

Below is the carrying amount of monetary assets and liabilities of the Company denominated in foreign currency as at the reporting date:

<i>In thousands of tenge</i>	31 December 2023	31 December 2022
Assets		
Cash and cash equivalents (<i>Note 9</i>)	20,865	11,293
Total	20,865	11,293
Liabilities		
Loans (<i>Note 12</i>)	17,828,746	16,645,178
Total	17,828,746	16,645,178
Net	(17,807,881)	(16,633,885)

The sensitivity analysis with respect to foreign currency

The Company is exposed mainly to US dollar /tenge exchange rate risk. The following table details the sensitivity to a 14.15% and (14.15%) increase or decrease in US dollar against tenge for 2023 (2022: 21% and (21%)). The sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes assets and liabilities expressed in foreign currency at the end of the reporting date.

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	KZT/USD +14.15%	KZT/USD -14.15%	KZT/USD +21%	KZT/USD -21%
Effect on net (loss)/profit	(2,519,815)	2,519,815	(3,493,221)	3,493,221

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its obligations when due. The Company's liquidity position is carefully managed and controlled. The Company has in place a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations.

NOTES TO THE FINANCIAL STATEMENTS (continued)**18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Operational risk**

Operational risk is the risk to sustain financial losses as the result of business interruption and possible damage for the Company's property as the result of natural disasters and technological emergencies.

As at 31 December 2023 the Company's management believes that the Company has sufficient number of insurance policies with respect to civil liability.

Maturity of financial liabilities

The table below analyses the Company's financial liabilities which will be settled on a gross basis into relevant maturity groups based on the remaining period at the reporting date to the contractual maturity date.

<i>In thousands of tenge</i>	Less than 3 months	3 to 12 months	1 to 5 years	Total
As at 31 December 2023				
Loans	26,048,124	1,861,799	19,026,678	46,936,601
Accounts payable and other debts	19,983,092	-	-	19,983,092
Total	46,031,216	1,861,799	19,026,678	66,919,693
As at 31 December 2022				
Loans	21,309,155	19,926,474	1,200,339	42,435,968
Accounts payable and other debts	7,396,317	-	-	7,396,317
Total	28,705,472	19,926,474	1,200,339	49,832,285

19. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party, is jointly controlled or may exercise significant influence over or jointly control the other party in making operational and financial decisions. In considering each possible related party relationship, attention is directed to the nature of the relationship, and not merely the legal form. The ultimate controlling party of the Company is disclosed in *Note 1*.

The nature of the related party relationships for those related parties with whom the Company entered into significant transactions or had significant balances outstanding at 31 December 2023 and 2022 are detailed below:

As at 31 December 2023 balances of transactions with related parties are presented below:

<i>In thousands of tenge</i>	Notes	Entities under common control	Parent
Loans issued	8	-	-
Loans obtained	12	43,898,727	-

As at 31 December 2022 balances of transactions with related parties are presented below:

<i>In thousands of tenge</i>	Notes	Entities under common control	Parent
Loans issued	8	230,000	-
Loans obtained	12	42,347,914	-

NOTES TO THE FINANCIAL STATEMENTS (continued)**19. RELATED PARTY BALANCES AND TRANSACTIONS (continued)**

Transactions with related parties as at 31 December 2023:

<i>In thousands of tenge</i>	Notes	Entities under common control	Parent
Interest receivable accrued	8	93,584	-
Interest payable accrued	12	1,414,983	-

Transactions with related parties as at 31 December 2022:

<i>In thousands of tenge</i>	Notes	Entities under common control	Parent
Interest receivable accrued	8	93,584	-
Interest payable accrued	12	1,412,794	-

Compensation to the key management personnel

Salaries and related taxes of the key management in 2023 and 2022 amounted to 48,731 thousand tenge and 79,551 thousand tenge, respectively. As at 31 December 2023, key management personnel consists of two directors. (31 December 2022: one director).

20. CONTINGENT AND CONTRACTUAL COMMITMENTS**Operating environment**

Economic reforms and the development of legal, tax and administrative infrastructure that would meet the requirements of a market economy continue in Kazakhstan. The future stability of the Kazakh economy will largely depend on the progress of these reforms, as well as on the effectiveness of the government's economic, financial and monetary policy measures.

Geopolitical situation

As a result of the conflict between the Russian Federation and Ukraine, many countries have introduced and continue to introduce new sanctions against individual Russian legal entities and Russian citizens. Sanctions were also imposed against the Republic of Belarus.

The situation with potential fluctuations in commodity prices, foreign exchange rates, import and export restrictions, the availability of local materials and services and access to local resources will have a direct impact on companies that have active operations or exposure to Russia, Belarus or Ukraine or have connections with them. However, the consequences of the current situation may directly or indirectly affect not only companies directly associated with the countries participating in the conflict.

Inflation and current economic conditions

The impact of the macroeconomic and geopolitical environment has exacerbated inflationary pressures in almost all countries of the world. High and rising energy prices have a negative impact on the cost of other goods and services, leading to significant increases in consumer prices in many countries.

Although prices for many goods, including food, have fallen from record highs earlier this year, they remain high. In 2023, inflation in Kazakhstan was 9.8% (in 2022: 20.3%).

Due to rising geopolitical tensions, there has been a significant increase in volatility in the stock and foreign exchange markets. On November 24, 2023, the Monetary Policy Committee of the National Bank of the Republic of Kazakhstan ("NBRK") decided to lower the base rate to 15.75% per annum with an interest rate corridor of +/- 1 percentage points. The Company continues to evaluate the impact of changing economic conditions on its business, financial condition and financial results. Current inflation pressures, macroeconomic and geopolitical uncertainties impact the assumptions and estimation uncertainties associated with the valuation of assets and liabilities.

The accounting policies and explanatory notes on pages 5 to 29 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. CONTINGENT AND CONTRACTUAL COMMITMENTS (continued)**Tax legislation**

Kazakhstan tax laws and regulations are subject to constant change and varying interpretations. There are often differences of opinion between local, regional and national tax authorities, including differences in approaches to the recognition of income, expenses and other items in financial statements under IFRS. The currently applied system of fines and penalties for detected offenses based on the laws in force in Kazakhstan is very severe. Due to the uncertainties inherent in the Kazakhstan tax system, the potential amount of taxes, penalties and interest, if any, could exceed the amount expensed to date and accrued at December 31, 2023. Management believes that, as of December 31, 2023, its interpretation of applicable law is appropriate and it is probable that the Company's tax position will be sustained other than to the extent that provisions have been accrued or disclosed in these financial statements.

Legal actions and claim

The Company was subject to legal proceedings and complaints, none of which, individually or collectively, had a significant adverse effect on the Company. Management believes that resolution of all these matters will not have a material impact on the Company's financial position or results of operations.

Environmental matters

The Company conducts relevant evaluation in order to comply with current environmental legislation and regulations of the Republic of Kazakhstan. However, recent environmental laws and regulations have been enacted, the interpretation and application of which are at the discretion of local environmental authorities and other regulatory authorities. Failure to comply with the laws and regulations of the Republic of Kazakhstan may result in the imposition of significant penalties and interest. Potential liabilities that may arise from changes in existing regulations or laws are not estimable but could be significant. However, based on its current interpretation of applicable law, management believes that the Company does not have any material liabilities that would have a material adverse effect on the Company's results of operations or financial condition in addition to the amounts already accrued and recognized in these financial statements.

Contractual commitments

As at 31 December 2023, the Company had capital commitments in the amount of 3,263,680 thousand tenge, including VAT, under the contracts on acquisition of property, plant and equipment and construction services (2022: 8,074,654 thousand tenge, including VAT).

Work program

In accordance with the subsurface use contract, the Company is required to carry out a minimum exploration work program specifying the scope of exploration works and their estimated cost that should be completed at minimum during the exploration stage. Exploration work program is included in the annual budget approved by the Company. The amount of the approved work program for exploration activities of the Company for the period from 1 January 2019 to 15 October 2023 is 10,249,000 thousand tenge, as at 31 December 2023, the Company has fulfilled its obligations under the work program in the amount of 14,130,841 thousand tenge.

21. SUBSEQUENT EVENTS

In March 2024, the Company completed the listing procedure and received notification of inclusion in the official list of AIX.