# **Investor Presentation April 2012**



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# **Caspian Energy**



Caspian is a TSX-listed O&G E&P company, based in Kazakhstan, offering huge regional potential and the ability to deliver significant shareholder value.

The current status is that of a "fully funded" enterprise, with existing production, a 6 well, \$35M programme for 2012 actively underway, and an opportunity to establish large positive cash flows by 2014 and additional reserves.

The recent major development for the Company was the closing of the Joint Venture with Asia Sixth Energy in December 2011, which has aligned Caspian with a prominent Chinese O&G investor and operator for both production and sales.

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### **Overview**



- TSX-listed O&G E&P company in the Caspian Basin of Kazakhstan
- Production as at December 2011 of 460 BOPD
- Recoverable reserves of nearly 700m barrels
- Fully funded via Chinese Partner, Asia Sixth Energy
  - Caspian has financed interest of \$80m in Aral (the operating JV)
  - Prominent Chinese O&G investor and operator
  - 2 producing wells
  - 6 new wells to be drilled in 2012 On target and on budget
- Opportunity: establish large cash flows and additional reserves by 2014
- Assets under production licence until 2032
  - Exploration licences renewable at end of 2012
- Strong government relations
  - Within Caspian and through Chinese & Kazakh partnerships
- Experienced management; both in Kazakhstan and Canada

## **Vast Commercial Region**



# **Map of Region**





# **Regional Infrastructure**



Key players in the region: Mangistau Munai Gas

- Recently acquired for \$2bn by CNCP (China National Petroleum Company) and KazMunaiGas (Kazakhstan state owned producer) on 50/50 basis
- Operated by CNPC
- Owner of Zhetybai oil field (1bn bbls) and the small field adjoining Block 31 (Akkar North – 23mmbbl approved reserves)

#### **BMB Munai**

Recently purchased by Hong Kong listed MIE

#### KazMunaiGas

- State owned. Total reserves for the basin estimated to be in excess of oil & gas company fields
- Owner of the Uzen field (oldest field in Kazakhstan)

Foreign Company Involvement: Chevron, Total, CNPC, BG Group, Lukoil, ExxonMobil, Shell, ENI, Tethys,

**Jupiter** 

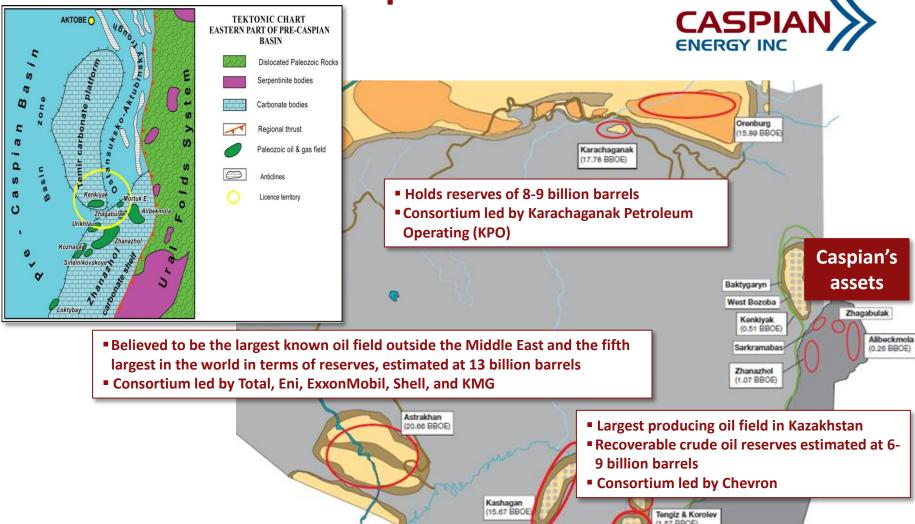
Major Oil/Gas Ports: Aktau, Atyrau, Kuryk

Major Oil and Gas Fields: Tengiz, Karachaganak, Aktobe, Mangistau, Kumkol, Uzen, Kashagan

Major Refineries: Pavlodar (~160k bbl/d)

Shymkent (~75k bbl/d) Atyrau (~100k bbl/d)

## Peers in the Pre-Caspian Basin

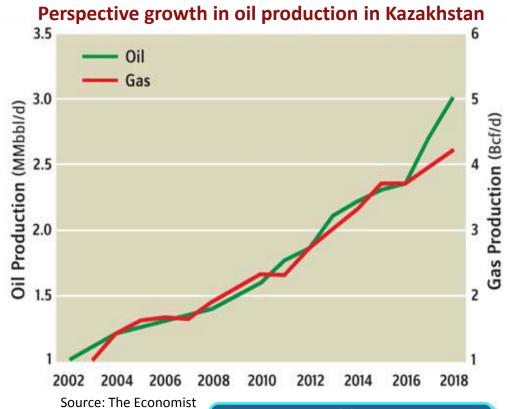


- Aral's contract area is situated in the west of Kazakhstan in Aktobe Oblast
- Tectonically, it is situated in the east of Peri-Caspian depression, where more than 200 oil and gas fields were discovered
- Large oil fields like Zhanazhol, Alibekmola, Kozhassay, Urikhtau, Kenkiyak & others are being developed in the contract area and in neighboring areas

### Kazakhstan Oil Market



- Second largest oil reserves and production among FSU republics
  - Proven oil reserves of 30 billion bbls
- >\$100 billion committed in oil
  - ENI, XOM, CVX, COP, Shell, Total, Statoil
- Principle export markets are China, Russian and Europe
- Includes the fifth largest field in the world in terms of reserves
- 2010 Daily Oil Production of 1.7 million barrels per day



Kazakhstan:

- Low costs & tax
- Prospectivity
- Vast market

# **Unlocking Value: Corporate**



### The "PLC"



#### **Balance Sheet Highlights**

Market Capitalization (10 April 2012 Close) US\$42.5 million

Cash and Cash Equivalent (At 31 Dec 2011) US\$2.2 million

#### **Investment Highlights**

NPV after tax and debt repayments US\$248 million

NPV/Share US\$1.11

Operating expenses (As of Dec 2011) US\$965,000

Local Kazakh tax rate 26.5%

#### Structure

Ordinary Shares Outstanding 224 million

Options outstanding 16,791,621

Convertible bond total US\$12.5 million

Exercise price 28 cents

Share Price (10 April 2012 Close) 19 cents

Principal shareholders	% holding	Number of shares
RAB Capital	18.8%	42,031,225
Firebird Funds	10.8%	24,080,412
Meridian*	6.92%	15,491,393

<sup>\*</sup> On conversion of bonds would hold circa 17% of the enlarged share capital

# **Strong Management Team**



#### William Ramsay: Chief Executive Officer

- Based in Almaty, Kazakhstan
- 15 years experience of working in Kazakhstan
- Extensive deal structuring experience instrumental in the Asia Sixth deal
- Previously engaged in private equity investments, primarily in Kazakhstan, since 1997
- Founder of Golden Eagle, engaged in advising companies on inward investment in the energy sector
- Played key roles in Central Asian Industrial Holdings (CAIH) and Nelson Resources

#### Brian Korney: Vice-President, Finance, Secretary and Chief Financial Officer

- Calgary based, CA (Chartered Accountant)
- Joined Electra Energy Corporation as Treasurer and Chief Financial Officer
- In 2000, he co-founded Innova Exploration Ltd
- 28 years experience in the energy industry

#### Michael Nobbs: Non-Executive Director

- Former Managing Director and Senior Credit Officer, Citicorp, for 20 years
- Former Group Finance Director, Tishman Intl Companies, for 12 years
- Professional 'Independent Company Director' and investment Banking consultant for over 10 years
- Advises in the area of Corporate Finance, business planning, and M&A, and acts as Remuneration Investment,
   Audit, Governance and "Special Committee" Chairs
- Other experience: GTL Resources, Sound Oil, Ithaca Energy, MART Resources, Plasco Energy, and IRE

# Strong Management Team cont'd



#### Adil Mukhamedzhanov: Non-Executive Director

- Based in Almaty, Kazakhstan
- Served as Deputy General Director for Aral Petroleum Capital LLP since March 2004
- Worked in the project management department of JSC KazTransOil and the consulting and corporate finance department of Deloitte & Touche Central Asia

#### Gordon Harris: Non-Executive Director and Reserves Committee Head

- Formerly President and Chief Executive Officer of Choice Resources Corp., a TSX-V listed company
- Certified geologist and extensive O&G experience, with over 30 years experience in operations, horizontal drilling finance and business development
- Held managerial positions at Roseland Resources Ltd, and Vermilion Resources Ltd
- Established and managed production of 5,000 barrels of oil per day at Occidental Petroleum Ltd

#### Maurizio Barnaba: Non-Executive Director

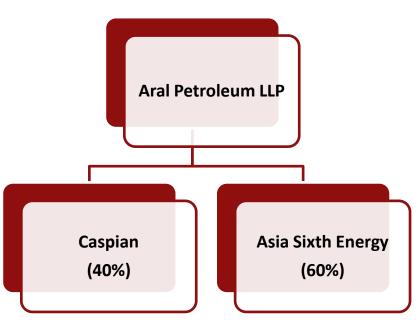
■ Currently Managing Director of EFAME Export Ltd., providing industry consultation across EMEA for Defence and Oil and Gas products

#### Yerbolat Kulumbetov: Vice President and Reserve Engineer

- Based in Kazakhstan
- Extensive O&G experience in the region, ideally suited as Reserve Engineer for Caspian Energy
- Previously worked as General Director of KazNefteGasProject LLP, Victoria Oil and Gas and Victoria Energy Central Asia, all operating in Kazakhstan www.caspianenergyinc.com TSX: CEK.TO

# **Asia Sixth Energy: A Key Partner**





#### Asia Sixth Energy ("ASE")

- Owns 60% of Aral Petroleum the operating business
- SPV, representing experienced O&G interests in Asia
- 40% indirectly owned by Strong Petrochemical Holdings Ltd, listed on Hong Kong Stock Exchange
- Technical & admin capacity to direct the exploration, development and production activities of Aral

#### ASE brings:

- Industry and funding connections
- Immediate access to rigs key in this region
- Knowledge of marketing and selling oil products
- Operational expertise
- Technical knowledge for assessment of seismic data, drilling wells and oil production
- Connections and prestige

New Caspian Energy post transformational JV with Asia Sixth

Strong management team and partnerships on the ground in Kazakhstan

### **Share Price**



Market recognition of the significance of Caspian Energy's transformational deal with Asia Sixth



### **Revenue from Production**



- Well 213 & 301; producing wells
- Chinese JV partner, Asia Sixth, to finance drilling programme through production
  - Agreed financing for US\$80 million
- Caspian's current production plans are fully financed through JV, combined with existing revenues from current production

#### Oil Revenues for 2012

Oil revenues	\$3,606,000
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Non-cash loss for 2011 \$34,506,000\*

GROSS (Brent@\$107.5) TO NET (less 11.8) \$95.7

Price per barrel US\$78.66

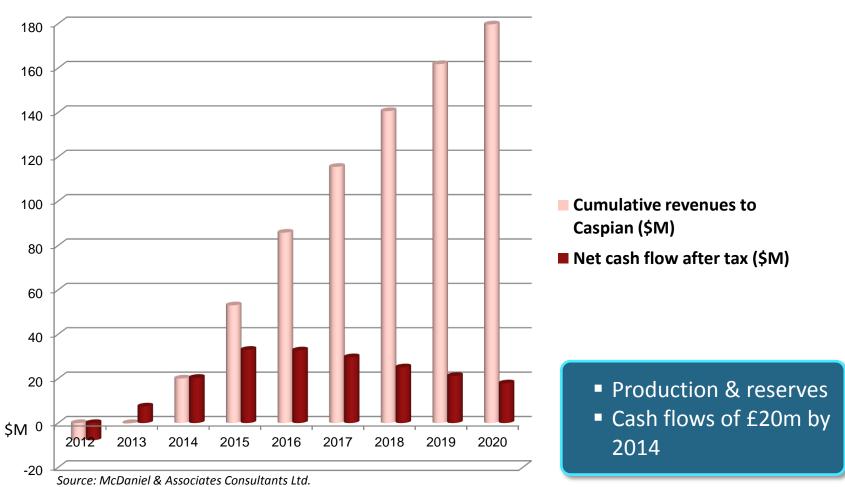
Average Bopd sold 127

<sup>\*</sup>accounting, non-cash loss attributable to the disposition of a 10% interest in Aral

### **Forecast Cash Flows**



■ Caspian's share of revenues <u>from East Zhagabulak Field alone</u>:



# **Near-term Value Triggers**



Event	When	
<ul> <li>Mobilise rig for well 307 and 315</li> <li>Drilling well 306</li> <li>Test well 308 (section 1)</li> </ul>	April 2012	
<ul><li>Test well 308 (section 2) 302 and 316</li><li>Drilling well 307 and 315</li></ul>	Q2 2012	
• Test well 308 (section 3)	Q3 2012	
<ul><li>Test well 307</li><li>Test well 315</li></ul>	Q4 2012	

# **Building NAV**



Caspian Energy – Net Asset Value at 31 Dec 2011	Canadian \$(M)
Total value excluding reserves	26.6
Proven + Probably + Possible <u>East Zhaqabulak</u> @10%	210.3
Total value of Caspian	183.7
Per share (basic)	\$0.82
Total diluted value of Caspian	187.6
Per share (diluted)	<u>\$0.77</u>
Share price at 13 April 2012	<u>\$0.17</u>

Source: McDaniel & Associates Consultants Ltd.

NAV = \$0.77 per share

Share Price = \$0.17

# **Driving Caspian with Asia Sixth**



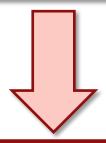
#### **Joint Venture**

ASE is undertaking the finance of capital expenditures to US\$80 million

Caspian is permitted to access a total of US\$6 million over two years

Under the agreement, the approved work program calls for expenditures of US\$25.8 million in 2011 and US\$22.5 million in 2012

Immediate access to rigs



\$80m of Capex is financed through Chinese JV:
6 wells in 2012

#### **Combined Strategy**

Implement a Drilling Campaign throughout the North Block, 6 new wells to be drilled

Move 3 further wells in East Zhagabulak Field into production (wells 306, 308 and 315)

Develop West Zhagabulak field (wells 307, 309 and 316)

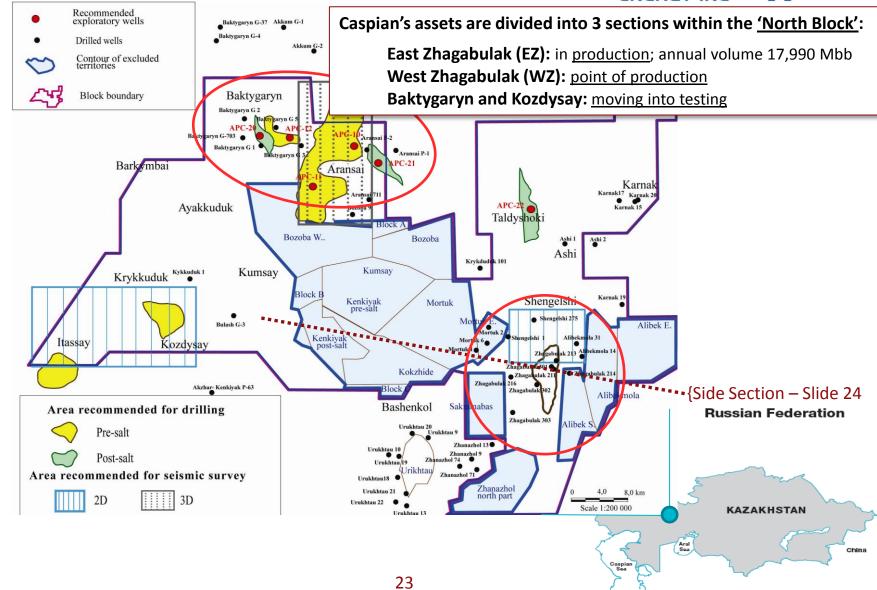
Exploration of Baktygaryn and Kozdysay, potential "game changing" assets

# Unlocking Value: The Assets



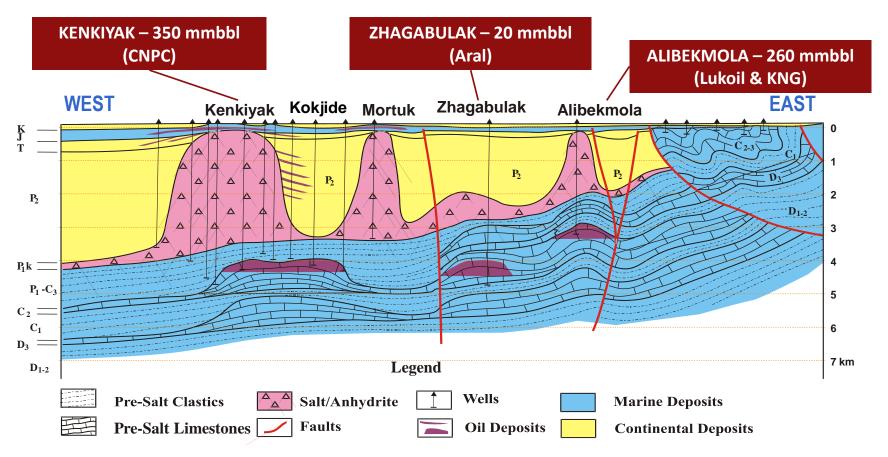
### **Aral's Well Locations**





# **Recoverable Reserves In Region**





# **Funded Work Programme**



Years	Activity	Commitment (quantity/amount)	Fulfillment (quantity/amount)
2011	Drilling of wells	3 wells/MM \$ 20.87	3 wells/ MM \$ 23.24
2011	Investments, total	MM \$ 25.84	MM \$ 32.86
2012	Drilling of wells	3 wells/MM \$ 20.92	
2012	Investments, total	MM \$ 22.46	
	TOTAL Investments	MM \$ 48.30	

Years	Activity	Commitment (quantity/amount)
2013	2D and 3D Geophysical operations and Engineering Design (Project Reports)	MM \$ 3.57
2014	Drilling Zhagabulak and Baktygaryn area	MM \$ 12.20
2015	Development of the Project Report for the Zhagabulak field Reserves Estimation. Obtaining approval at RK SRC  Drafting the Contract for Production of Hydrocarbons to be signed by the Competent body.	MM \$ 0.50
	TOTAL Investments	MM \$ 16.27

Re-cap of Near-Term Value Triggers	When
<ul> <li>Mobilise rig for well 307 and 315</li> <li>Drilling well 306</li> <li>Test well 308 (section 1)</li> </ul>	April 2012
<ul><li>Test well 308 (section 2) 302 and 316</li><li>Drilling well 307 and 315</li></ul>	Q2 2012
• Test well 308 (section 3)	Q3 2012
• Test well 307 and 315	Q4 2012

Circa \$15m un-committed

### The 'North Block'

CASPIAN SNERGY INC

- Located on the Eastern margin of the Pre-Caspian basin
  - Near Oblast in Western Kazakhstan
  - Geological interest emerged in early 20<sup>th</sup> century
- Zhagabulak field is the primary target due to
  - Extent of the Soviet age 2D seismic survey
  - Existence of significant neighbouring producing oil fields
  - Divided into East Zhagabulak and West Zhagabulak
- Success in either of these two tests = discovery of meaningful amounts of oil
- Very near to major oil transmission corridor
  - Ready access to transportation for increased production volumes
- Arrangement with Chinese partner in the North Block is of financial significance:
  - Asia Sixth finances Caspian for first US\$80 million of Capex
  - US\$80 million covers all activity, with contingency

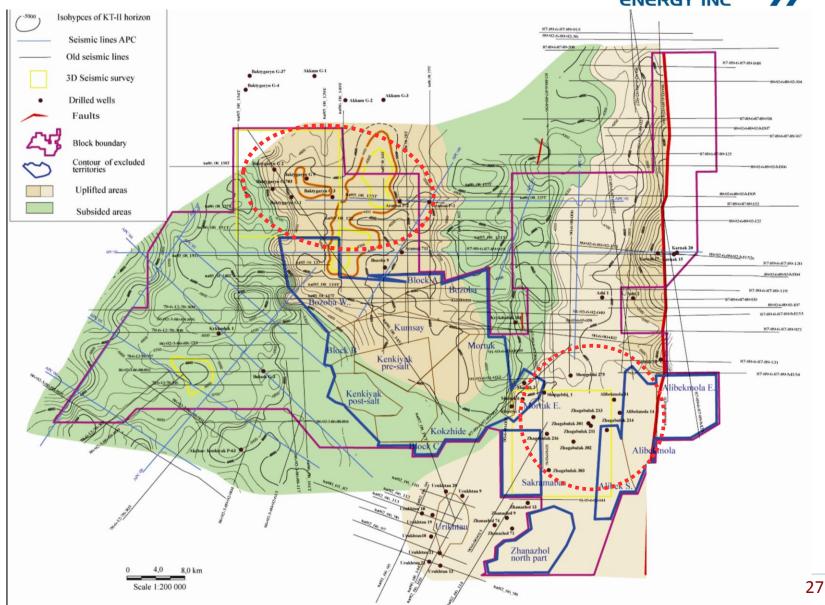
#### Kazakhstan:

- Low costs & tax
- Prospectivity
- Vast market

\$80m of Capex is financed through Chinese JV:
6 wells in 2012

### **North Block: Extensive Seismic**

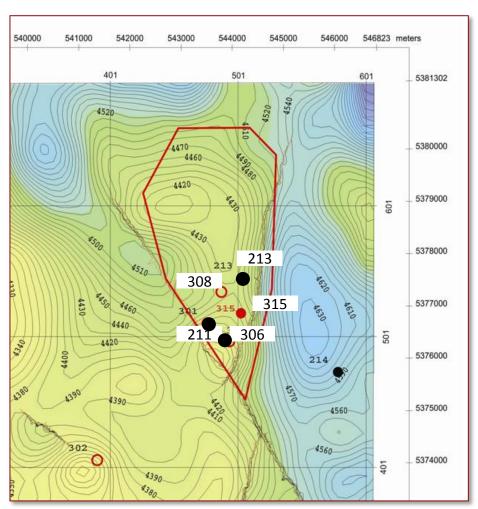




# **North Block: East Zhagabulak**

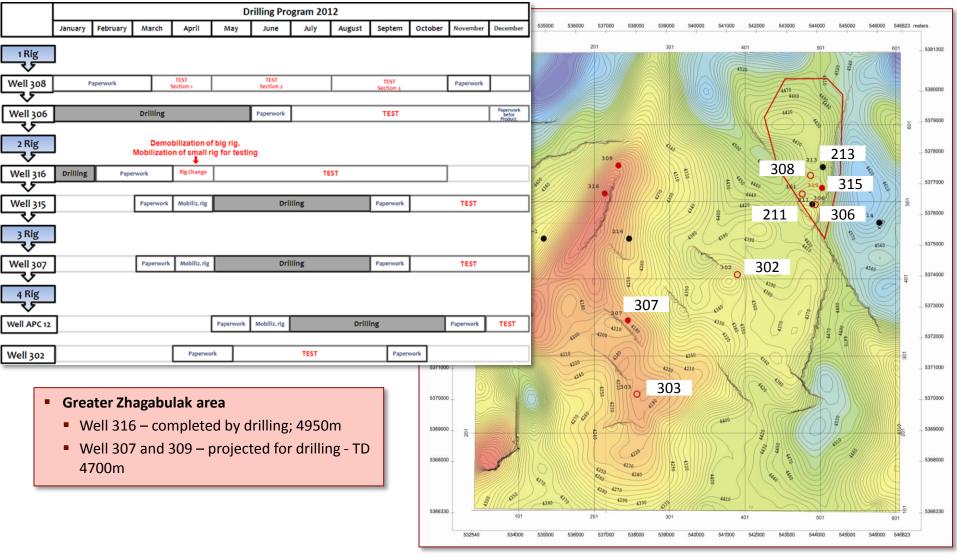


- 25 year production license
- Number of producing wells is projected to be increased to maximum in 2015: 10 wells
- Turning two producing wells into injection wells in 2016-17
- Applied for a further exploration license of 1500 acres of the North Block
- NPV of field is US\$282\* millio
   \*after income tax
- Depth of wells drilled at East Zhagabulak are up to 5200m
  - Two wells (301 and 213) are producing
  - Well 308 completed by drilling; 4780m
  - Well 306 currently being drilled
  - Well 315 in transition into drilling phase



# North Block: Greater Zhagabulak

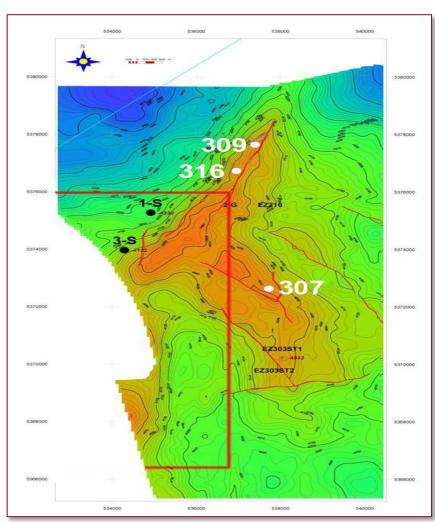




# The North Block: West Zhagabulak



- 400 km<sup>2</sup> 3D seismic shoot
- Twice the size of East Zhagabulak
  - An extra 200m updip
- Successful drilling of Well 316
  - Testing to begin by the end of April
  - Subject to obtaining relevant permits
  - Will be progressed with new rig
- Wells 309 & 307 approved for drilling
- Discovery of new oil pool expected

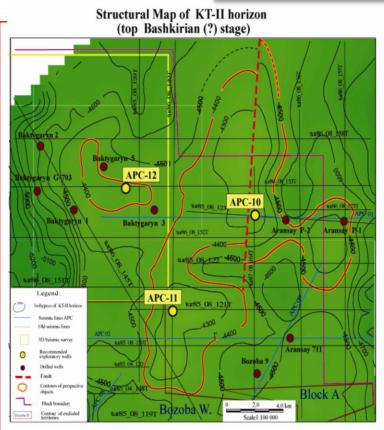


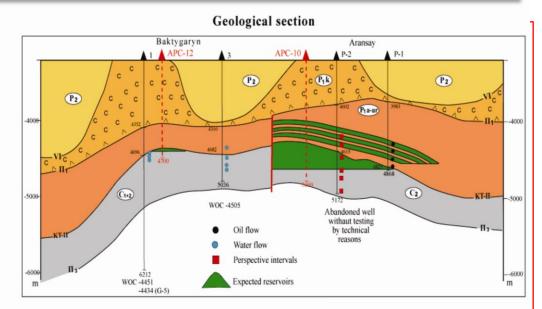
# **Exploration Upside: Baktygaryn**





- 224 MMBBL as per Smart Engineering
- Wells planned: 3D seismic already shot & oil shows on drilled wells





#### C3 Category Oil Resources Estimation table (variant II)

Complex	Area trous m <sup>2</sup>	Thickness m	Porosity coefficient	Oil saturation coefficient	Density U/m3	Contraction coefficient		Oil recovery coefficient	Recoverable resources mln. t
KT-II west	5000	8	0.1	0.85	0.7	0.82	1.95	0.3	0.585
KT-II east	70000	12	0.1	0.85	0.7	0.82	40.9	0.3	12.295
KT-II east 2	35000	25	0.1	0.85	0.7	0.82	50.2	0.3	15,100
permian terrigen.	30000	15	0.16	0.65	0.63	0.8	23.6	0.2	4.717
									32 607

Baktygaryn: Vast target

### **Investment Recap**



## **Investment Recap**



- √ Caspian financed for US\$80m of Capex by Asia Sixth for 'North Block' development
  - Fully funded through to full production in Zhagabulak field, Kozdesay and Baktygaryn
  - Revenues from existing production in East Zhagabulak
- √ Experienced JV partner, Asia Sixth, with significant technical knowledge
- √ West Zhagabulak to move into production in 2012
- √ Immediate activity will increase North Block region production in coming years
  - Ability to move to full production in medium-term
- ✓ Exploration for additional discoveries will add to certifiable reserves
  - Proven hydrocarbon systems with recent commercial oil & gas discoveries in Kazakhstan
- √ Underpinned by strong outlook for oil prices in region and globally
- ✓ Experienced management team to exploit potential of asset
- √ A strategy to become significant oil producer in Caspian region within the next three years

# **Final Thoughts**



New Caspian Energy post transformational JV with Asia Sixth

- Production & reserves
- Cash flows of £20m by 2014

Strong management team and partnerships on the ground in Kazakhstan

NAV = \$0.77 per share



Share Price = \$0.17

Baktygaryn: Vast target

#### Kazakhstan:

- Low costs & tax
- Prospectivity
- Vast market

\$80m of Capex is financed through Chinese JV:
6 wells in 2012

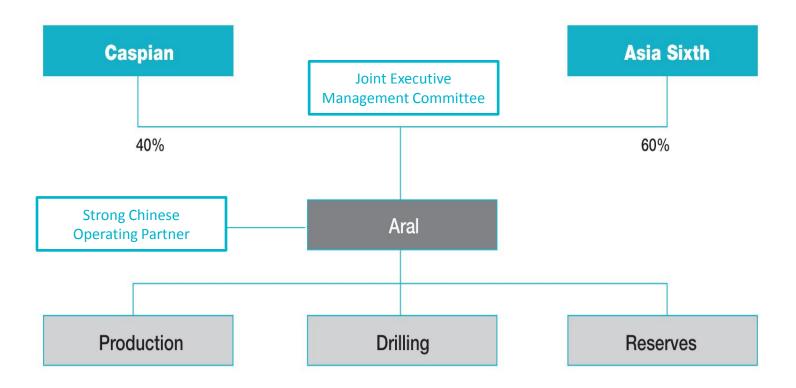
### **Appendix**



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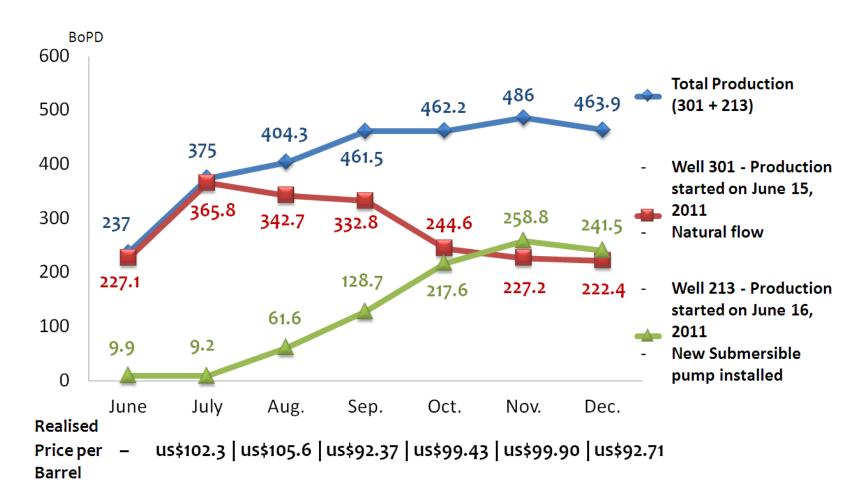
# **Enlarged Corporate Structure**





## **Aral Daily Oil Production 2011**





# East Zhagabulak: Rebased \$100 Oil CASPI

Per Share



68 cents

#### **Value Sensitivity to Brent Price**

### **Various Brent Scenarios After Tax (US\$m)**

	\$100 Brent (10% discount)	Caspian's 40% Share	\$120 Brent (10% discount)	Caspian's 40% Share
Proved + Probable Reserves	167.8	67.1	196.8	76.7
Possible Reserves	165.8	66.3	193.2	73.3
Proved + Probable + Possible Reserves	333.6	133.4	380.0	152.0

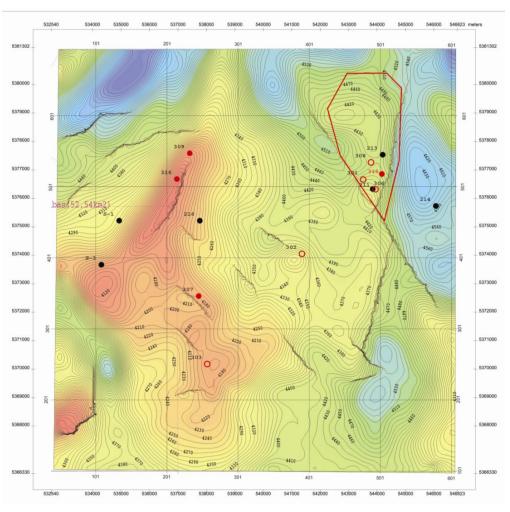
Source: McDaniel & Associates Consultants Ltd.

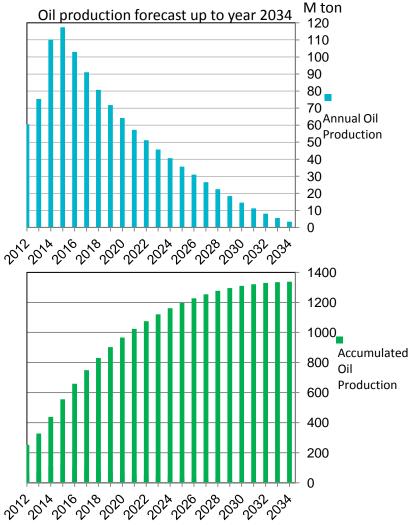
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60 cents

### **EZ: Forecast Oil Production**

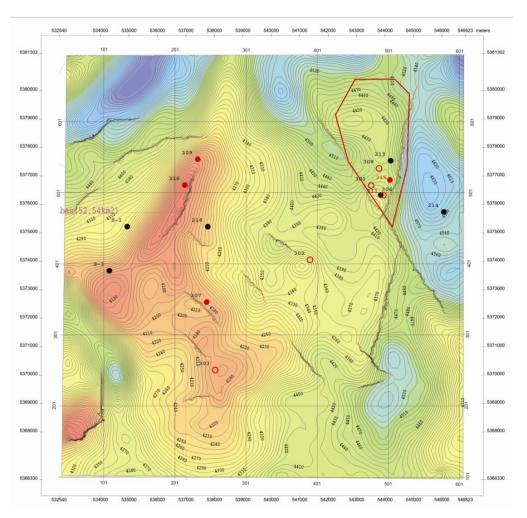


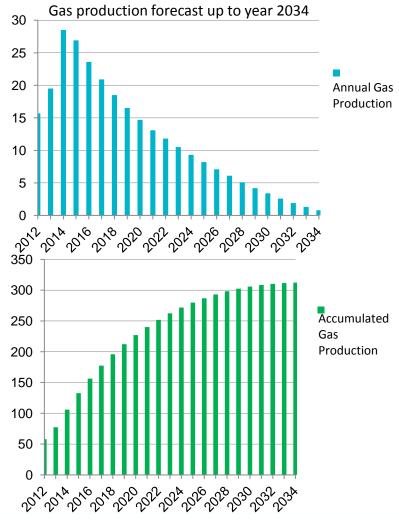




### **EZ: Forecast Gas Production**







### **Contacts**



#### **Calgary office**

Caspian Energy Inc. 410, 396 11th Avenue S.W., Calgary, AB T2R 0C5 Tel: +1(403) 252 2462

www.caspianenergyinc.com

#### **Almaty office**

Aral Petroleum Capital LLP 77 Dzhambul Street, 5<sup>th</sup> Floor 050000, Almaty Republic of Kazakhstan Tel: +7 3272 44 28 11

#### **Technical Consultants**

McDaniel & Associates Consultants Ltd 2200, 255 – 5<sup>th</sup> Avenue S.W. Calgary, T2P 3G6

#### **Auditors and Reporting Accountants**

MNP 900-700 6<sup>th</sup> Ave SW Calgary, AB, Canada

#### **Legal Advisers**

Cassels Brock & Blackwell LLP Scotia Plaza 2100-40 King Street West Toronto, ON M5H 3C2

#### **Financial Public Relations**

Tavistock Communications 131 Finsbury Pavement London EC2A 1NT

Tel: +44 (0)207 920 3150