

Caspian Drilling Company LLC

**Consolidated financial statements prepared
under International Financial Reporting Standards**

*For the year ended 31 December 2022,
with independent auditor's report*

Independent auditor's report

To the Supervisory Board and Management of
Caspian Drilling Company LLC

Opinion

We have audited the consolidated financial statements of Caspian Drilling Company LLC (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial 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 consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and the Supervisory Board for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern;
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board 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.

Ernst & Young Holdings (CIS) B.V.

7 June 2023

Baku, Azerbaijan

Consolidated statement of profit or loss and other comprehensive income*(All amounts are in thousands of US dollars)*

	Note	31 December 2022	31 December 2021
Revenue	5	27,953	129,167
Cost of sales	6	(135,057)	(126,652)
Gross (loss)/ profit		(107,104)	2,515
General and administrative expenses	7	(15,187)	(14,194)
Other operating expense	11	–	(49,472)
Other income	8	23,898	17,669
Operating loss		(98,393)	(43,482)
Other expenses	9	–	(26,469)
Finance cost	13	(110)	(173)
Foreign exchange loss, net		(736)	(876)
Loss before tax		(99,239)	(71,000)
Income tax (expense)/benefit	10	(506)	6,611
Loss for the year		(99,745)	(64,389)
Other comprehensive loss for the year, net of tax – currency translation differences		–	(7)
Total comprehensive loss for the year		(99,745)	(64,396)

Signed and authorized for release on behalf of management:



Farid Akhundov
General Director



Ramin Aghaverdiyev
Deputy Director, Finance
The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position*(All amounts are in thousands of US dollars)*

	Note	31 December 2022	31 December 2021
Non-current assets			
Property, plant and equipment	11	134,978	154,929
Intangible assets	12	1,449	1,716
Deposit in bank	16	28,288	9,513
Right-of-use asset	13	1,923	881
Loan receivable from related party	18	106,193	102,856
Deferred income tax assets	10	26,929	26,929
Total non-current assets		299,760	296,824
Current assets			
Cash and cash equivalents	14	125,506	187,089
Restricted cash	15	12,371	2,451
Deposit in bank	16	24,279	69,107
Trade and other receivables	17	33,910	24,218
Prepayments	20	4,875	8,413
Inventories	19	41,089	43,109
Prepaid income tax	10	7,280	7,223
Other current assets		203	550
Total current assets		249,513	342,160
Total assets		549,273	638,984
Equity			
Charter capital	21	285,846	285,846
Additional paid-in capital		448	448
Retained earnings		204,044	303,789
Total equity		490,338	590,083
Non-current liabilities			
Lease liability	13	1,320	426
Other non-current liabilities		-	372
Total non-current liabilities		1,320	798
Current liabilities			
Accounts payable and accrued liabilities	22	51,508	45,996
Deferred revenue	5	5,417	-
Lease liability	13	603	607
Other current liabilities		87	1,500
Total current liabilities		57,615	48,103
Total liabilities		58,935	48,901
Total equity and liabilities		549,273	638,984

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of change in equity*(All amounts are in thousands of US dollars)*

	Note	Charter capital	Additional paid-in capital	Retained earnings	Cumulative translation differences	Total equity
Balance at 1 January 2021		285,846	448	368,178	7	654,479
Loss for the period		–	–	(64,389)	–	(64,389)
Other comprehensive loss		–	–	–	(7)	(7)
Total comprehensive loss		–	–	(64,389)	(7)	(64,396)
Balance at 31 December 2021		285,846	448	303,789	–	590,083
Loss for the period		–	–	(99,745)	–	(99,745)
Other comprehensive loss		–	–	–	–	–
Total comprehensive loss		–	–	(99,745)	–	(99,745)
Balance at 31 December 2022		285,846	448	204,044	–	490,338

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows*(All amounts are in thousands of US dollars)*

	Note	2022	2021
Operating activities			
Loss before tax		(99,239)	(71,000)
<i>Adjustments for:</i>			
Depreciation and amortization	6, 7	33,904	42,990
Impairment of property, plant and equipment	11	–	49,472
Expected Credit Loss (ECL)/ (ECL reversal)	7	67	(1,843)
Interest income	8	(3,471)	(3,502)
Foreign exchange gain, net		–	(7)
Finance cost	13	110	173
<i>Working capital adjustments</i>			
Change in trade and other receivables		(11,034)	33,396
Change in prepayments		3,538	(4,472)
Change in restricted cash		(9,920)	2,549
Change in inventories		2,020	(5,680)
Change in other current assets and liabilities		(1,544)	1,802
Change in accounts payable and accrued liabilities		5,512	(4,715)
Change in deferred revenue		5,417	(4,598)
Cash generated from operations		(74,640)	34,565
Income tax paid	10	–	(12,842)
Interest paid		(110)	(173)
Net cash flows from operating activities		(74,750)	21,550
Investing activities			
Purchase of property, plant and equipment		(13,245)	(5,761)
Withdrawal of deposits	16	70,000	25,000
Placement of deposits	16	(45,000)	(10,000)
Interest received		1,750	–
Net cash flows used for investing activities		13,505	9,239
Financing activities			
Payment of lease liability		(489)	(426)
Net cash flows used for financing activities		(489)	(426)
ECL reversal for cash and cash equivalents	14	151	95
Net increase/(decrease) in cash and cash equivalents		(61,583)	30,458
Cash and cash equivalents as at 1 January	14	187,089	156,631
Cash and cash equivalents as at 31 December		125,506	187,089

The accompanying notes are an integral part of these consolidated financial statements.