

CASPIAN ENERGY INC.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2008

MARCH 27, 2009

GENERAL INFORMATION.....	1
NOTE REGARDING FORWARD-LOOKING STATEMENTS	1
ABBREVIATIONS.....	3
CORPORATE STRUCTURE	4
GENERAL DEVELOPMENT OF THE BUSINESS.....	4
DESCRIPTION OF THE BUSINESS	5
RISK FACTORS	20
DIVIDENDS.....	30
DESCRIPTION OF SHARE CAPITAL	30
MARKET FOR SECURITIES.....	30
DIRECTORS AND OFFICERS.....	31
AUDIT COMMITTEE INFORMATION.....	33
LEGAL PROCEEDINGS	34
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	34
TRANSFER AGENT AND REGISTRAR	34
MATERIAL CONTRACTS	35
INTERESTS OF EXPERTS.....	35
ADDITIONAL INFORMATION.....	35
SCHEDULE A - STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION.	A-1
SCHEDULE B - REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR.....	B-1
SCHEDULE C - REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION	C-1
SCHEDULE D - CHARTER OF THE AUDIT COMMITTEE.....	D-1

GENERAL INFORMATION

The information in this annual information form is provided as at December 31, 2008, unless otherwise indicated.

All dollar figures in this annual information are expressed in Canadian dollars, unless otherwise indicated.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual information form constitute forward-looking statements. These statements relate to future events or the future performance of Caspian Energy Inc. (the "Company"). All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements in this annual information form include, but are not limited to, statements with respect to: the performance characteristics of the Company's oil and natural gas properties; drilling plans and the timing and location thereof; plans for the exploration and development of the Company's properties; plans for seismic acquisition and surveys; production capacity and levels, and the timing of achieving such capacity and levels; the level of expenditures for compliance with environmental regulations; the size of oil and natural gas reserves; projections of market prices and costs; supply and demand for oil and natural gas; expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; and capital expenditure programs.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking statements contained in this annual information form. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this annual information form include, but are not limited to: volatility of oil and natural gas prices; liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; geological, technical, drilling and processing problems; fluctuations in currency and interest rates; product supply and demand; risks inherent in the Company's foreign operations; changes in environmental and other regulations or the interpretation of such regulations; political and economic conditions in the Republic of Kazakhstan; and the other factors discussed under the heading "Risk Factors" in this annual information form.

Statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future. Readers are cautioned that the foregoing lists of factors

are not exhaustive. The forward-looking statements contained in this annual information form are made as of the date hereof. The forward-looking statements contained in this annual information form are expressly qualified by this cautionary statement.

ABBREVIATIONS

The following abbreviations are used in this annual information form:

<u>Oil and Natural Gas Liquids</u>		<u>Natural Gas</u>	
bbl	barrels	Mcf	thousand cubic feet
Mbbl	thousand barrels	MMcf	million cubic feet
MMbbl	million barrels		
bopd	barrels of oil per day		
<u>Other</u>			
Bo	barrels of oil		
boe or BOE	barrel of oil equivalent		
boe/d	barrels of oil equivalent per day		
Bw	barrels of water		
Bwpd	barrels of water per day		
FTP	flowing tubing pressure		
Mcfd	thousand cubic feet of gas per day		
Mboe	thousand of barrels of oil equivalent		
M\$	thousands of Canadian dollars		
M\$US	thousand of United States dollars		
MM\$	millions of Canadian dollars		
MM\$US	millions of United States dollars		
NPV	net present value		
SICP	shut-in casing pressure		
US\$ or \$US	United States dollars		
WTI	West Texas Intermediate		

Cautionary Note: For the purposes of this annual information form, BOEs are derived by converting gas to oil in the ratio of 6 Mcf of gas to 1 barrel of oil. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

CORPORATE STRUCTURE

Name and Incorporation

Caspian Energy Inc. (the “**Company**”) was incorporated as a private company under the *Business Corporations Act* (Ontario) on January 26, 1982 under the name “Northway Explorations Limited”. By articles of amendment dated February 3, 1986, the Company’s authorized capital was changed to consist of an unlimited number of common shares without par value (“**Common Shares**”). By articles of amendment dated October 3, 1986, the private company restrictions were removed from the Company’s articles. Effective September 2, 2004, the Company’s articles were further amended to change its name to “Caspian Energy Inc.”

The Company’s registered office is located at 2100-40 King Street West, Toronto, ON, M5H 3C2. Its head office is located at 410, 396-11th Avenue S.W., Calgary, Alberta T2R 0C5.

Subsidiaries

The sole subsidiary of the Company is Caspian Energy Ltd. (“**Caspian**”), a corporation incorporated under the laws of the Province of Ontario and wholly-owned by the Company. Caspian is the continuing corporation which resulted from the merger (the “**Merger**”) in September 2004 of 2049769 Ontario Ltd., a then wholly-owned subsidiary of the Company, and Caspian Energy Ltd. (“**pre-merger Caspian**”), an oil and gas exploration company which carried on the business that is currently conducted by Caspian. Upon completion of the Merger, Caspian became a wholly-owned subsidiary of the Company and the shareholders of pre-merger Caspian (other than the Company) acquired in excess of 50% of the outstanding Common Shares in exchange for their common shares of pre-Merger Caspian.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Historically, the Company was engaged in natural resource exploration for minerals and oil and gas in Canada. As described in greater detail below, since September 2004, the Company has been primarily involved in oil and gas exploration in the Republic of Kazakhstan (“**Kazakhstan**”).

On March 1, 2006, the Company completed a private placement of US\$16,000,000 principal amount of 10% secured convertible debentures maturing March 2, 2011 (the “**Debentures**”). The obligations of the Company under the Debentures are secured by a general charge over the Company’s assets and a pledge of all of the outstanding shares of Caspian to one of the holders of the Debentures, for the benefit of all of the holders.

The principal amount of the Debentures (excluding any capitalized interest) or any portion thereof of at least US\$250,000 is convertible into Common Shares at a conversion price of \$2.45 per Common Share (the “**Conversion Price**”), subject to adjustment under certain circumstances, at any time at the option of the holders and, at any time after March 1, 2008, at the option of the Company provided certain conditions are satisfied.

Interest accrued on a Debenture is payable quarterly at the option of the holder of a Debenture in the form of cash or Common Shares or, alternatively, capitalized and added to the principal

amount of the Debenture. Upon conversion of any principal amount of the Debentures into Common Shares, any capitalized interest and accrued but unpaid interest in respect of such principal amount so converted will also be converted into Common Shares at a conversion price equal to the greater of the Conversion Price and the volume-weighted average trading price of the Common Shares on the Toronto Stock Exchange (“TSX”) for the five consecutive trading days prior to the date of the conversion notice provided by the holder or the Company, as the case may be. Payment of accrued interest in the form of Common Shares at the option of a holder of a Debenture will also be determined using the foregoing conversion price.

At any time after March 1, 2008, the Company may repay all or any portion of the principal amount of the Debentures outstanding (subject to a minimum repayment of US\$1,000,000), upon prior written notice to the holders and subject to the exercise of their conversion rights in accordance with the terms of the Debentures. See “Risk Factors – Debentures”.

On April 5, 2006, the Company closed a private placement pursuant to which it issued 19,609,000 Common Shares at a price of \$2.55 per share for aggregate gross proceeds of \$50,002,950 to the Company. As partial consideration for their services provided in respect of the private placement, the underwriters received compensation options exercisable for 588,270 Common Shares at a price of \$2.77 per share until April 5, 2008.

On May 27, 2008, the Company announced the successful completion of a rights offering (the “Offering”), pursuant to which the Company issued to its shareholders a total of 104,343,263 rights (each a “Right”) on the basis of one Right for each Common Share held on April 25, 2008. Six Rights plus \$0.25 were exercisable for one unit of the Company (each, a “Unit”). Each Unit was comprised of one Common Share and one half of one share purchase warrant (each whole share purchase warrant, a “Warrant”), with each Warrant being exercisable at an exercise price of \$0.45 until the earlier of May 23, 2011 or the date which is 30 days following the receipt of a notice from the Company that the closing price of the Common Shares for any 20 consecutive trading days exceeded \$0.75. A total of 17,390,543 Units were subscribed for under the Offering for gross proceeds of \$4,347,635. Jones, Gable & Company Limited were engaged as managing dealer for the Offering and were paid fees of \$100,000 plus 0.5% of the gross proceeds of the Offering, plus an additional 0.5% of the proceeds from the sale of Units for which they were responsible. Soliciting dealers other than Jones, Gable & Company Ltd. were also paid 0.5% of the proceeds from the sale of Units for which they were responsible.

On November 12, 2008, Mr. Maurizio Barnaba was appointed as a director of the Company following his election on June 24, 2008.

DESCRIPTION OF THE BUSINESS

Aral Petroleum Capital LLP

The primary operating activities of the Company are conducted through Caspian, its wholly-owned subsidiary engaged in oil and gas exploration in Kazakhstan. On June 25, 2004, pre-merger Caspian acquired (i) 50 percent of the outstanding shares of Aral Petroleum Capital LLP (“Aral”), which was, at the time, a closed joint stock company under the laws of Kazakhstan; and (ii) a temporary 100 percent beneficial interest in EZ#213, the one producing well of Aral, in

exchange for the payment of US\$9,000,000 and the issuance of an aggregate of 16,545,454 common shares (all of which were exchanged for Common Shares in connection with the Merger). The 100% beneficial interest in EZ#213 held by Caspian terminated in early 2006, however, Caspian maintains a 50% economic interest in EZ#213 through its interest in Aral.

The primary business of Caspian is to operate Aral as a joint venture between Caspian and Azden Management Limited (“**Azden**”), which holds the other 50% interest in Aral. Azden, a company established under the laws of Belize to hold its interest in Aral, is wholly-owned by Adil Mukhamedzhanov, Vice-President, Finance of Aral and a director of the Company.

Aral is operated in accordance with the provisions of a shareholders agreement (the “**Shareholders Agreement**”) dated June 25, 2004 entered into by Caspian, Azden and Aral. The Shareholders Agreement is described below under “Shareholders Agreement”. Aral was reorganized as a limited liability partnership on August 25, 2004, however, until such time as the parties enter into a partnership agreement to define their respective rights and responsibilities, the Shareholders Agreement will continue to govern their relationship.

Aral has offices in Almaty and Aktobe, Kazakhstan and currently has approximately 49 employees.

Production Activity

Through its 50 percent interest in Aral, which is a party to an exploration contract with the Government of Kazakhstan, Caspian has the right to explore and develop certain oil and gas properties in Western Kazakhstan known as the “North Block”, a 3,458 square km area located in the vicinity of the Kazakh pre-Caspian basin.

Exploration within the North Block was conducted during the period of 1982 to 1994 and was successful in discovering several large oil and gas fields in the area. Aral currently has one producing oil field – the East Zhagabulak field. Aral re-entered EZ#213, one of the older exploration wells in the field, in February 2004 and re-perforated and tested the well in the Carboniferous KT-2 zone.

EZ#213, drilled and completed during the Soviet period, was re-worked in November 2006 and perforations were added in the KT-1 reservoir. Due to different casing weights, problems were encountered with packer setting for the acid operation and consequently, only one-half of the productive zones were acidized. Despite the limits on the acidization, a significant improvement of daily production over the pre-workover rates was achieved. On August 31, 2008, during a 24 hour test, before field shut-in: 210 Bo, 45 Bw, 286 Mcfd, FTP 250, SICP 1,588, flow line pressure 88 psig at an 8.7 mm choke. On November 3, 2008, a 24 hour test was conducted with the following results: 196 Bo, 101 Bw, 274 Mcfd, FTP 250, SICP 1,720, flow line pressure 110 psig at an 8.7 mm choke. Well 213 flowed for 22 days after the field was brought back on-line, but died on November 14, 2008 due to a high water-cut, believed to result from a cross-flow of water to the producing zone from other strata, when the well was shut-in. Artificial lift options are currently being evaluated. In addition, a survey to determine the production contribution from the KT-1 and KT-2 intervals is in progress, the results of which will be integrated into the final analysis and ranking of potential workover strategies for wells EZ#302 and EZ#303.

Prior to the end of the fourth quarter 2005, EZ#301 was drilled to a total depth of 4,846 metres and logged. The well was completed with the drilling rig before the rig was moved to the EZ#302 location. EZ#301 was matrix acidized and the two potentially productive hydrocarbon bearing zones were flow-tested. The lower zone (KT-2) was tested at 2,532 Bopd. The upper zone (KT-1) had difficulty maintaining an independent flow, so it was commingled with the lower zone and the well was tied-in to the Zhagabulak production facility. Subsequently, production logs were ran and it was determined that the KT-1 was producing 100 Bopd. Well 301 was undergoing a government mandated pressure survey in November 2006, when a production logging tool and cable were lost in the hole. During the second quarter, the tool and wire were recovered and the well has resumed production. On August 31, during a 24 hour test, before field shut-in: 545 Bo, 14 Bw, 743 Mcfd, FTP 309, SICP 1,793, flow line pressure 118 psig at a 12.0 mm choke. On November 3, 2008, a 24 hour test was conducted with the following results: 560 Bo, 17 Bw, 779 Mcfd, FTP 338, SICP 1,911, flow line pressure 121 psig at a 12.0 mm choke. Well EZ#301 is currently flowing 284 Bopd, 7 Bwpd and 382 Mcfd with a FTP of 338 psig on a 12mm choke. The flow rate has decreased since the November test due to a suspected asphaltene build-up in the flowline which has increased the back-pressure in the flowline from 176 psig in early February 2009, to 322 psig presently. Remedial actions have been undertaken and the flowline is expected to be purged with xlene in early April, 2009, reducing the back-pressure and restoring the well to its previous rate of 558 Bopd.

A second well location, EZ#302, was drilled approximately 3.6 km southwest of EZ#301 and is structurally updip to that well. EZ#302 spud on December 25, 2005. Acidizing and testing of the well were performed following removal of the drilling rig. The well showed all indications of hydrocarbons while drilling and logging; however, the stimulation efforts failed to cause the well to flow naturally. In well 302 a workover has been prepared to isolate the KT-II and the lower portions of the KT-I that exhibit higher water saturations on the logs.

The third drilling location, EZ#303, located 5.2 km southwest of EZ#302, was permitted to a depth of 5,700 metres and was spud on May 28, 2006. EZ#303 reached a total depth of 4,630 metres in a sidetrack wellbore after the initial wellbore reached a depth of 5,430 metres, but was lost due to a drill string parting, while pulling out of the hole for logging. A total of 70 meters were perforated and acidized in both the KT-1 and KT-2 intervals. A combined test of both intervals yielded water with small amounts of oil, while the separate test on the KT-1 yielded water. In well 303 a workover is proposed to isolate and test intervals separately to identify which perforations are producing water.

The East Zhagabulak field was temporarily shut-in on August 31, 2008 upon expiration of the term of the gas flaring permit. The field resumed production on October 24, 2008, after receipt of the new flare permit, but was shut in again for three days at the beginning of December, 2008 due to the expiration of the pilot production approval. The Author's Control Report ("ACR") was approved on December 5, 2008 and the field was brought back on line on that date. In conjunction with the ACR, the pilot production period was approved and extended through December 2009.

Prior to shut-in, East Zhagabulak field total production averaged 764 Bopd, 73 Bwpd and 1,065 Mcfd, from wells 213 and 301. During the shutdown, anodes were installed in all vessels and tanks at the East Zhagabulak Facility for corrosion protection purposes.

Exploration Activity

Zhagabulak Area

The Zhagabulak area, located in the southeastern corner of the North Block, was the initial focus of the Company's exploration thrust. The Government of Kazakhstan has estimated that this area contains 642 million barrels of oil in place with 193 million barrels classified as recoverable. These Kazakh estimates were based upon the results of Soviet era 2-D seismic data and stratigraphic test wells. Caspian neither accepts nor denies these estimates, but is seeking to validate this data through its exploration program.

The initial 3-D seismic program covering 406 square kilometres has been completed, processed and interpreted, indicating significant structures. Processing through Pre-Stack Time Migration (PSTM) of the Zhagabulak 3-D seismic data set was completed at the end of August 2005. The processing was performed by PGD-Dank (a division of Paradigm Geophysical) in Almaty, Republic of Kazakhstan ("ROK"). Following processing, the data set was transferred to Halliburton's Landmark Geophysical office in Moscow, Russia for interpretation. Processing through Pre-Stack Depth Migration ("PSDM") was completed in December 2005 and transferred to Landmark for interpretation. The presence of a broad, extensive structure separating Zhagabulak from neighboring producing fields has been noted and several potential drilling locations have been identified.

The location for the first well on the block, EZ#301, 1.1 km southwest of well EZ#213, was chosen from an earlier fast-track interpretation of the 3-D seismic data set. A contract with Nabors Drilling International was concluded in April 2005 and the well spud on July 16, 2005. The well reached a total depth of 4,846 metres on November 7, 2005, logs were run, production casing was set and testing began in mid-December. Acid treatment of the perforated intervals occurred during February 2006. See also "- Production Activity" above.

Proposals have been received from four engineering contractors to perform the Front End Engineering and Design ("FEED") Study for the East Zhagabulak Gas Utilization Program. The contract is expected to be awarded during early 2009.

The Company has initiated the development process for East Zhagabulak. The preparation of the official State Reserves Report for East Zhagabulak is complete and was approved by the government on October 16, 2008. The preparation of the Technology Scheme, which outlines the detailed plan of development of the field, was completed on December 8, 2008. Supported by the completed and approved Reserves Report and Technology Scheme an application for a development contract for the field is being prepared and the issue of a development contract for the field is expected during fiscal 2009.

Further drilling activity is planned following the approval of the East Zhagabulak development contract. Any failure or delay in receiving approval of the East Zhagabulak development contract would delay or terminate any such drilling plans accordingly.

Modifications to the Company's pilot processing plant in Zhagabulak were made to increase its throughput and to improve its reliability and safety. These modifications were completed in August 2006.

Baktygaryn Area

The Baktygaryn Area is located in the northwestern corner of the North Block. The Government of Kazakhstan has estimated that this area contains 863 million barrels of oil in place with 259 million barrels classified as recoverable. These Kazakh estimates were based upon the results of Soviet era 2-D seismic data and stratigraphic test wells. Caspian neither accepts nor denies these estimates, but seeks to validate this data through its exploration program.

In September 2005, Azimut Energy Services began seismic acquisition work in the Baktygaryn Area. The acquisition program of 235 square kilometres of 3-D seismic data was completed during November 2005 and the data transferred to PGS-GIS in Almaty for processing.

The data was fully processed through Pre-Stack Time Migration for the above salt section and through Pre-Stack Depth Migration for the below salt section and full interpretation of this data was completed by the end of October 2006. The acquisition of the regional 2-D seismic survey covering the west and north areas of the North Block and tying into the Zhagabulak and Baktygaryn 3-D seismic surveys that was completed in March 2006 has been processed and interpreted. The interpreted data from all new seismic data acquired and from the earlier reprocessed Soviet-era 2-D seismic has been combined to create a geological model and identify additional leads and prospects across the North Block territory.

The Baktygaryn Area presents drilling targets in both the below salt Lower Permian and Carboniferous sections and the above salt Upper Permian and Mesozoic sections with depths ranging from approximately 400 to 2,500 metres and provides a second tier of exploration to the Company's drilling portfolio. These targets are recognized in the forms of channel sands, traps against the Kungurian salt ridges and underneath salt overhangs.

In addition to the ongoing interpretation work on the Baktygaryn 3-D and North Block regional 2-D seismic data and the identification of several post-salt drilling targets in the Triassic and Permian formations, further progress on the interpretation has revealed the presence of additional targets which are being added to the Company's prospect and lead portfolio.

The first post-salt well identified from the Baktygaryn 3-D survey, Baktygaryn #703, was spud on March 17, 2008, reached total depth of 2,521 metres on June 15, 2008 and was rig-released on June 19, 2008. Numerous drilling delays were experienced due to deviation problems in the salt and anhydrite section and mechanical failures of the drill string. The object of the vertical well was to secondarily, test Triassic sandstones downdip on a faulted structure and primarily, Upper Permian sandstones in a trap below a Permian salt diaper overhang. The well encountered excellent reservoir quality sandstones in the Triassic, but due to the downdip location of the well, no hydrocarbons were found. Seismic anomalies that supported the presence of a hydrocarbon trap in the Upper Permian, below a salt overhang, were proven by drilling to be inter-bedded claystones and anhydrite. No reservoirs in the Upper Permian were encountered and the well was plugged and abandoned.

The rig moved to the Aransay #711 location, approximately 20 kilometres east, where it spud on July 11, 2008 and was rig released, plugged and abandoned, on July 26, 2008. On reaching its total depth of 924 metres in the Upper Permian, the well encountered approximately 298 metres of reservoir quality rocks in the Triassic section. The Triassic was interpreted to be sandstone

reservoirs trapped against a fault and was supported by a series of flat-based seismic reflectors believed to indicate a potential hydrocarbon/water interface. However, no shows were encountered while drilling and electric logging has confirmed the absence of hydrocarbons. Drilling and petrophysical analysis of electric logs indicated all zones were water saturated. Nevertheless, the presence of reservoir-quality sands of such thickness in the Triassic supports the interpretation that the Triassic is a viable primary target in the area in the presence of a proper trap and seal.

Aral has decided to release the drilling rig following plugging operations to further evaluate the portfolio of existing prospects identified in the block.

Itisay, Kozdesay and West Kozdesay

The Itisay, Kozdesay and West Kozdesay Areas are located in the southwestern portion of the North Block and collectively, are viewed as one prospect. The Government of Kazakhstan has estimated that these Areas contain 567 million barrels oil in place and 170 million barrels recoverable. These Kazakh estimates were based upon the results of Soviet era 2-D seismic data and stratigraphic test wells. The Company neither accepts nor denies these estimates, but seeks to validate this data through its exploration program.

Soviet-era seismic data interpretation, mapping and the associated shallow well drilling in these Areas yielded minor positive tests and shows of oil associated with the post-salt sediments of Jurassic, Triassic and Upper Permian ages. A review of this data has resulted in the identification of several prospects and leads ranging from 600 to 1,800 metres in trapping positions against Permian salt ridges and under-salt overhangs. Several lines from the Company's 2006 2-D seismic program were shot across certain of these leads and prospects to verify this premise. Interpretation of most of the regional 2006 2-D seismic survey covering the west and north areas of the North Block has been completed. The interpreted data from all new seismic data acquired and from the earlier reprocessed Soviet-era 2-D seismic was combined to create a geological model and identify additional leads and prospects across the North Block territory. As a result of this work, some of the earlier leads and prospects in the post-salt sediments identified on vintage maps and seismic in three areas in the south western portion of the North Block, known as Itisay, Kozdesay and West Kozdesay have been confirmed and in addition several new leads and drillable prospects have been identified in trapping positions against Permian salt ridges and under salt overhangs.

Other Areas Within The North Block

Following are some of the other exploration areas within the North Block and their reserve estimates as put forth by the Government of Kazakhstan. The Company neither accepts nor denies these estimates, but seeks to validate this data through its exploration program: Tashir – 126 million barrels oil in place and 38 million barrels recoverable, Bulash – 116 million and 35 million, respectively, and Shegelsky – 90 million and 31 million, respectively. The aggregate totals estimated by the Kazakh Government for all prospects in the North Block are 899 million barrels oil in place and 274 million barrels oil recoverable.

Beginning in the fourth quarter of calendar 2004, the Company undertook to reprocess and interpret approximately 3,000 kilometres of Soviet age 2-D seismic data in other areas of the original concession. From this effort the Company identified the Baktygaryn Area for acquiring additional 3-D seismic.

During March 2005, Aral was awarded the exploration rights over an additional 1,110 square kilometre area adjacent to the north and west portions of the North Block. This new territory contains additional seismic and well data and efforts to identify that data for incorporation into the electronic database have begun. Evaluation of the North Block extension, the preliminary identification of potential drilling areas and plans on how to explore are in process.

Digitization and calibration of the existing Soviet age well log data across the entire North Block territory for those wells penetrating into the formations below the Permian salt complex have been completed and petrophysical analysis of these wells commenced during December 2005 and continues to present.

A full North Block prospect evaluation project utilizing all recent and vintage seismic and well log data was completed. Numerous older prospects within the block were confirmed and several new prospects were identified.

A request for an extension of three years (through year 2012) of the exploration period for the North Block contract has been submitted to applicable government regulatory bodies.

Exploration Contract

Since December 2002, Aral's sole business has been the exploration and pilot development of the North Block pursuant to an exploration contract (the "**Exploration Contract**") dated December 29, 2002, as amended, between Aral and the Ministry of Energy and Mineral Resources of Kazakhstan (the "**MEMR**").

Aral's sole material asset is the Exploration Contract. The Exploration Contract permits Aral to explore for hydrocarbons on the Severniy deposit on the North Block within blocks XXI-21-C, E, F; XXI-22-A, B, C, D, E, F; XXI-23-B, C, D, E, F; XXII-20-F; XXII-21- A, B, C, D, E, F; XXII-22-A, B, C, D, E, F; XXII-23-A, B, C, D, E and XXIII-20-C, 21-A located in Aktobe Oblast in Kazakhstan.

There are several producing and non-producing oil fields located within the boundary of the North Block that are not covered by the Exploration Contract, which are operated by international and Kazakh oil companies.

The initial term of the Exploration Contract expired on December 29, 2005. Under the terms of the Exploration Contract, Aral agreed to spend at least US\$20.9 million under a minimum work program in respect of the North Block, during the initial three-year term of the contract. Eligible expenditures include such things as processing and reinterpretation of geological and geophysical data of prior years, two dimensional and three dimensional seismic surveys, drilling exploration wells, well reactivations and well surveys and testing. As at December 31, 2005, Aral's financial obligation under the minimum work program had been discharged in full. Further, Aral undertook to expend US\$12.2 million by the close of calendar 2006, which undertaking was also discharged. The initial term of the Exploration Contract was extended for a

two-year period through to December 2007, and has now been extended for an additional two-year period. The work program extension to December 2007 included drilling three wells to a combined total of 8,500 metres with a monetary obligation of US\$20.6 million. The 2008 work program committed the Company to undertake US\$8.5 million of exploration expenditures prior to the close of the calendar year and the 2009 work program entails expenditures of US\$10.5 million. As at December 31, 2007, Aral had incurred US\$119.7 million in charges related to the work commitments of the minimum work program agreed with the ROK competent bodies. At that point, shortfalls under the work commitments aggregated US\$7.1 million. Management of Aral believed the Company was in compliance with its commitments under the minimum work program and received authorization from the Ministry of Energy and Natural Resources and other competent bodies to carry over fulfillment of such shortfalls to the year ending December 31, 2008. At December 31, 2008, Aral had discharged these obligations, and had incurred US\$18.8 million in charges related to the work commitments of the 2008 minimum working program agreed with the ROK competent bodies.

Set forth below is a summary reconciliation of the minimum work program requirements of Aral under the Exploration Contract as at December 31, 2008:

Fiscal Year	Minimum Program (US \$000's)	Work	Amount Paid to Date (US \$000's)	Shortfall (Overpayment) (US \$000's)
2003	5,642.4	550.6	5,091.8	
2004	9,707.9	14,333.3	(4,625.4)	
2005	20,914.4	23,961.7	(3,047.3)	
2006	58,371.2	54,034.6	4,336.6	
2007	32,159.1	26,867.9	5,291.2	
2008	9,049.4	18,751.9	(9,702.5)	
2009	10,520.0	-	10,520.0	
Total	146,364.4	138,500.0	7,864.4	

During the term of the Exploration Contract, Aral has the right to apply to commence evaluating the reserves of hydrocarbons contained in the North Block. Aral must submit a work program, a project financing plan, and an environmental impact assessment and other prescribed documents. Subsequently, Aral and the MEMR will agree upon the term of the estimation stage, during which Aral will be required to prepare a reserve estimate report for submission for approval by the Kazakhstan State Commission on Reserves. The estimation stage is concluded upon the approval of reserves by the Kazakhstan State Commission on Reserves and the Company will have the exclusive right to enter into a production contract.

At any time during the term of the Exploration Contract, Aral can declare a commercial discovery of deposits which are economically suitable for extraction by giving written notification to the MEMR. In the event Aral declares a commercial discovery, it has an exclusive right to obtain production rights and to conclude a production contract (a “**Production Contract**”) on the basis of direct negotiations with the MEMR permitting Aral to develop and produce hydrocarbons from the North Block. In accordance with the legislation regulating the oil and gas industry in Kazakhstan, a Production Contract may be granted for 25 years, subject to extension.

Aral has various continuing obligations under the Exploration Contract. Pursuant to the Exploration Contract, Aral, among other things:

- (a) was required to spend US\$20,620,000 under a work program during the current two-year extension of the initial term of the Exploration Contract, the full amount of which has been expended as at December 31, 2006;
- (b) was required to pay a total of US\$2,400,000 to certain social funds, the full amount of which has been expended as at December 31, 2006;
- (c) must provide funding of not less than 1% of its total investment for training of Kazakhstan personnel employed;
- (d) must pay a commercial discovery bonus equal to 0.1% of the cost of approved extracted minerals within 30 days of the date that the mineral deposits are approved;
- (e) must pay at least 1% of its capital expenditures expended on exploration to a liquidation fund established to finance expenditures to eliminate the effects of its exploration activities;
- (f) must pay royalties on production of hydrocarbons to the Government of Kazakhstan at a rate that will be established in the Production Contract, and at a rate determined in accordance with the Tax Code of Kazakhstan in the case of hydrocarbons produced when conducting pilot production;
- (g) must pay a portion of certain historical costs for acquiring geological information (pursuant to an agreement on acquiring certain geological information and the Exploration Contract) and an additional portion of such costs, the amount and procedure for the payment of which will be determined in a Production Contract;
- (h) must send 100% of the hydrocarbons that it produces during the period of test production to Kazakhstan refineries;
- (i) is obliged to allocate 10% of produced hydrocarbons to Kazakhstan, in accordance with special conditions of the tender proposal;
- (j) was required to perform all work associated with reclamation of the well area including, without limitation, specified reclamation work required for EZ#213 (all of which has been completed in respect of EZ#213);
- (k) must fully compensate any damage to the environment, personnel, other enterprises and the civilian population where Aral's liability has been established under Kazakhstan law;
- (l) must obtain insurance covering risks associated with the transportation and storage of cargo, property of Aral used for exploration, contamination of the

- environment including liquidation of damages, civil responsibility against third parties and accidents and professional diseases to employees;
- (m) must use equipment, materials and products, transportation services of Kazakhstan origin and when carrying out petroleum operations must engage Kazakhstan organizations by holding tenders in Kazakhstan provided they comply with required standards; and
 - (n) must establish a special protection zone, in accordance with the current environmental legislation and legislation concerning sanitary protection of the civilian population. The Exploration Contract does not specify any time frame or deadlines within which Aral is required to organize a special protection zone.

Shareholders Agreement

Caspian, Azden and Aral are parties to the Shareholders Agreement, which sets forth the agreement of Caspian and Azden, as shareholders of Aral, with respect to their rights and obligations, the management of Aral, the composition and duties of the board of directors and the officers of Aral, the use of proceeds from financings and from Aral's revenues and other matters customary for agreements of this nature entered into in respect of companies organized under laws of Kazakhstan. As indicated above, Aral has been reorganized as a limited liability partnership, however, until such time as the parties enter into a partnership agreement defining their respective rights and responsibilities, the Shareholders Agreement will continue to govern their relationship. A summary of the material provisions of the Shareholders Agreement is provided below.

Under the terms of the Shareholders Agreement, each of Caspian and Azden has the right to nominate 50% of Aral's directors. The current directors of Aral are William Ramsay, the Company's Chief Executive Officer, and Chingiz Dosmukhambetov, an employee of Azden.

Certain specified material matters must be approved by a unanimous vote of the directors, including:

- (a) the approval of a Production Contract;
- (b) any amendment, extension or termination of the Exploration Contract or a Production Contract;
- (c) the approval of any exploration, development, production or business plan and any annual work program and budget;
- (d) approval of any financial commitment or expenditure in excess of US\$500,000 in one or a series of related transactions, subject to unanimous approval of the shareholders in certain circumstances;
- (e) approval of any proposal for a dividend, share split or other distribution of profit for submission for approval by the shareholders; and

- (f) appointment and removal of the President and any Vice President of Aral and the determination of their remuneration and compensation.

The Shareholders Agreement provides that certain specified matters must be approved by the unanimous vote of the shareholders, including amendments to Aral's charter, approval of the distribution of dividends, share splits or other distributions of profit, the appointment of Aral's auditors and the approval of its annual financial statements and the increase of Aral's liabilities in an amount constituting 25% or more of the amount of Aral's equity capital.

The Shareholders Agreement also provides that Caspian will use all reasonable commercial efforts to raise US \$84,000,000 (the "**Funding Commitment**") to be loaned to Aral to fund the first stage of its exploration program (the "**First Stage Exploration Plan**"). Such loan will be repaid by Aral out of 50% of all revenues from the production of oil from the North Block after completion of the First Stage Exploration Plan, and 100% of the proceeds of sale of any assets or rights in the Exploration Contract or a Production Contract, and will rank *pari passu* with all other unsecured debt of Aral.

If at any time before the First Stage Exploration Plan has been fulfilled Azden is able to procure bank financing (on behalf of Aral) with Caspian's approval, then 50% of the principal amount of such financing shall be considered a part of the Funding Commitment. Additionally, pursuant to the Shareholders Agreement, Caspian agreed to provide sufficient funds to permit Aral to continue operation, all of which funds will be considered to be part of the Funding Commitment.

The Shareholders Agreement provides that each of Azden and Caspian will hold a 50% economic interest in Aral's proved developed reserves established during the First Stage Exploration Plan. This economic interest will entitle each of the shareholders to receive 50% of the dividends paid by Aral attributable to the income earned from the production and sale of oil from such reserves.

The Shareholders Agreement further provides that following the completion of the First Stage Exploration Plan, the shareholders will jointly finance, in equal proportions, any further exploration of the North Block. The agreement contains comprehensive provisions respecting the shareholders' rights to propose and finance such additional exploration programs. In the event that a shareholder elects not to fund all or any part of such additional exploration, then the non-funding shareholder will be entitled to a 22.5% economic interest in the income earned from the production and sale of oil from the reserves resulting from the new exploration and the other shareholder which provided the funding will be entitled to the balance. In order to permit the foregoing adjustments to occur, Aral was reorganized from a joint stock company to a limited liability partnership.

The Shareholders Agreement provides for specific payments to be made out of the Aral's income from oil production, including payment of day to day operating expenses, royalties and other obligations contained in the Exploration Contract, debt service and reserve funds.

The Shareholders Agreement also provides that either shareholder has the right to freely transfer all or part of its shares and shareholder loans. This right may be subject to certain statutory restrictions. See "Description of the Business – General – Foreign Operations".

The Kazakh Oil Industry

General

The extraction, production and transportation of oil and gas is a significant part of the Kazakhstan economy. The Caspian basin is one of the world's largest untapped hydrocarbon reserves, with Kazakhstan representing a substantial sector. Kazakhstan is not a member of OPEC and is not subject to the OPEC system of production quotas.

The largest deposits of explored oil reserves are located in the Tengiz, Zhetybai, Kalamkas and Uzen fields in the Caspian region, the Karachaganak and Zhanazhol fields in north western Kazakhstan, the Kumkol field in central Kazakhstan and the Kashagan fields in the Kazakh sector of the Caspian Sea.

The Government of Kazakhstan encourages foreign direct investment in the oil and gas sector. In Kazakhstan, major international oil companies and smaller independent companies, such as the Company, compete for the acquisition of additional exploration and production rights, as well as for access to export routes.

Regulation of the Industry

The Government of Kazakhstan owns the subsoil rights in Kazakhstan. Kazakh regulation of the exploration and production of oil and gas prescribes a licensing and hydrocarbon contract regime. The MEMR (and its regional subdivisions, such as Zapkaznedra) monitors and controls the compliance by producers with their obligations under such licences, hydrocarbon contracts and other relevant regulations. State owned Kazmunaigas represents national interests by means of mandatory share participation in some producers.

Licences and Hydrocarbon Contracts

Before August 1999, Kazakhstan used a dual regime of licences and hydrocarbon contracts. Under this dual regime, the Government of Kazakhstan granted licences to exploit sub soil for the production of hydrocarbons and then required that a hydrocarbon contract be agreed and executed for the licence to retain validity. In August 1999, Kazakhstan replaced the dual regime with the current regime requiring only a hydrocarbon contract establishing and governing rights to exploit fields and to sell oil.

Field Development Plan

In addition to the licence and hydrocarbon contract, the producer and the MEMR must agree on field development plan. The field development plan specifies drilling and production targets. From time to time, the producer and the MEMR will agree to amendments to the field development plan to reflect changing circumstances.

Annual Working Program and Budget

The hydrocarbon contract requires the producer to submit an annual working program and a budget to the relevant regional sub-division of the MEMR for its approval. The annual working program and budget is based on the field development plan.

If the proposed annual working program is inconsistent with the work scope defined for the corresponding year in the field development plan, the producer must first submit the changes to the work scope to the MEMR for approval.

The producer must submit quarterly status reports on the progress of the annual working program. Repeated non-compliance with approved working programs may result in suspension, revocation or termination of the licence and the related hydrocarbon contract.

Kazakh law provides that fines may be imposed and/or licences and/or hydrocarbon contracts may be suspended, amended, revoked or terminated if, among other things, a licence holder fails to comply with licence or contractual requirements, or to make timely payments of levies and taxes for the sub soil use, to provide geological information to controlling bodies or to meet other reporting requirements.

Transportation

The Government of Kazakhstan regulates the transportation and export of oil by quotas, among other things. Although Kazakh law and other applicable regulation does not expressly provide for the imposition of such quotas, in general the Government of Kazakhstan has regard to the condition of the Kazakh economy and domestic market supply. In practice, quotas are imposed annually (with possible revisions quarterly) on the basis of the preceding year's results, domestic supply requirements, the capacity of the internal pipeline system (run by Kaztransoil) and the size of the Kazakhstan export quota through Russia (when applicable), and field development plans.

ARNMPC approves tariffs for the transportation of oil by the Kaztransoil and Munai Tas pipelines. Such tariffs are based on the costs of services, profitability and, in some cases, on any required investment. Tariffs are the same for all users. Tariffs are reviewed twice a year and any revision becomes effective on 1 April and 1 October (as appropriate).

The North Block

The North Block area is serviced by good infrastructure, including electrical power lines, a network of all weather roads and an experienced oil industry work force. The area is crossed by the regional rail oil transportation system and is connected by a new pipeline from Kenkiyak to Atyrau and on to Western European and Russian export markets.

Exploration within the area began in the 1930's and initially targeted shallow, supra salt (above the regional salt layer) oil prospects. In the 1970's, the exploration focus changed to targeting oil reservoirs in deep sub salt (below the regional salt layer) zones which continued into the early 1990's. Several large oil fields, (some with associated gas), were discovered during this period including the Alibekmola, Zhanazhol and Kenkiyak fields. In addition to the existing producing fields, a number of exploration targets were identified during Soviet times that may contain recoverable hydrocarbons.

Since the end of the Soviet era in the early 1990's, very little exploration has been conducted and the primary activity has been associated with development of earlier oil field discoveries by foreign companies.

East Zhagabulak

The initial 3-D seismic program covering 406 square kilometres of East Zhangabulak has been completed, processed and interpreted, indicating significant structures. See “Description of the Business – Aral Petroleum Capital LLP – Exploration Activity”.

Statement of Reserves Data and Other Information

The Statement of Reserves Data and Other Oil and Gas Information of the Company on Form 51-101F1 is provided in Schedule A to this annual information form. The Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor on Form 51-110F2 and the Report of Management and Directors on Oil and Gas Disclosure on Form 51-110F3 are also included in this annual information form as Schedules B and C, respectively.

General

Specialized Skill and Knowledge

Qualified technical personnel are required for the ongoing operations of Aral. Aral must compete with both domestic and international exploration companies to hire and retain local personnel and expatriates. Aral also depends upon key members of its management team and their personal connections and relationships within the oil and gas industry and the government of Kazakhstan.

Competitive Conditions

All aspects of the oil and gas industry are highly competitive. The Company is and will be competing with oil and gas companies for reserve acquisitions, exploration leases, licenses and concessions, market access and industry personnel.

Environmental Protection

Extensive national, regional and local environmental laws and regulations affect nearly all of the Company’s operations in Kazakhstan. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for user fees, penalties and other liabilities for the violation of those standards and establish in some circumstances obligations to remediate current and former facilities and off-site locations.

The Company’s operations in Kazakhstan are subject to periodic inspection by government environmental protection agencies. Those inspections may result in the receipt of formal communications from the governmental authorities detailing non-compliance with specified environmental regulations and requiring corrective actions. However, the Company cannot predict what action may be taken by those agencies or the Kazakhstani government as a result of the cited violations.

The Company could incur significant liability for discharges into the environment or environmental damage caused by non-compliance by Aral with environmental laws or regulations, including any such damage from prior activity on the property. Under the terms of the Exploration Contract, if Aral is found liable under Kazakhstan law, it is obligated to fully compensate any damage to the environment, personnel, other enterprises and the civilian population. In accordance with the Exploration Contract, Aral is obligated to establish a

liquidation fund to finance future expenditures that may be required to eliminate the effects of its exploration activities in the North Block and, to the extent that actual costs exceed the amount of funds contributed to the liquidation fund, Aral is obligated to fund the difference.

Under the terms of the Exploration Contract, Aral shall create a liquidation fund amounting to 1% of the capital costs of exploration (the “**Liquidation Fund**”). The Liquidation Fund will then be used to finance the cost of restoring the license area on expiration of the Exploration Contract. As at December 31, 2008, US\$640,000 had been placed in a restricted bank account as a Liquidation Fund. The full extent of Aral’s obligation to restore the license area will not be known until it submits and agrees a proposed program for restoration of the license area. In addition, should Aral discover commercial reserves, it is likely that the requirement for restoration will be postponed until the end of the period of commercial production.

Aral cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. In the future, compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory agency, could require material expenditures by Aral that the Company may be required to fund for the installation and operations of systems and equipment for remedial measures, any or all of which could have a material adverse effect on the results of Aral’s operations. See “Risk Factors”.

Employees

As at December 31, 2008, the Company had three employees, including employees of Caspian (but excluding employees of Aral).

Foreign Operations

As at December 31, 2008, all of the Company’s material reserves were located in Kazakhstan. Accordingly, the Company’s operations and assets may be adversely affected by changes in governmental policy, social instability or other political or economic developments in Kazakhstan which are not within the Company’s control, including the expropriation of property, the cancellation or modification of contract rights and restrictions on repatriation of cash.

For example, in October 2005, the Law “On Subsoil and Subsoil Use” of Kazakhstan was amended to provide the government of Kazakhstan with a pre-emptive right to acquire subsurface use rights and equity interests in any entity holding subsurface use rights and in any entity which may, directly and/or indirectly, determine and/or exert influence on decisions made by a subsurface user, if the main activity of such entity is related to subsurface use in Kazakhstan. This pre-emptive right permits the Kazakhstan government to purchase any such subsurface use rights and/or equity interests being offered on terms no less favourable than those offered to other purchasers. The relevant government authority has the right to terminate a subsurface user contract if a transaction takes place in breach of these provisions. The provisions apply to both local and foreign entities and could extend to the Company’s activities (as a result of its indirect interest in Aral) and to Aral’s rights under the Exploration Contract.

The exact scope of the law is uncertain at this time. It is unclear how it will be applied by the government going forward and the extent to which it may impact on the Company’s operations

in the future. See “Risk Factors - Changes In The Political Environment In Kazakhstan May Adversely Affect Aral’s Business”.

Social or Environmental Policies

The Company has a Code of Business Conduct and Ethics (the “**Code**”) in effect which must be followed by employees, officers and directors of the Company and its subsidiaries. The purpose of the Code is to, among other things, promote honest and ethical conduct, avoidance of conflicts of interest and compliance with applicable governmental laws, rules and regulations.

The Company is committed to sound environmental management. The Code confirms the Company’s intention to conduct itself in partnership with the environment and community at large as a responsible and caring business entity, and the Company’s commitment to managing all phases of its business in a manner that minimizes any adverse effects of its operations on the environment.

The Company is committed to providing a healthy and safe workplace in compliance with applicable laws, rules and regulations. The Code affirms the Company’s commitment to foster a work environment in which all individuals are treated with respect and dignity. The Company is an equal opportunity employer and does not discriminate against employees, officers, directors or potential employees, officers or directors on the basis of race, color, religion, sex, national origin, age, sexual orientation or disability or any other category protected by Canadian federal or provincial laws and regulations, or any laws or regulations applicable in the jurisdiction where such employees, officers or directors are located.

The Company intends to create an environmental committee to review and monitor the environmental policies and activities of Caspian and Aral and the activities of the employees as they relate to their health and safety.

RISK FACTORS

An investment in the Company’s securities entails a significant degree of risk and should be considered speculation due to the nature of the Company’s business and stage of development. The Company is subject to both known and unknown risks, which could have a material adverse effect on its operations. The following is a summary of certain known risk factors and is qualified in its entirety and must be read in conjunction with the detailed information appearing in this annual information form. Additional risk factors not currently known to management may also have an adverse impact on the Company’s business.

Volatility of Oil Prices Could Adversely Affect Aral’s Results of Operations

The Company’s consolidated financial condition, operating results and future growth are dependent on the prevailing prices for Aral’s oil production. Historically, the markets for oil have been volatile and those markets are likely to continue to be volatile in the future. Prices for oil are subject to large fluctuations in response to a variety of factors beyond Aral’s control, including relatively minor changes in the supply of and demand for oil; market uncertainty; weather and general economic conditions; the actions of the Organization of Petroleum Exporting Countries; governmental regulation in Kazakhstan and elsewhere; political stability in

Kazakhstan, neighbouring countries and other oil producing regions; and the availability of alternate fuel sources.

Any substantial decline in the prices of oil would have a material adverse effect on the Company. No assurance can be given that oil prices will be at levels which will enable it to operate profitably.

Oil and Gas Reserves Data are Only Estimates and May Prove to be Inaccurate

The oil and gas reserves data included in this annual information form represent estimates only. Actual production, revenues and expenditures with respect to the Company's reserves will vary from these estimates, and those variances may be material. Many of the factors, assumptions and variables involved in estimating reserves and the net present value of future net revenues are beyond the Company's control, and, over time, may prove to be incorrect.

In general, there are numerous uncertainties in estimates of economically recoverable oil and natural gas reserves and the net present value of future net revenues from these reserves are based upon a number of variable factors and assumptions, including the following, all of which may vary considerably from actual results: historical production from Aral's properties; comparisons with production from other producing areas; the assumed effects of regulation by governmental agencies; royalty rates; and assumptions regarding future oil and natural gas prices and future operating costs.

Estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of those reserves based on risk of recovery and estimates of net present value of future net revenues expected from the properties prepared by different engineers or by the same engineers at different times may vary substantially. Results of drilling, testing and production after the date of the estimates may require substantial upward or downward revisions. Adverse changes in economic conditions, including a decrease in crude oil or natural gas prices, may render it uneconomical to produce from reserves with higher associated production costs. Actual production, cash flows, royalties and development and operating expenditures with respect to reserves will vary from the estimates, and those variances could be material.

The estimated net present value of future net revenues from reserves referred to in this annual information form should not be interpreted as being the same as the current market value of the estimated reserves. The Company is providing the net present value of future net revenues from reserves based on prices and costs as of the date of the estimate. Actual future prices and costs, however, may be materially higher or lower. Actual future revenue also will be affected by a number of factors, including the amount and timing of actual production; the supply and demand for oil and natural gas; curtailments or increases in consumption by purchasers; and changes in governmental regulations or royalties.

Additional Financing

In order to satisfy Caspian's obligations and objectives, the Company will require additional equity and/or debt financing. The Company's ability to arrange financing and the cost of financing depends upon many factors, including economic and capital markets conditions generally, investor confidence in the oil and gas industry, Kazakhstan and the Company, regulatory developments, credit availability from banks and other lenders and provisions of tax

and securities laws that are conducive to raising capital. Current financial markets are likely to be volatile in Canada for the remainder of the calendar year and potentially into 2010, reflecting ongoing concerns about the stability of the global economy and weakening global growth prospects. As well, concern about global growth has led to sustained drops in the commodity markets. Unprecedented uncertainty in the credit markets has also led to increased difficulties in borrowing/raising funds. Companies worldwide have been affected particularly negatively by these trends. As a result, the Company may have difficulties raising equity financing, particularly without excessively diluting present shareholders of the Company.

The terms and conditions on which future financing may be made available may not be acceptable or funding or financing may not be available at all. If adequate funds are not available, or are not available on acceptable terms, the Company may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business.

The inability of the Company to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects. The Company's inability to procure sufficient financing could adversely affect the Company's ability to implement its business strategy. Failure to raise sufficient funds to meet the Company's work programs and obligations could result in suspension and, ultimately, termination of the Company's Exploration Contract. If the Company does raise future funds through the issuance of equity securities, this could have a dilutive effect on current shareholders.

Environmental Matters

Extensive national, regional and local environmental laws and regulations affect nearly all of Aral's operations. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for user fees, penalties and other liabilities for the violation of those standards and establish in some circumstances obligations to remediate current and former facilities and off-site locations.

Aral is required to obtain environmental permits to conduct its operations. Kazakhstani government authorities and the courts enforce compliance with these permits and applicable environmental laws and regulations. Violations may result in civil, administrative or criminal penalties, the curtailment or cessation of operations, orders to pay compensation, orders to remedy the effects of violations and orders to take preventative steps against possible future violations. In certain situations, the issuing authority may modify, renew or revoke the permits.

As an industrial company in Kazakhstan, Aral is required to undertake programs to minimize its impact on the environment and to protect natural resources. Aral must actively monitor specific parameters such as air emissions, wastewater discharge, ambient air quality, quality of nearby surface water, soil and groundwater quality and the generation of waste. Aral must submit an annual statistical report on these monitoring results to the Kazakhstani environmental authorities. The Kazakhstani authorities from time to time conduct independent tests to validate Aral's results.

If Aral's emissions exceed certain levels established in its site permits it could be subject to monetary penalties. Moreover, in the course of, or as a result, of an environmental investigation, regulatory authorities in Kazakhstan can issue an order reducing or halting production at a

facility that has violated environmental standards. Aral cannot predict what actions may be taken by the Kazakhstani governmental authorities as a result of any environmental regulatory violations. If production is reduced or halted at Aral's facility, the Company's business, financial condition, results of operations and prospects could be materially and adversely affected.

Aral could incur significant liability for discharges into the environment or environmental damage caused by non-compliance with environmental laws or regulations, including any such damage from prior activity on the property. Under the terms of the Exploration Contract, if Aral is found liable under Kazakhstani law, it is obligated to fully compensate any damage to the environment, personnel, other enterprises and the civilian population. In accordance with the Exploration Contract, Aral is obligated to establish a liquidation fund to finance future expenditures that may be required to eliminate the effects of its exploration activities in the North Block and, to the extent that actual costs exceed the amount of funds contributed to the liquidation fund, Aral is obligated to fund the difference.

As a condition to its subsurface use contract and licence, Aral must set aside a portion of its annual operating expenses for the eventual rehabilitation of its fields, and a portion of its annual sales revenue. These amounts may be insufficient, however, to meet the actual rehabilitation expenses for which the Company may be responsible under its subsurface use contracts and licences.

Kazakhstan is a signatory to the United Nations Framework Convention on Climate Changes (the "**Kyoto Protocol**"), which took effect in February 2005. The Kyoto Protocol's objective is to limit or capture emissions of greenhouse gases such as carbon dioxide and methane. Even though the Kazakhstani Parliament has not yet ratified the Kyoto Protocol and no decisions have been undertaken concerning emission targets for the country, the government of Kazakhstan may nevertheless enact new environmental requirements as well as other legislation to reduce or cap methane emissions. These requirements could oblige the Company to incur significant capital expenditures and pay emission fees, levies, and other fees or expenses. Failure to comply with any new legislation could result in fines and other penalties.

The new Kazakhstan Environmental Code (the "**Environmental Code**") contains chapter 32 which establishes basic and special environmental requirements for conducting subsurface operations, which any subsurface user must comply with.

According to the Environmental Code, an environmental impact assessment ("**EIA**") is mandatory for all types of activities which may have direct or indirect impact on the environment and human health. The Environmental Code doesn't allow to develop or implement business projects (affecting the environment) without conducting the environmental impact assessment. EIA must be reviewed and approved by the state environmental expert evaluation (conducted by the Ministry of Environmental Protection or its territorial departments).

In addition, the Environmental Code requires companies operating in Kazakhstan to use Best Available Technologies ("**BAT**"), as determined by the Ministry of Environmental Protection of Kazakhstan. Under Article 16 of the Code, the list of BAT are to be authorised by the Government, which will issue a special regulatory act. As of the date of this annual information form, the Kazakhstani Government has not issued such an act. The applicable BAT for the

natural resources industry are currently unknown but are expected to be determined during 2009. The BAT requirements could require the Company to incur significant capital expenditures.

The Company may not be able to satisfy any of its remediation, rehabilitation and other obligations under environmental laws and regulations which could result in financial or other penalties and or the suspension or loss of the Aral's subsurface use contracts and licences. To the extent that these fines are material, the Company's cash flows may be insufficient to meet the Company's obligations. In addition, the Company may fail to complete on schedule programmes and projects intended to meet its environmental obligations. The occurrence of any of these risks could have a material adverse effect on the Company business, financial condition, results of operations and prospects.

All such foregoing liability could have a material adverse effect on the results of Aral's operations. Moreover, Aral cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. In the future, compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory agency, could require material expenditures by Aral that Northway Explorations Ltd., a predecessor to the Company, may be required to fund for the installation and operations of systems and equipment for remedial measures, any or all of which could have a material adverse effect on the results of Aral's operations.

Losses, Damages and Liability Relating to Properties Not Fully Covered by Insurance

Under the terms of the Exploration Contract, Aral is obligated to obtain property and liability insurance in connection with, among other things, transportation and storage of freight, environmental damage, third party liability and its employees. Aral has obtained the requisite insurance, however, the amount of coverage may be insufficient to cover fully all losses, damages or liabilities relating to Aral's properties and operations. The occurrence of significant events against which Aral is not fully insured, or of a number of lesser events against which Aral is fully insured but subject to substantial deductibles, could materially and adversely affect Aral's business, financial condition and results of operations.

Dependence on Performance of Aral

The Company's principal asset consists of its (indirect) ownership interest in Aral. Accordingly, the Company's financial performance is currently entirely dependant upon the performance of Aral, and Aral's performance will be entirely dependant upon the results of its exploration of the North Block.

Control of Aral

Caspian holds a 50% interest in Aral and the remaining 50% is held by Azden. Pursuant to the terms of the Shareholders Agreement, both shareholders share control of Aral and have equal rights to appoint members of its board of directors. As a result, Caspian is not in a position to make unilateral decisions, to fully control the operations and the assets of Aral, or able to make major decisions with respect to Aral (including in respect of the Exploration Contract), unless Azden agrees. Although the Shareholders Agreement provides for arbitration of any dispute, controversy or claim relating to or any breach of the agreement, the arbitration process can be time consuming and may hinder the shareholders' ability to make decisions or take actions quickly. The foregoing circumstances may constrain the ability of Aral to carry on business.

In the event of a breach of the terms of the Aral Shareholders Agreement, however, or of any dispute, controversy or claim in respect of the Shareholders Agreement, the parties are required to submit the matter to arbitration if they cannot otherwise resolve the matters amongst themselves in accordance with the procedures set forth in the agreement.

Aral's Failure to Satisfy its Commitments Made Under the Exploration Contract and Related Work Programs May Adversely Affect its Business

Aral has committed to the Kazakhstan government to make various capital investments and to explore the North Block in accordance with specific requirements under the Exploration Contract and related work programs. Aral has not satisfied some of these commitments in the past and may not satisfy all of these commitments in the future. If Aral fails to satisfy its commitments, the Exploration Contract may be suspended or subsequently terminated. The termination of the Exploration Contract will have a material adverse effect on the business, results of operations and financial condition of the Company. Although Aral intends to seek waivers of any breaches or to renegotiate the terms of these commitments, no assurance can be given that it will be successful in doing so.

Disputes Concerning Property Rights

There are other land users (farmers) present on the North Block who have land rights to the area. To date, the rights of these other land users have not prevented or restricted Aral from fulfilling its obligations under the Exploration Contract. There can be no guarantee, however, that in the future the rights of other land users will not conflict with Aral's rights under the Exploration Contract which could restrict its ability to carry out its operations under the Exploration Contract and could materially adversely affect its business and results of operations.

Inadequate Infrastructure and Production and Export Constraints Could Adversely Affect Aral's Business and Results of Operations

Aral's drilling and possible future production and exporting activities could suffer due to inadequate infrastructure in the region.

Despite Kazakhstan's substantial hydrocarbon resources, the production and export of hydrocarbons has been constrained by Kazakhstan's land-locked position and its significant dependence on Russia's transportation infrastructure for export routes. Until recently, there was only one pipeline connected to the Russian export network. Russia retains the right to suspend and impose restrictions on the flow of Kazakh oil from this pipeline into Russia's transportation network and Russian enterprises have priority access to Russian export terminals. In the past, Russia has imposed an annual quota on Kazakhstan's exports through Russia. However, a recently signed agreement between Russia and Kazakhstan on oil transportation has significantly improved Kazakhstan's export position. Starting from 2003, the agreement provides for an automatically renewable quota for the next 14 years of not less than 15,000,000 tonnes through the Atyrau-Samara pipeline and 2,500,000 tonnes through the Makhachkala-Tikhoretsk – Novorissiisk pipeline.

Nevertheless, other export outlets will be needed in order for Kazakhstan to realize the full economic potential of its oil and gas reserves and the government is participating in several projects to diversify Kazakhstan's export routes and to expand its export capacity.

The foregoing constraints could have a material adverse affect on Aral's business, financial condition and results of operations.

Aral May Not be Able to Effectively Manage its Growth and Expansion

If the exploration program on the North Block is successful, Aral may experience rapid growth and development in a relatively short period of time. Aral's management of that growth will require, among other things, stringent control of financial systems and operations, the development of management controls and the training of new personnel. Failure to manage Aral's rapid growth and development successfully could have a material adverse effect on Aral's financial condition and results of operations.

Dependence on Key Personnel

Aral's success depends to a significant degree upon the contributions of qualified technical personnel. Its future success will depend in a large part upon its ability to attract and retain highly skilled personnel in Kazakhstan. Competition for such personnel in the industry in which it operates is intense, and Aral may not be successful in attracting and retaining qualified personnel locally or in obtaining the necessary work permits to hire qualified expatriates. Its inability to do so in the future may seriously harm its business and results of operations.

Additionally, Aral depends on its key management for the operation of its day-to-day activities and implementation of its growth strategy. In addition, personal connections and relationships of its key management are important to the conduct of its business. If Aral were to lose a member of its key management, its business and results of operations might be adversely affected.

Changes in the Political Environment in Kazakhstan May Adversely Affect Aral's Business

Kazakhstan is a former constituent republic of the Soviet Union. In 1991, it declared its independence from the Soviet Union. At the time of its independence, it became a member of the Commonwealth of Independent States. Because Kazakhstan has little history of political stability as an independent nation, there is significant potential for social, political, economic, legal and fiscal instability. These risks include, among other things: local currency devaluation; civil disturbances; exchange controls or availability of hard currency; changes in crude oil, export and transportation regulations; changes with respect to taxes, royalty rates, import and export tariffs, and withholding taxes on distributions to foreign investors; changes in anti-monopoly legislation or its exercise; nationalization or expropriation of property; and interruption or blockage of oil exports.

Given Kazakhstan's short legislative, judicial and administrative history, the Company cannot predict the possibility of any future changes in the political environment in Kazakhstan having an impact on Kazakhstan laws and regulations or their interpretation or the effect of such changes on Aral's business, results of operations and financial condition.

Kazakhstan's foreign investment, petroleum, subsoil use, licensing, corporate, tax, customs, currency, banking and antimonopoly laws and legislation are still developing and uncertain. From time to time, including the present, draft laws on these subjects are prepared by government ministries and some have been submitted to Kazakhstan's Parliament for approval. Legislation in respect of some or all of these areas could be passed. Currently, the regulatory system contains many inconsistencies and contradictions. Many of the laws are structured to

provide substantial administrative discretion in their application and enforcement. In addition, the laws are subject to changing and different interpretations. See, for example, the information provided earlier in this annual information form under “Description of the Business – General – Foreign Operations”. These factors mean that even Aral’s best efforts to comply with applicable law may not always result in compliance. Non-compliance may have consequences disproportionate to the violation. The uncertainties, inconsistencies and contradictions in Kazakhstani laws and their interpretation and application could have a material adverse effect on Aral’s business and results of operations.

Aral’s Exploration Contract and other agreements may be susceptible to revision or cancellation. Legal redress for such actions or legal redress by Caspian for breaches of the Shareholders Agreement by other shareholders of Aral may be uncertain, delayed or unavailable.

In addition, it is often difficult to determine from governmental records whether statutory and corporate actions have been properly completed by the parties or applicable regulatory agencies. In some cases, failure to follow the actions may call into question the validity of the entity or the action taken. Examples include corporate registration or amendments, capital contributions, transfers of assets or issuances or transfers of capital stock.

Ensuring Aral’s ongoing rights to licences and hydrocarbon contracts will require a careful monitoring of performance of the terms of the licences and hydrocarbon contracts, and monitoring the evolution under Kazakhstani laws and licensing practices.

Foreign Exchange Controls

The Company conducts some of its business in Kazakhstan using the national currency of Kazakhstan, the Tenge. Although the Tenge is not a convertible currency outside of Kazakhstan, there are currently no restrictions on the exchange of Tenge for other currencies within Kazakhstan or on the repatriation of funds by companies operating within Kazakhstan. However, if foreign exchange controls are imposed by the government of Kazakhstan, it may not be possible for Aral to distribute any funds to its shareholders outside of the region and could limit its ability to carry on business.

Fluctuations in the Tenge May Adversely Affect Aral’s Financial Condition and Results of Operations

Aral is subject to foreign exchange risk because it holds Tenge positions and is also a party to transactions and loans denominated in currencies other than Tenge. Aral does not currently engage in any hedging transactions to mitigate this risk. Between its introduction in 1993 and 2000, the Tenge depreciated significantly against the US dollar, in one case over a short period of time. No assurance can be given that the Tenge will not experience further depreciation against the US dollar or that Tenge will continue to be freely exchangeable into US dollars or that Aral will be able to exchange sufficient amounts of Tenge into US dollars to pay interest on and principal of loans (including those made by Caspian) or meet Aral’s other foreign currency obligations.

Aral’s exposure to the Tenge is through the net bank balances Aral maintains and the tax basis of Aral’s capital assets which is used to calculate allowances. For tax purposes, Aral’s accounts are maintained in Tenge. Although Aral has the ability to revalue the tax basis of Aral’s assets using

the official annual rate of inflation, any currency movements in excess of the annual inflation rate will generate exchange gains and losses upon conversion to US dollars.

Changes in Tax Legislation May Adversely Affect Aral's Results of Operations

The taxation system in Kazakhstan is still developing. The tax risks and problems with respect to Aral's operations and investment in Kazakhstan are significant. Tax legislation is subject to different and changing interpretations as well as inconsistent enforcement at both the local and state levels.

All legal entities carrying on activities in Kazakhstan must be registered with the tax inspectorate. Taxes in Kazakhstan include an income tax, a value added tax, an excise tax, a social tax, a land tax, a property tax, a transport tax, as well as required contributions to various funds, duties and fees for licences.

Additional payments, such as signing bonuses, commercial discovery bonuses, production bonuses, royalties and excess profits taxes, may be required from oil and gas producers and other subsoil users. A signing bonus is a one-time payment for the rights to explore, develop and produce resources. A commercial discovery bonus is a one-time payment and is payable once a discovery of commercial value is made in a contract territory. A production bonus is payable upon reaching certain agreed upon amounts of production. An excess profits tax is also payable by oil and gas producers on that portion of their profits in excess of a specified rate of return set forth in the hydrocarbon contract for a specific project. The rate of excess profits tax can be as high as 50% of the negotiated excess profits amount. The amounts of these special payments historically have been negotiated on a project-by-project basis as set forth in hydrocarbon contracts between the subsoil user and the Kazakhstan government.

Kazakhstan's tax laws are not clearly determinable and have not always been applied in a consistent manner. In addition, the tax laws are continually changing and evolving. The uncertainty of application and the evolution of tax laws create a risk of tax disputes or excessive payment of tax by Aral, which could have a material adverse effect on Aral's financial condition and results of operations.

While there have been improvements in the economic situation in Kazakhstan in recent years, its economy continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country, a low level of liquidity of debt and equity securities in the markets and relatively high inflation. Additionally, the oil and gas Kazakhstan is impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, regulatory and political developments, which are beyond the Company's control. The financial condition and future operations of the Company may be adversely affected by continued uncertainties in the business environment of Kazakhstan. Management is unable to predict the extent and duration of these uncertainties, nor quantify the impact, if any, on the financial statements. Tax legislation and practice in Kazakhstan are in the developmental stage and therefore are subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Company may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Company may be charged

additional taxes, penalties and interest. Tax periods remain open to review by the tax authorities for three to five years; however, under certain circumstances a tax year may remain open longer.

Aral's Drilling and Production Activities are Subject to Operational Risks and Hazards

Aral's drilling and production operations are subject to all the risks and hazards typically associated with the drilling and production of oil. The risks and hazards include fire, explosion, blowouts, cratering and oil spills, each of which could result in substantial damage to oil and natural gas wells, producing facilities, other property and the environment or in personal injury. Aral will not be fully insured against all of those risks, nor are all of those risks insurable. Although it is intended that liability insurance will be maintained in amounts which are considered adequate, the nature of those risks is such that liabilities could exceed policy limits, in which event significant costs could be incurred which could have a material adverse effect upon Aral's financial condition.

The Company also has an asset refinement obligation ("ARO") resulting from its net ownership in petroleum and natural gas outlets. As at December 31, 2008, the Company estimated the total undiscounted amount of cash flows required to settle ARO's at \$314,297, which will be incurred between 2014 and 2019. If the Company's ARO's increase materially it could have an adverse effect on the Company's operations.

Drilling Risks

Aral's exploration activities expose it to inherent drilling risks, including the risk that Aral will not find any economically productive natural gas or oil reservoirs. The costs of drilling, completing and operating wells are often uncertain, and numerous factors beyond Aral's control may cause drilling operations to be curtailed, delayed or cancelled. If these activities are unsuccessful, the Company's future consolidated results of operations and financial condition would be adversely affected.

Oil Sales are Seasonal

Oil sales in Kazakhstan are seasonal due to export sales restrictions imposed by the Government of Kazakhstan and weather conditions. Historically, during the winter months, the Government of Kazakhstan has banned fuel exports for several months and, at harvest time, there is usually a ban on diesel oil export. These bans may reduce the market value of local crude oil for a period of time.

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. Management cannot predict the impact of changing demand for oil products, and any major changes may have a material adverse affect on the Company's business, financial condition, results of operations and cash flows.

Lower Prices for Production Sold in Kazakhstan

Oil that is produced in Kazakhstan and sold locally is sold as less than world prices. In the event that Aral enters into a Production Contract, the MEMR may require that some of Aral's production be sold locally at less than world prices.

Debentures

On March 1, 2006, the Company issued an aggregate principal amount of \$16 million in secured convertible Debentures to third parties. Pursuant to the terms of the Debentures, the Company granted a security interest to the Debentureholders over all of the Company's property, including the Company's indirect interest in Aral (the "**Secured Property**"). In the event of default by the Company under the Debentures, which default is not cured or waived, the Debentureholders can accelerate the terms of payment and sell or take possession of the Secured Property.

In addition, the Debentures contain numerous restrictive covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Company to incur additional indebtedness, to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. The Debentures will mature on March 2, 2011, unless converted or repaid in full. There can be no assurance that future borrowing or equity financing will be available to the Company, or available on acceptable terms, in an amount sufficient to fund the Company's needs.

In addition, pursuant to the terms of the Debentures, the Company is restricted from paying dividends or making distributions on its Common Shares. Accordingly, the Company does not intend to pay cash dividends on its Common Shares in the foreseeable future.

DIVIDENDS

The Company has not declared any dividends on the Common Shares in its last three financial years. The Company's current dividend policy is to retain any future earnings for use in the business of the Company and the Company does not anticipate paying dividends on the Common Shares in the foreseeable future. Any determination to pay any future dividends is at the discretion of the Company's board of directors and will be made taking into account the Company's consolidated financial condition, results of operations, cash flow and such other considerations that the board of directors considers relevant.

DESCRIPTION OF SHARE CAPITAL

The Company is authorized to issue an unlimited number of Common Shares, of which 121,733,806 Common Shares are issued and outstanding as at the date of this annual information form.

Each holder of a Common Share is entitled to notice of and the right to vote at all meetings of shareholders of the Company, to receive any dividend declared by the Company and to receive the remaining property of the Company on dissolution.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed for trading on the TSX under the symbol "**CEK**".

The table below shows the monthly high and low trading prices and the volume for the Common Shares traded on the TSX during the year ended December 31, 2008.

	<u>High</u>	<u>Low</u>	<u>Volume</u>
<u>2008</u>			
January	0.38	0.30	896,600
February	0.36	0.30	416,080
March	0.38	0.24	1,153,820
April	0.305	0.195	1,856,150
May	0.445	0.25	5,257,540
June	0.55	0.335	8,864,500
July	0.52	0.29	3,083,950
August	0.30	0.20	5,016,710
September	0.30	0.155	2,916,030
October	0.20	0.065	1,676,310
November	0.20	0.025	1,728,720
December	0.04	0.025	2,738,620

DIRECTORS AND OFFICERS

The following table sets forth the name, province or state and country of residence, office held with the Company and principal occupation during the last five years of each of the directors and officers of the Company.

Name and Province/State and Country of Residence	Office Held	Principal Occupation
Robert D. Cudney ⁽¹⁾⁽²⁾⁽³⁾⁽⁵⁾ Ontario, Canada	Director (since 2002)	President and Chief Executive Officer of Northfield Capital Corporation (an investment company).
Gordon D. Harris ⁽¹⁾⁽²⁾⁽³⁾ Calgary, Alberta	Director (since 2004)	President and Chief Executive Officer of Choice Resources Corp. (an oil and gas company) from February 2004 to date. Senior Vice-President and Chief Operating Officer of Buffalo Resources Corp. (an oil and gas company) from August 2007 to August, 2008. Managing Director, Business Development of Primera Energy Resources Ltd. (an oil and gas company) from August 2008 to present.
Brian D. Korney Alberta, Canada	Vice-President, Finance, Chief Financial Officer and Secretary of the Company from December 2004 to present. Chief Financial Officer and Secretary of Caspian Energy Ltd. from December 2004 to present.	

	Secretary	Prior thereto, he was Vice-President, Finance, and Chief Financial Officer of Innova Exploration Corporation for four years and Chief Financial Officer of Genoil Inc.
John D. McBride ⁽¹⁾⁽²⁾⁽³⁾ Ontario, Canada	Director (since 2005)	Managing Director of CC Capital Partners Group (a merchant bank) from 1988 to present.
Robert S. Pollock ⁽³⁾ Ontario, Canada	Director (since 2004)	President, Chief Executive Officer and director of Primary Corp. (a merchant bank) from 2008 to present. President, Chief Executive Officer and director of Primary Capital Inc. (a limited market dealer) from 2008 to present. Financial Consultant with Primary Capital Inc. from 2007 to 2008. Senior Vice-President of Quest Capital Corporation (a merchant banking organization) from 2003 to 2006.
Adil Mukhamedzhanov Almaty, Kazakhstan	Director (since 2007)	Vice-President of Economics and Finance of Aral from March 2004 to present.
William A.G. Ramsay Cascais, Portugal	Chief Executive Officer and Director (since 2004)	Chief Executive Officer of the Company from September 2004 to present. President of the Company from September 2004 to April 2007. President and Chief Executive Officer of Caspian Energy Ltd. from April 2004 to present. Prior to thereto and since 1997, engaged in private equity investments primarily in Kazakhstan.
Charles J. Summers Texas, U.S.A.	President, Chief Operating Officer and Director (since 2004)	President of the Company from April 2007 to present. Chief Operating Officer of the Company from September 2004 to present and Chief Operating Officer of Caspian Energy Ltd. from June 2004 to present. Prior thereto, he was general manager for Kerr-McGee Oil & Gas Corporation (an oil and gas exploration and production company) for eight years in Kazakhstan.
Maurizio Barnaba Cairo, Egypt	Director (since 2008)	Managing Director of EFAME Export Ltd., oil and gas consulting company (January 2004 to present) Vice-President, International Sales of Rheinmetall Italia SpA, a defence contractor (1975 to 2008)

Notes:

- (1) Member of Audit Committee.
- (2) Member of the Nominating and Compensation Committee.
- (3) Member of the Corporate Governance Committee.
- (4) Mr. Cudney was a director of Aspen Group Resources Corporation which became subject to a management cease trade order in May 2003 and in May 2004, in each case for failing to file financial statements. The cease trade orders were lifted in July 2003 and July 2004, respectively.
- (5) Mr. Cudney has tendered his resignation as a director of the Corporation, effective March 30, 2009.

As at March 27, 2009, the directors and officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, approximately 9.7% of the outstanding Common Shares. Each director of the Company is elected annually to hold office until the close of the next annual meeting of shareholders.

Conflicts of Interest

Some of the directors and officers of the Company are directors and officers of other public or private companies, including companies in the oil and gas industry. Some of these companies may, from time to time, be involved in business transactions which may create situations in which conflicts might arise. Any such conflicts will be resolved in accordance with the procedures and requirements of the relevant provisions of the Business Corporations Act (Ontario), including the duty of such officers and directors to act honestly and in good faith with a view to the best interests of the Company. Additionally, all of the Company's officers and directors are required to adhere to the Code which contains specific provisions dealing with conflicts of interest. Directors and officers are required to act with honesty and integrity and to avoid any relationship or activity that might create, or appear to create, a conflict between their personal interests and the interests of the Company. They are also required to disclose in writing conflicts of interest to the Company's board of directors or request to have entered in the minutes of meetings of the board of directors the nature and extent of such interest.

AUDIT COMMITTEE INFORMATION

The Audit Committee's Charter

The Charter of the Audit Committee of the Company's board of directors is attached to this annual information form as Schedule D.

Composition of the Audit Committee

The members of the Audit Committee are Robert Pollock, Gordon Harris and John McBride. Effective, June 24, 2008, Mr. Pollock replaced Mr. Robert Cudney who had previously served on the Audit Committee until such date. Each member is independent and financially literate, for the purposes of Multilateral Instrument 52-110 Audit Committees of the applicable Canadian securities regulatory authorities.

Relevant Education and Experience

Robert Pollock

Mr. Pollock is a financial consultant and previously served as Senior Vice-President of Quest Capital Corporation from 2003 to 2006. Mr. Pollock has also served as a director of a number of other public corporations and has also served on a number of audit committees of publicly listed companies. Mr. Pollock holds a Masters of Business Administration degree.

Gordon D. Harris

Mr. Harris is a professional engineer and holds an MBA. He has over 25 years of experience in the oil industry. He is currently President and Chief Executive Officer of Choice Resources Corp. and has held various senior management positions with other oil exploration and production companies. Mr. Harris also serves as a director on the boards of Blue Parrot Energy Inc., Pan-Global Energy Ltd. and Hatton Capital Corp., all publicly-listed companies.

John D. McBride

Mr. McBride is co-founder and Managing Director of CC Capital Partners Group, a private investment and merchant banking group. He has served as a director on the boards of both public and private companies, including those in the resource sector, and as an audit committee member (including as chairman).

Pre-Approval Policies and Procedures

In accordance with its Charter, the Audit Committee pre-approves all audit and non-audit services not prohibited by law to be provided to the Company by the Company's external auditors. If the Audit Committee delegates to one or more of its members the authority to pre-approve any such permitted audit and non-audit services, any such pre-approval is then presented to the Audit Committee at its next scheduled meeting following the pre-approval.

The Audit Committee also reviews the fees paid by the Company to the external auditor and other professionals in respect of audit and non-audit services on an annual basis.

External Auditor Service Fees

The following table sets out the aggregate fees billed by the Company's external auditor in each of the last two fiscal years for the services indicated:

Year	Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
2008	\$61,000	\$1,700	Nil	Nil
2007	\$58,000	\$1,300	Nil	Nil

LEGAL PROCEEDINGS

There are no legal proceedings to which the Company is a party or of which any of its property is the subject and no such proceedings are known to the Company to be contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Pursuant to their employment contracts with pre-merger Caspian and in accordance with the terms of the Merger, William Ramsay, Chief Executive Officer of the Company and Charles Summers, President and Chief Operating Officer of the Company, received options exercisable for 1,273,887 Common Shares and 1,770,251 Common Shares, respectively, at a price of \$2.15 per share, upon completion of the Merger.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Equity Transfer & Trust Company at its principal office in Toronto.

MATERIAL CONTRACTS

The material contracts entered into by the Company (or Caspian, as the case may be), other than in the ordinary course of business, during the year ended December 31, 2008, or since January 1, 2002 but still in effect are as follows:

1. The Shareholders Agreement which is described under “Description of the Business – Aral Petroleum Capital LLP – Shareholders Agreement”.
2. The Debentures which are described under “General Development of the Business – Three Year History”.
3. The share pledge agreement dated March 1, 2006 between the Company and one of the holders of the Debentures, which is described under “General Development of the Business – Three Year History”.

INTERESTS OF EXPERTS

Information relating to reserves in the annual information form was calculated by McDaniel & Associates Consultants Ltd., as an independent qualified reserves evaluator, and contained in the McDaniel Report (as defined in Schedule A). The partners, employees and consultants of McDaniel & Associates Consultants Ltd. who participated in and were in a position to directly influence the preparation of the McDaniel Report or who were, at any time during the preparation of the McDaniel Report, in a position to directly influence the outcome of the McDaniel Report, as a group, own beneficially, directly or indirectly, less than one percent of the Common Shares as at March 27, 2009.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and options to purchase securities authorized for issuance under the Company's stock option plan is contained in the Company's information circular for its most recent annual meeting of shareholders. Additional financial information is provided in the Company's financial statements and management's discussion and analysis in respect thereof for its most recently completed financial year.

When securities of the Company are in the course of distribution under a preliminary short form prospectus or a short form prospectus, upon request to the Secretary of the Company at 1100, 550-11th Avenue S.W., Calgary, Alberta T2R 1M7 (403-510-0119), the Company will provide to any person or company a copy of: (i) this annual information form and any document, or the pertinent pages of any document, incorporated by reference in this annual information form; (ii) the Company's audited financial statements for its most recently completed financial year for which financial statements have been filed, together with the report of the auditor's thereon; (iii) the most recent interim financial statements of the Company that have been filed, if any, for any period after the end of its most recently completed financial year; (iv) the Company's information circular in respect of its most recent annual meeting of shareholders that involved

the election of directors; and (v) any other document that is incorporated by reference into the preliminary short form prospectus or the short form prospectus, other than the foregoing.

SCHEDULE A

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Disclosure of Reserves Data

The reserves data set forth below (the “**Reserves Data**”) is based upon an evaluation by McDaniel & Associates Consultants Ltd. (“**McDaniel**”) with an effective date of December 31, 2008 contained in a report of McDaniel dated March 27, 2009 (the “**McDaniel Report**”) prepared for Caspian Energy Inc. (the “**Company**”). The Company engaged McDaniel to provide an evaluation of proved, probable and possible reserves. The Reserves Data summarizes the oil, liquids and natural gas reserves of the Company and the net present values of future net revenue for these reserves using forecast prices and costs. The Reserves Data conforms with the requirements of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities (“**NI 51-101**”). Additional information not required by NI 51-101 has been presented to provide continuity and additional information which the Company believes is important to the readers of this information.

The Report of the Company’s Management and Directors on Reserves Data and Other Information (on Form 51-101F3) and the Report on Reserves Data by McDaniel (on Form 51-101F2) are attached as Schedules B and C respectively to the Annual Information Form, which forms are incorporated herein by reference.

The estimated future net revenues presented in the following tables are estimated values and do not represent the fair market value of the reserves. The estimated reserves attributed to the Company described in the Statement are estimates only and the actual reserves may be greater than or less than the estimates provided herein.

All of the Company’s reserves are in Kazakhstan. The Company has reserves of light and medium oil.

SUMMARY OF OIL AND GAS RESERVES
AND NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2008
FORECAST PRICES AND COSTS

RESERVES CATEGORY	RESERVES	
	LIGHT AND MEDIUM OIL	
	Gross (Mbbl)	Net (Mbbl)
PROVED		
Developed Producing	111	105
Developed Non-Producing	-	-
Undeveloped	941	882
TOTAL PROVED	1,052	987
PROBABLE	2,675	2,497
TOTAL PROVED PLUS PROBABLE	3,727	3,485

NET PRESENT VALUES OF FUTURE NET REVENUE

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					AFTER INCOME TAXES DISCOUNTED AT (%/year)				
	0 (M\$US)	5 (M\$US)	10 (M\$US)	15 (M\$US)	20 (M\$US)	0 (M\$US)	5 (M\$US)	10 (M\$US)	15 (M\$US)	20 (M\$US)
	PROVED									
Developed Producing	2,068	2,019	1,972	1,929	1,888	1,776	1,734	1,694	1,657	1,622
Developed Non-Producing	-	-	-	-	-	-	-	-	-	-
Undeveloped	14,656	11,463	8,903	6,825	5,119	13,279	10,293	7,895	5,946	4,344
TOTAL PROVED	16,724	13,481	10,875	8,754	7,007	15,056	12,027	9,589	7,602	5,966
PROBABLE	94,021	70,613	54,193	42,347	33,592	73,956	54,731	41,376	31,833	24,845
TOTAL PROVED PLUS PROBABLE	110,746	84,094	65,068	51,101	40,600	89,012	66,757	50,965	39,436	30,810

**TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
as of December 31, 2008
FORECAST PRICES AND COSTS**

RESERVES CATEGORY	REVENUE (M\$US)	ROYALTIES ⁽²⁾ (M\$US)	OPERATING COSTS (M\$US)	DEVELOPMENT COSTS (M\$US)	ABANDONMENT AND RECLAMATION COSTS (M\$US)	OTHER EXPENSES ⁽¹⁾ (M\$US)	FUTURE NET REVENUE BEFORE INCOME TAXES (M\$US)		FUTURE NET REVENUE AFTER INCOME TAXES (M\$US)	
							INCOME TAXES (M\$US)	INCOME TAXES (M\$US)	INCOME TAXES (M\$US)	INCOME TAXES (M\$US)
Proved Reserves	61,887	3,876	16,218	15,331	85	9,655	16,724	1,669	15,056	
Proved Plus Probable Reserves	255,863	16,765	46,815	36,125	162	45,252	110,746	21,734	89,012	

Notes:

(1) Other expenses include export rent tax and payment of commerciality bonus.

(2) Royalties include the mineral extraction tax.

**FUTURE NET REVENUE
BY PRODUCTION GROUP
as of December 31, 2008
FORECAST PRICES AND COSTS**

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (M\$US)	UNIT VALUE BEFORE INCOME TAXES (discounted at 10%/year \$bbl)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	10,875	11,02
	Heavy Oil (including solution gas and other by-products)	-	-
	Natural Gas (including by-products but excluding solution gas from oil wells)	-	-
		-	-
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	65,068	18.67
	Heavy Oil (including solution gas and other by-products)	-	-
	Natural Gas (including by-products but excluding solution gas from oil wells)	-	-

Definitions and Other Notes

In the tables set forth above in "Disclosure of Reserves Data" and elsewhere in the attached annual information form the following definitions and other notes are applicable:

1. **"Gross"** means:
 - (a) in relation to the Company's interest in production and reserves, its "Company gross reserves", which are the Company's interest (operating and non-operating) share before deduction of royalties and without including any royalty interest of the Company;
 - (b) in relation to wells, the total number of wells in which the Company has an interest; and
 - (c) in relation to properties, the total area of properties in which the Company has an interest.
2. **"Net"** means:
 - (a) in relation to the Company's interest in production and reserves, its "Company gross reserves", which are the Company's interest (operating and non-operating) share after deduction of royalties obligations, plus the Company's royalty interest in production or reserves.
 - (b) in relation to wells, the number of wells obtained by aggregating the Company's working interest in each of its gross wells; and
 - (c) in relation to the Company's interest in a property, the total area in which the Company has an interest multiplied by the working interest owned by the Company.
3. Definitions used for reserve categories are as follows:

The following definitions apply to both estimates of individual reserves entities and the aggregate of reserves for multiple entities.

Reserve Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on

- (a) analysis of drilling, geological, geophysical and engineering data;
- (b) the use of established technology; and
- (c) specified economic conditions (see the discussion of "**Economic Assumptions**" below).

Reserves are classified according to the degree of certainty associated with the estimates.

- (d) Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- (e) Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

"**Economic Assumptions**" will be the prices and costs used in the estimate, namely:

- (f) constant prices and costs as at the last day of the Company's financial year; and
- (g) forecast prices and costs.

Development and Production Status

Each of the reserve categories (proved and probable) may be divided into developed and undeveloped categories:

- (a) Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.
 - (i) Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
 - (ii) Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.
- (b) Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- (a) at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and
- (b) at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

4. Forecast prices and costs

Future prices and costs that are:

- (a) generally acceptable as being a reasonable outlook of the future; and
- (b) if and only to the extent that, there are fixed or presently determinable future prices or costs to which the Company is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

The forecast summary table under “- Pricing Assumptions” identifies benchmark reference pricing that apply to the Company.

5. Future income tax expense

Future income tax expenses estimate:

- (a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes;
- (b) without deducting estimated future costs that are not deductible in computing taxable income;
- (c) taking into account estimated tax credits and allowances;
- (d) applying to the future pre-tax net cash flows relating to the Company’s oil and gas activities the appropriate year-end statutory rates, taking into account future tax rates already legislated.

6. “**Development well**” means a well that is not a development well, a service well or a stratigraphic test well.

7. “**Development costs**” means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground draining, road building, and relocating public roads, gas lines and power lines, pumping equipment and wellhead assembly;
- (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;
- (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
- (d) provide improved recovery systems.

8. “**Exploration well**” means a well drilled inside the established limits of an oil and gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

9. “**Exploration costs**” means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

- (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies;

- (b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;
 - (c) dry hole contributions and bottom hole contributions;
 - (d) costs of drilling and equipping exploratory wells; and
 - (e) costs of drilling exploratory type stratigraphic test wells.
10. “**Service well**” means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.
11. Numbers may not add due to rounding.
12. The estimates of future net revenue presented in the tables above do not represent fair market value.

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS
as of December 31, 2008
FORECAST PRICES AND COSTS

Year	WTI Crude Oil Price \$US/bbl	Brent Crude Oil Price \$US/bbl	Export Field Price \$US/bbl	Domestic Field Price \$US/bbl	Inflation Forecast %
2009	60.00	58.50	42.00	25.00	2.0
2010	71.40	69.90	53.07	25.00	2.0
2011	83.20	81.60	64.43	25.00	2.0
2012	90.20	88.60	71.09	31.99	2.0
2013	97.40	95.80	77.94	35.07	2.0
2014	99.40	97.70	79.48	35.77	2.0
2015	101.40	99.70	81.12	36.50	2.0
2016	103.40	101.70	82.75	37.24	2.0
2017	105.40	103.60	84.27	37.92	2.0
2018	107.60	105.80	86.08	38.74	2.0
2019	109.70	107.90	87.79	39.50	2.0
2020	111.90	110.00	89.48	40.27	2.0
2021	114.10	112.20	91.27	41.07	2.0
2022	116.40	114.50	93.16	41.92	2.0
2023	118.80	116.80	95.03	42.76	2.0
2024	121.18	119.14	96.93	43.62	2.0
2025	123.60	121.52	98.87	44.49	2.0
2026	126.07	123.95	100.85	45.38	2.0
2027	128.59	126.43	102.86	46.29	2.0
2028	131.16	128.96	104.92	47.21	2.0
Thereafter + 2.0% per year					

**RECONCILIATION OF
COMPANY GROSS RESERVES
BY PRINCIPAL PRODUCT TYPE
FORECAST PRICES AND COSTS**

FACTORS	LIGHT AND MEDIUM OIL		
	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)
December 31, 2007	1,153	2,893	4,046
Extensions	-	-	-
Improved Recovery	-	-	-
Technical Revisions	19	(218)	(199)
Discoveries	-	-	-
Acquisitions	-	-	-
Dispositions	-	-	-
Economic Factors	-	-	-
Production	(120)	-	(120)
December 31, 2008	1,052	2,675	3,727

**SUMMARY OF UNDEVELOPED OIL AND GAS RESERVES (1)
FORECAST PRICES AND COSTS**

As of December 31, 2008		
LIGHT AND MEDIUM OIL		
Proved	1st Attributed (Mbbl)	Booked (Mbbl)
Undeveloped		
Prior to 2006	1,284	1,284
2006	-	1,365
2007	-	654
2008	-	941
Probable	1st Attributed (Mbbl)	Booked (Mbbl)
Undeveloped		
Prior to 2006	2,575	2,575
2006	-	2,599
2007	-	2,561
2008	-	2,239

Note:

(1) Company Gross reserves are based on Company working interest share before royalty deductions. Company Net reserves are based on Company share after royalty deductions

Properties with Proved and/or Probable Undeveloped Reserves

In general, once proved and/or probable undeveloped reserves are identified, they are integrated into the Company's development plans. The Company's business plan generally envisions the development of proved and probable undeveloped reserves within four years of the date of such integration. The various factors that could result in delayed or cancelled developments include: (i) the availability of sufficient capital to prosecute the programme; (ii) changing economic conditions; (iii) changing technical conditions (production anomalies such as water breakthrough or accelerated depletion); (iv) multi-zone developments (such as a prospective formation completion may be delayed until the initial completion is no longer economic); (v) a larger development programme may need to be spread out over several years to optimize capital allocation and facility utilization; and (vi) surface access issues (landowners, weather conditions and regulatory approvals, for example).

Significant Factors or Uncertainties Affecting Reserves Data

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, commodity prices and economic conditions. The Company's reserves are evaluated by McDaniel, an independent engineering firm.

Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, commodity prices, economic conditions and governmental restrictions. Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. The Company's actual production, revenues, taxes, development and operating expenditures with respect to its reserves may vary from such estimates, and such variances could be material.

Future Development Costs

The following table sets forth development costs (in US\$) deducted in the estimation of the Company's future net revenue attributable to the reserve categories noted below, calculated using no discount.

Year	Forecast Prices and Costs	
	Proven Reserves	Proved Plus Probable Reserves
2009	12,500	12,500
2010	1,785	17,850
2011	781	3,641
2012	266	1,592
2013	-	541
Thereafter	-	-
Total All Years	15,331	36,125

The Company expects to finance future development costs from existing and future cash flow and funds raised from the capital markets. There can be no guarantee that funds will be available or that the board of directors of the Company will allocate funding to develop all of the reserves attributed in the McDaniel Report. Failure to develop those reserves would have a negative impact on future cash flow of the Company.

Properties with No Attributed Reserves

Through its 50% interest in Aral, the Company has a 3,458 gross (1,729 net) square kilometre block in Kazakhstan of which only East Zhagabulak can be considered developed. The government of Kazakhstan has listed six prospective areas within the Block and on an OIP basis East Zhagabulak has about 26% of that figure. Aral has work commitments on the property of US\$15.6 million for 2008 and US\$10.5 million for 2009.

Capital Expenditures

During 2008, Aral incurred capital expenditures in Kazakhstan as follows:

	Total
Exploration costs – Proved	6,388,112
Exploration costs – Unproved	1,906,046
Development costs – Proved	4,393,095
Total	<u>\$ 12,687,253</u>

Production History and Netbacks

The following tables sets forth certain information in respect of sales volumes, realized product prices, royalties paid, and operating and transportation expenses and resulting netback by quarter.

	Quarter Ended 2008			
	Mar. 31	June 30	Sept. 30	Dec. 31
Average Daily Sales Volume				
Light and Medium Crude Oil (Bbl/day)	461	397	263	207
Average Price Received	74.81	112.27	85.02	14.26
Light and Medium Crude Oil (\$/Bbl)				
Royalties Paid	-	-	-	-
Light and Medium Crude Oil (\$/Bbl)				
Production Costs	32.14	48.99	54.25	52.59
Light and Medium Crude Oil (\$/Bbl)				
Netback Received	42.67	63.29	30.78	(38.33)
Light and Medium Crude Oil (\$/Bbl)				

Forward Contracts

As at the date of this Annual Information Form, the Company has no forward contracts outstanding.

Abandonment and Reclamation Costs

Management works with McDowell and Management in Kazakhstan to estimate abandonment and reclamation costs. As at December 31, 2008, the Company estimated that the future abandonment and reclamation obligations, escalated at 2 per cent per year, in respect of its properties and assets will aggregate approximately US\$100,000. The Company does not expect to incur any of these costs in the next three financial years.

Abandonment and reclamation costs are estimated by McDowell in consultation with the Company's management. The Company estimates that it will incur abandonment and reclamation costs for two of its wells in the amount of US\$100,000, none of which is anticipated to be paid in the next three financial years. The estimated amounts for future abandonment and reclamation that have not been deducted in estimating the future net revenue from proved reserves disclosed elsewhere in this document are \$nil.

The Company will be liable for its share of ongoing environmental obligations and for the ultimate reclamation of the properties held by it upon abandonment. Ongoing environmental obligations are expected to be funded out of cash flow.

Tax Horizon

Caspian's management presently anticipates that the Company will not be required to pay income taxes in Kazakhstan for the foreseeable future with respect to its proved reserves. With respect to probable and possible reserves, the Company expects income taxes to become payable in 2010.

Exploration and Development Activities

The Company drilled two gross wells (1.0 net) in 2008.

The Company's most likely exploration activities are in Kazakhstan. The relatively shallow post salt targets at Baktygarn offer a completely new series of opportunities for the Company. The 3-D and 2-D seismic data have enabled several new prospects to be identified and the Company is now in the process of selecting additional drilling locations. Following the release of the rig from well #703, the first exploration well located in Baktygarn, the Company intends to move drilling efforts to the eastern side of the Baktygarn, West Kozdesay, and Aransay areas in the western part of the North Block where it will drill for Triassic and Upper Permian targets ranging from 700 to 1,400 metres. The Company is awaiting the outcome of permitting constraints and current weather conditions before it confirms the precise location of the second well.

Production Estimates

The following table sets out the volume of the proved and proved plus probable gross production estimated for the year ending December 31, 2009 which is reflected in the estimate of future net revenue disclosed in the tables contained under "Disclosure of Reserves Data". The Company's East Zhagabulak, Kazakhstan property accounts for 100% of this estimate.

Light and Medium Crude Oil (Mbbl)	
Proved	221
Probable	-
Proved + Probable	221

Note: "Gross production" means the company interest in sales volumes as defined in the McDowell Report.

**SCHEDULE B
FORM 51-101F2**

Report on Reserves Data by Independent Qualified Reserves Evaluator



March 27, 2009

Caspian Energy Inc.
410, 396 – 11th Avenue SW
Calgary, Alberta
T2R 0C5

Attention: The Board of Directors of Caspian Energy Inc.

**Re: Form 51-101F2
Report on Reserves Data by an Independent Qualified Reserves Evaluator
of Caspian Energy Inc. (the “Company”)**

To the Board of Directors of Caspian Energy Inc. (the “Company”):

1. We have evaluated the Company’s reserves data as at December 31, 2008. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2008, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company’s management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the “COGE Handbook”) prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices

and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us, for the year ended December 31, 2008, and identifies the respective portions thereof that we have evaluated, audited and reviewed and reported on to the Company's management:

Preparation Date of Evaluation Report	Location of Reserves	Net Present Value of Future Net Revenue \$M (before income taxes, 10% discount rate)			
		Audited	Evaluated	Reviewed	Total
March 27, 2009	Kazakhstan	-	65,068	-	65,068

5. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
6. We have no responsibility to update our report for events and circumstances occurring after the preparation date.
7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

Executed as to our report referred to above:

MCDANIEL & ASSOCIATES CONSULTANTS LTD.

“B. H. Emslie”

B. H. Emslie, P. Eng.

Calgary, Alberta

Date: March 27, 2009

SCHEDULE C
FORM 51-101F3

Report of Management and Directors on Reserves Data and Other Information

Management of Caspian Energy Inc. (“Caspian”) are responsible for the preparation and disclosure of information with respect to Caspian’s oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data are estimates of proved reserves and probable reserves and the related estimated future net revenue as at December 31, 2008 estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated Caspian’s reserves data. The reports of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The board of directors of Caspian has:

- (a) reviewed Caspian’s procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The board of directors has reviewed Caspian’s procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has approved:

- (a) the content and filing with securities regulatory authorities of the reserves data and other oil and gas information;
- (b) the filing of Form 51-102F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

“William A. G. Ramsay”

William A. G. Ramsay
Chief Executive Officer

“Brian D. Korney”

Brian D. Korney
Chief Financial Officer

“Charles Summers”

Charles Summers
Director

“Adil Mukamedzhanov”

Adil Mukamedzhanov
Director

March 27, 2009

SCHEDULE D - CHARTER OF THE AUDIT COMMITTEE

I. PURPOSE

The Audit Committee (the “**Committee**”) is a committee of and appointed by the board of directors (the “**Board**”) of Caspian Energy Inc. (the “**Corporation**”) to assist the Board in fulfilling its oversight responsibilities relating to the financial accounting and reporting process and internal controls for the Corporation.

In fulfilling its responsibilities, the Committee shall have the specific duties set out in Part IV of this Charter.

II. COMPOSITION AND MEETINGS

The Committee shall be composed of at least three members who shall be appointed by the Board, each of whom must be “independent” and “financially literate”, for the purposes of Multilateral Instrument 52-110 (“**MI 52-110**”), as it may be amended from time to time, and a majority of whom must be resident Canadians in accordance with, and for the purposes of, the Business Corporation Act (Ontario) (the “**OBCA**”).

MI 52-110 currently provides that a member is independent if the member has no direct or indirect material relationship. A “material” relationship is one which could, in the view of the Board, reasonably interfere with the exercise of the member’s independent judgement. There are certain relationships that are, however, deemed to be “material” under MI 52-110. In assessing a proposed nominee to the Committee, the Board shall refer to MI 52-110 and any other requirements or guidelines under applicable securities laws and any stock exchanges on which the Company’s shares are listed.

The members of the Committee shall be appointed by the Board annually, subject to any appointments made as a result of resignations, removals or retirements. Unless a Chairman is elected by the Board, the members of the Committee may designate a Chairman by majority vote of the full Committee membership.

The Committee shall meet at least quarterly, or more frequently as circumstances require in person or by conference call or by other communications equipment. The Committee shall meet prior to the filing of quarterly financial statements to review and discuss the unaudited financial results for the preceding quarter and the related Management’s Discussion and Analysis (“**MD&A**”) and shall meet prior to filing the annual audited financial statements to review and discuss the audited financial results for the year and the related MD&A. As part of its job to foster open communications, the Committee should meet at least annually with management and the external auditor in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In accordance with the provisions of the OBCA, the external auditor of the Corporation or any member of the Committee may call a meeting of the Committee.

The time and place for meetings of the Committee shall be held and procedures at such meetings shall be determined from time to time by the Committee. The Secretary of the Corporation shall, upon the request of the Chairman of the Committee, any member of the Committee or the

external auditor of the Corporation, call a meeting of the Committee by letter, telephone, facsimile, e-mail or other communication equipment, by giving at least 48 hours notice, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference telephone or if those absent have waived notice or otherwise signified their consent to the holding of such meeting. The Secretary shall provide notice of each meeting of the Committee to the external auditor of the Corporation who shall be entitled to attend and be heard at each meeting.

Quorum for the transaction of business at any meeting of the Committee shall be the presence in person or by telephone or other communication equipment of a majority of the number of members of the Committee or such greater number as the Committee shall by resolution determine. If within one hour of the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the next business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, such meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the second adjourned meeting a quorum as hereinbefore specified is not present, the quorum for the adjourned meeting shall consist of the members then present.

If and whenever a vacancy shall exist, the remaining members of the Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.

The Committee shall keep minutes of its meetings which shall be submitted to the Board. The Committee may, from time to time, appoint any person who need not be a member to act as secretary at any meeting.

All decisions of the Committee will require the vote of a majority of its members present at a meeting at which a quorum is present. Actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose. Such instruments in writing may be signed in counterparts and by facsimile, each of which shall be deemed to be an original and all originals together shall be deemed to be one and the same instrument.

III. AUTHORITY OF THE COMMITTEE

The Committee has the authority to (a) engage independent counsel and other advisors as it determines necessary to carry out its duties; (b) to set and pay the compensation for any advisors employed by it; and (c) to communicate directly with the internal and external auditors.

The Committee also has the authority to conduct or authorize investigations into any matters within the scope of its responsibilities.

The Committee may request the external auditor, as well as any member of the management of the Corporation, outside counsel of the Corporation or others, to attend a meeting of the Committee or to meet with members of, or advisors to, the Committee to provide pertinent information as necessary. For purposes of performing their oversight related duties, members of the Committee shall have full access to the books and records of the Corporation and shall be

permitted to discuss such information and any other matters relating to the financial position of the Corporation with senior employees, management and external auditors and advisors of the Corporation.

IV. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Committee shall:

General Responsibilities

1. Review and assess this Charter at least annually, as conditions dictate, and submit any proposed changes to the Board for approval.
2. Assist management in providing the information required under MI 52-110 to be included in the Corporation's annual information form or in such other disclosure document as may be required by law.
3. Report periodically to the Board.

Financial Reporting

4. Review the audited annual financial statements of the Corporation and the corresponding MD&A and the interim financial statements of the Corporation and the corresponding MD&A, with management and the external auditor to gain reasonable assurances that the financial statements are accurate, complete, represent fairly the Corporation's financial position and performance and are in accordance with Canadian generally accepted accounting principles, and report thereon to the Board before the financial statements are approved by the Board and filed with the appropriate regulatory authorities.
5. Receive from the Corporation's external auditor reports on the results of its audit of the Corporation's annual financial statements or review of the Corporation's interim financial statements, as the case may be.
6. Satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of such procedures.
7. Review the post-audit or management letter containing the recommendations of the external auditors and management's response and subsequent follow-up to any identified weaknesses.
8. Review complex and/or unusual transactions, and judgmental areas such as significant claims and contingencies that could materially impact the Corporation's financial position.
9. Review the Corporation's interim and annual earnings press releases and any other public disclosure documents that are required to be reviewed by the Committee under any applicable laws prior to their publication and/or filing with any governmental body or the public.

10. Review policies and procedures with respect to officers' expense accounts and management perquisites and benefits, including their expenditures related to executive travel and entertainment, and review the results of the procedures performed in these areas by the external auditor, based on terms of reference agreed upon by the external auditor and the Committee.
11. Provide oversight to related party transactions entered into by the Corporation.

External Audit

12. Recommend to the Board (a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review and attest services for the issuer, and (b) the compensation of the external auditor.
13. Instruct the external auditor that it shall report directly to the Committee and ensure that significant findings and recommendations made by the external auditor are received and discussed by the Committee on a timely basis.
14. Pre-approve all audit and non-audit services not prohibited by law to be provided to the Corporation by the external auditors, and delegate, if desirable, to one or more of its members the authority to pre-approve any such audit or permitted non-audit services, provided that any such pre-approval is presented to the Committee at its next scheduled meeting following the pre-approval.
15. Review the external auditor's audit plan, including scope, approach, procedures and timing of the audit and ensure no unjustified restrictions or limitations have been placed on the scope of the audit.
16. Monitor and assess the relationship between management and the external auditor, including reviewing any management letters or other reports of the external auditor and discussing and resolving any material differences of opinion between management and the external auditor.
17. Monitor, confirm, review and discuss with the external auditor, on an annual basis, all significant relationships the external auditor has with the Corporation and the range of services provided to determine the independence and objectivity of the external auditor.
18. Oversee the work and review the performance of the external auditor and approve any proposed discharge of the external auditor when circumstances warrant. Consider with management and the external auditor the rationale for employing accounting/auditing firms other than the principal external auditor.
19. Periodically consult the external auditor out of the presence of management about any matters that the Committee or the external auditor believes should be discussed privately, including, without limitation, significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the organization's financial statements. Particular emphasis should be given to the

adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.

20. Review the draft audit opinion on annual financial statements, including matters related to the conduct of the audit.
21. Arrange for the external auditor to be available to the Committee and the Board as needed.
22. Review the fees paid by the Corporation to the external auditor and other professionals in respect of audit and non-audit services on an annual basis.
23. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

Internal Controls

24. Review in advance appointments of key persons involved in financial reporting and review activities, organizational structure, and qualifications of the Chief Financial Officer of the Corporation and the staff in the financial reporting area and see to it that matters related to succession planning within the Corporation are raised for consideration to the Board.
25. Review the annual budget and management control procedures.
26. Evaluate whether management is setting the appropriate "control culture" by communicating the importance of internal control and the management of risk and ensuring that all employees have an understanding of their roles and responsibilities.
27. Consider how management is held to account for security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown.
28. Gain an understanding of whether internal control recommendations made by the external auditor have been implemented by management.

Financial Reporting Processes

29. Review, in consultation with the external auditor, the integrity of the organization's financial reporting processes, both internal and external.
30. Consider the external auditor's judgments about the quality and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, particularly about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates and whether those principles are common practices or are minority practices.

31. Discuss with management and the external auditor significant issues regarding the appropriateness of accounting policies, principles, practices, estimates, reserves and judgments, including changes thereto.
32. Consider and approve, if appropriate, major changes to the Corporation's accounting principles and practices as suggested by management with the concurrence of the external auditor and ensure that the management's reasoning is described in determining the appropriateness of changes in accounting principles and disclosure.

Process Improvement

33. Establish regular and separate systems of reporting to the Committee by each of management and the external auditor regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
34. Review the scope and plans of the external auditor's audit and reviews prior to the audit and reviews being conducted. The Committee may authorize the external auditor to perform supplemental reviews or audits as the Committee may deem desirable.
35. Following completion of the annual audit and quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and reviews.
36. Review and resolve any significant disagreements among management and the external auditor in connection with the preparation of the financial statements.
37. Where there are significant unsettled issues, ensure that there is an agreed course of action for the resolution of such matters.
38. Review with the external auditor and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.

Risk Management

39. Review management's program of risk assessment and steps taken to address significant risks or exposures, including insurance coverage, and obtain the external auditor's opinion of management's assessment of significant financial risks facing the Corporation and how effectively such risks are being managed or controlled.

Ethical and Legal Compliance

40. Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters,

and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

41. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any non-compliance.
42. Review management's monitoring of the Corporation's system that is in place to ensure that the Corporation's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.
43. Obtain regular updates from management and others, including internal and external auditors and legal counsel, concerning the Corporation's compliance with financial related laws and regulations such as tax and financial reporting laws and regulations, legal withholding requirements, occupational health and safety laws and personal information and protection of privacy laws.
44. Be satisfied that all regulatory compliance matters have been considered in the preparation of financial statements.
45. Review the findings of any examination by regulatory agencies.

V. OTHER RESPONSIBILITIES

While the Committee has the responsibilities and duties as set out in this Charter, it is not the duty of the Committee to plan or conduct audits, to prepare or audit financial statements or to design or implement an effective system of internal controls. Such matters are the responsibility of management and the internal and external auditors of the Corporation, as the case may be.

In addition to the responsibilities and duties of the Committee set out herein, the Committee shall perform any other activities consistent with this Charter and all applicable legal, regulatory and listing requirements (including, without limitation, those of the Ontario Securities Commission, the Toronto Stock Exchange and the Alternative Investment Market of the London Stock Exchange), as the Committee deems necessary or appropriate.

DATED December 5, 2004.

CASPIAN ENERGY INC.

Procedures for Receipt of Complaints and Submissions Relating to Accounting Matters

1. The Corporation shall inform employees on the Corporation's intranet if there is one, or via a newsletter or e-mail that is disseminated to all employees at least annually, of the officer (the "**Complaints Officer**") designated from time to time by the Corporation's audit committee (the "**Committee**") to whom complaints and submissions can be made regarding accounting, internal accounting controls or auditing matters or issues of concern regarding questionable accounting or auditing matters.
2. The Complaints Officer shall be informed that any complaints or submissions so received must be kept confidential and that the identity of employees making complaints or submissions shall be kept confidential and shall only be communicated to the Committee or the Chairman of the Committee.
3. The Complaints Officer shall be informed that he or she must report to the Committee as frequently as such Complaints Officer deems appropriate, but in any event no less frequently than on a quarterly basis prior to the quarterly meeting of the Committee called to approve interim and annual financial statements of the Corporation.
4. Upon receipt of a report from the Complaints Officer, the Committee shall discuss the report and take such steps as the Committee may deem appropriate.
5. The Complaints Officer shall retain a record of a complaint or submission received for a period of six years following resolution of the complaint or submission.