Caspian Energy Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)

September 30, 2014

Notice of Disclosure of No Auditor Review of Condensed Interim Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS") accounting principles as issued by the IASB and are the responsibility of the Company's management.

The Company's independent auditors, MNP LLP, have not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Caspian Energy Inc.

Condensed Interim Consolidated Statements of Financial Position
As at
(unaudited)

(in thousands of Canadian dollars)

	September 30 2014 $	December 31 2013 $
Assets		
Current assets		
Cash and cash equivalents (Note 4)	205	17
Trade and other receivables	2	4
	207	21
Non-current assets		
Investment in Aral (Note 17)	–	–
Total assets	207	21
Liabilities		
Current liabilities		
Trade and other payables (Note 5)	447	1,950
Convertible loan (Note 6)	1,714	–
Promissory note (Note 7)	–	47
Convertible debentures (Note 8)	–	15,949
	2,161	17,946
Non-current liabilities		
Loan payable (Note 9)	7,909	5,656
Total liabilities	10,070	23,602
Equity		
Share capital (Note 10)	159,910	143,559
Warrants (Note 11)	98	247
Contributed surplus	18,409	18,260
Deficit	(188,280)	(185,647)
Total equity	(9,863)	(23,581)
Total liabilities and equity	207	21

Reporting entity and going concern (Note 1)
Subsequent events (Note 18)

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Caspian Energy Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the three and nine months ended September 30

(unaudited)

(in thousands of Canadian dollars, except per share amounts)

	Three months ended September 30		Nine months ended September 30	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Revenue				
Oil and natural gas revenue, net	2	4	8	10
Expenses				
General and administrative	127	398	1,131	1,138
Transaction costs (Note 18 (b))	600	–	914	–
Operating expenses	–	3	8	8
Share-based compensation	–	–	–	370
Depreciation	–	2	–	4
	727	403	2,053	1,520
Operating loss before other items	(725)	(399)	(2,045)	(1,510)
Finance income (expense) (Note 14)	(688)	(224)	(1,756)	(4,616)
Gain on settlement of trade and other payables (Note 5)	682	–	682	–
Derivative fair value adjustment (Note 8)	–	–	–	208
Gain on convertible debentures (Note 8)	–	–	486	–
Loss and comprehensive loss	(731)	(623)	(2,633)	(5,918)
Loss per share (Note 13)	(0.01)	(0.03)	(0.02)	(0.26)

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Caspian Energy Inc.

Condensed Interim Consolidated Statements of Changes in Equity

For the nine months ended September 30

(unaudited)

(in thousands of Canadian dollars)

	2014 $	2013 $
Share capital		
Balance, January 1	143,559	143,358
Settlement of trade and other payables (Note 10)	195	–
Issuance of shares, net of issue costs (Note 10)	16,156	201
Balance, September 30	159,910	143,559
Warrants		
Balance, January 1	247	313
Expiry of warrants	(149)	(52)
Issuance of warrants	–	64
Balance, September 30	98	325
Contributed surplus		
Balance, January 1	18,260	17,660
Expiry of warrants	149	52
Share-based compensation	–	370
Equity contribution	–	100
Balance, September 30	18,409	18,182
Deficit		
Balance, January 1	(185,647)	(177,407)
Loss and comprehensive loss	(2,633)	(5,918)
Balance, September 30	(188,280)	(183,325)
Total Equity	(9,863)	(21,259)

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Caspian Energy Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended September 30

(unaudited)

(in thousands of Canadian dollars)

	2014 $	2013 $
Cash flow provided by (used in)		
Operating activities		
Loss and comprehensive loss	(2,633)	(5,918)
Adjustments for:		
Share-based compensation	–	370
Depreciation	–	4
Finance expense	772	4,121
Gain on settlement of trade and other payables	(682)	–
Derivative fair value adjustment	–	(208)
Gain on convertible debentures	(486)	–
Foreign exchange	943	466
Changes non-cash working capital		
Trade and other receivables	2	1
Trade and other payables	(626)	460
Net cash used in operating activities	(2,710)	(704)
Financing activities		
Share issue costs	(92)	–
(Repayment of) proceeds from promissory note	(47)	41
Proceeds from convertible loan	1,613	–
Proceeds from loan payable	1,424	670
Equity contribution	–	100
Net cash provided by financing activities	2,898	811
Change in cash and cash equivalents	188	107
Cash and cash equivalents – January 1	17	19
Cash and cash equivalents – September 30	205	126

See accompanying notes to the unaudited condensed interim consolidated financial statements.

1. Reporting entity and going concern

Caspian Energy Inc. ("Caspian" or the "Company") is a publicly traded company on the NEX, a separate board of TSX Venture Exchange under the stock symbol CKZ.H. Caspian is engaged in the exploration for and development and production of oil and gas in the Republic of Kazakhstan ("ROK"). Its primary operating activities are carried out through its wholly-owned subsidiary, Caspian Energy Ltd. ("CEL"). Caspian's registered office is located at 396 11th Avenue S.W., Calgary, Alberta, Canada.

The Company's principal assets are a 40% interest in Aral Petroleum Capital LLP ("Aral"), held by CEL. The remaining 60% of Aral is held by Asia Sixth Energy Resources Limited ("Asia Sixth") and its subsidiary Groenzee BV ("Groenzee").

Through its interest in Aral, the Company has the right to explore and develop certain oil and gas properties in Kazakhstan, known as the North Block, a 2,200 square kilometre area located in the vicinity of the Kazakh pre-Caspian basin. The Company also has minor resource interests in Canada.

Going concern

These consolidated financial statements have been presented on a going concern basis. For the nine months ended September 30, 2014, the Company reported a loss of $2.6 million and used funds for operating activities of $2.7 million. As at September 30, 2014, the Company had a net working capital deficiency of $0.2 million (December 31, 2013 – $17.9 million) and a cumulative deficit of $188.3 million (December 31, 2013 – $185.6 million).

The Company's ability to continue as a going concern is in significant doubt and is dependent upon obtaining financing to fund exploration and development activities and general and administrative expenses and on Aral achieving profitable operating results from its Kazakhstan operations. The Company is undertaking the following initiatives but there are no assurances that these initiatives will be successful:

On February 19, 2014, the Company's shareholders approved:

- The one-for-ten consolidation of the Company's common shares.
- The January 15, 2014 agreement to amend the Company's convertible debentures (Note 6) that amends the conversion price such that an aggregate of 108,319,091 (post-consolidated) common shares would be issued to the debenture holders on conversion.

In July 2014 and August, the Company entered into loan agreements and settled certain amounts due to executives as disclosed in Notes 5 and 6.

On August 1, 2014, the Company entered into a share purchase agreement whereby the Company will acquire all of Asia Sixth's interests in Aral, 100% of the issued and outstanding shares of Groenzee and the debt owed by Groenzee to Asia Sixth as disclosed in Note 18(b).

The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

All common share, warrant, stock option and performance share figures presented herein are on a post-consolidated basis.

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

2. Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, including International Accounting Standard ("IAS") 34 – Interim Financial Reporting.

The Company has consistently applied the same accounting policies throughout all periods presented. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2013.

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 27, 2014.

3. Changes in accounting policies

On January 1, 2014, the Company adopted amendments to IAS 24 Related Party Disclosures, IAS 32 Financial Instruments: Presentation, IAS 36 Impairment of Assets and IAS 39 Financial Instruments: Recognition and Measurement. The adoption of these amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

4. Cash and cash equivalents

	September 30 2014	December 31 2013
Cash in CAD	20	13
Cash in USD	175	3
Cash in Pounds Sterling	10	1
	205	17

5. Settlement of trade and other payables

On July 10, 2014 and August 27, 2014, the Company entered into agreements with the former Chief Executive Officer and a former director of Caspian, the Acting Chief Executive Officer and Chief Financial Officer and a director of Caspian, and two directors of Caspian (collectively, "the Executives"). Under the agreements, the Executives agreed to settle outstanding wages, consulting fees, vacation pay, termination pay, severance pay, incentive compensation, bonuses, commissions, overtime pay and any payments or claims that might be made under certain statutes totalling $1,379,719 in exchange for aggregate cash payments of $502,502 and the issuance of 3,138,240 common shares valued at $195,120 based on the closing price of the Company's shares on the date of issuance. The Company recognized a $682,097 gain in connection with the settlement of trade and other payables.

6. Convertible loan

On July 7, 2014 the Company entered into an agreement (the "July 2014 Loan Facility") with its principal shareholders, Meridian International Capital Fund ("Meridian") and Firebird Global Master Fund Holdings, Ltd. and Firebird Avrora Fund, Ltd. (collectively, "Firebird"), pursuant to which Meridian and Firebird provided short-term financing to Caspian by way of a secured convertible loan of up to USD 1.5 million ($1.6 million), all of which was drawn and received by the Company on July 17, 2014 (the "July Advance).

The July 2014 Loan Facility was subsequently amended on November 3, 2014 to increase the maximum amount of the loan to US$3 million and an additional USD 0.7 million was advanced to Caspian pursuant to the July 2014 Loan Facility in November 2014 (the "November Advance"). The purpose of the financing is to allow Caspian to pay certain permitted expenses including professional fees to its advisors, administrative expenses, pre-agreed salaries and fees to its directors and officers and other amounts past due.

Interest is payable on the July 2014 Loan Facility at an annual rate of 12% per annum. The principal outstanding and any interest accrued thereon is payable on the earliest of (i) the later of November 30, 2014 and the termination of discussions in respect of a further transaction (Note 18(b)) specified in the Loan Agreement, (ii) after the execution and delivery of a binding agreement with respect to such further transaction, the termination or non-fulfilment of any conditions specified in such binding agreement, and (iii) the occurrence of an event of default under the Loan Agreement. Notwithstanding the foregoing, all accrued interest will be forgiven in the event that the full principal amount outstanding is converted to equity prior to the repayment date. All liabilities under the Loan Agreement are secured by a pledge by Caspian of 100% of the equity interests in its wholly-owned subsidiary, Caspian Energy Limited.

Prior to closing of the Share Purchase Agreement described in Note 18(b), the principal amount of the July 2014 Advance will be converted into 26,692,500 common shares at a conversion price of CAD $0.06 per common share and the principal amount of the November 2014 advance will be converted into 24,336,428 common shares at a conversion price of CAD $0.07 per common share. All accrued interest will be forgiven upon conversion.

7. Promissory note

On April 1, 2013, the Company entered into a promissory note agreement with an officer of the Company in the principal amount of $41,127. The promissory note was unsecured, matured on December 31, 2013 and bore interest at 20% per annum. As at December 31, 2013, the $47,296 balance was comprised of $41,127 of principal plus $6,169 of accrued interest. The balance of principal plus accrued interest was repaid in full in January 2014.

8. Convertible debentures

As at December 31, 2013, the Company had USD 12.5 million principal amount of 10% per annum convertible debentures (the “Debentures”) with a maturity date of June 2, 2013 and secured with Caspian shares issued and outstanding.

The Company was not able to repay the Debentures on the maturity date. The terms of the Debentures provide that a default occurs if there is a failure to pay principal on maturity and such failure to pay is not remedied within 30 days after receipt of written notice from the debenture holders (the “Holders”). In late June of 2013, the Company received notices from each of the Holders providing the Company with written notice of payment defaults.

The Company and the Holders entered into a remedial period extension agreement dated July 26, 2013 (the “Extension Agreement”) pursuant to which, among other things, the Holders agreed to extend the remedial period to August 26, 2013 during which time the Company could remedy the payment defaults before such payment defaults would constitute defaults under the Debenture agreements. Such remedial period was further extended pursuant to amendments to the Extension Agreement dated August 26, 2013, September 26, 2013, October 26, 2013, November 26, 2013 and December 17, 2013.

The December 17, 2013 amendment extended the remedial period to February 20, 2014. On January 15, 2014, the Company entered into a further extension agreement (the “Amended Extension Agreement”) with the Holders, pursuant to which the Company and Holders executed the Debenture Amendment which provides for the conversion (the “Conversion”) of the outstanding Debentures, and the obligations owing thereunder, into an aggregate of 108,319,091 shares, representing approximately 82.5% of the Company’s outstanding common shares on the business day following the receipt of shareholder approval for, among other things, the one-for-ten share consolidation (Note 8) and the Conversion.

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

The Company received shareholder approval on February 19, 2014 and on February 20, 2014, following approval by the NEX board of the TSX Venture Exchange, the Debentures were converted to 108,319,091 common shares.

A continuity of the Debentures is as follows:

Balance, December 31, 2013	15,949
Interest	179
Foreign exchange	606
Balance, February 20, 2014	16,734
Conversion to 108,319,091 common shares (Note 8)	(16,248)
Gain on conversion of Debentures	(486)
Balance, September 30, 2014	–

Interest continued to accrue on the debenture principal amount at 10% per annum during the remedial period and extensions. Upon conversion of the Debentures, the Company recognized a gain in the amount of $485,758 in the consolidated statement of loss and comprehensive loss for the nine months ended September 30, 2014.

9. Loan payable

In connection with the Company's sale of a 10% interest in Aral to Asia Sixth in 2011, the Company entered into a facility agreement with Asia Sixth pursuant to which Asia Sixth will advance up to USD 6 million in loans to Caspian, of which USD 2 million remained available as at June 3, 2013.

On June 3, 2013, the terms of the facility agreement were amended to the following terms, which represent a refinement of the original terms:

- Amounts advanced under the facility will bear interest at a rate of 10% per annum until December 28, 2016 and 18% per annum, compounded annually, thereafter until November 1, 2020.
- The Company is permitted to draw up to USD 100,000 during each calendar month until November 2013 at which time, until expiry, the Company may draw the undrawn balance of the remaining USD 2,000,000.
- The ability to draw under the facility expires after 12 months from the amendment date.
- The loan is to be repaid with all proceeds received by the Company by way of dividends from Aral or from the sale of any asset by the Company.
- The balance of all principal and interest still owing on November 1, 2020 must be repaid on such date.
- The Company provided a pledge of all of its interest in Aral in favour of Asia Sixth as security for the Company's obligations under the facility.

As at September 30, 2014, the Company had received total draws under the facility of USD 6 million (December 31, 2013 – USD 4.7 million).

As at September 30, 2014, the $7,908,900 balance owing Asia Sixth is comprised of $6,693,840 of principal plus $1,215,060 of accrued interest (December 31, 2013 – $5,656,041 balance comprised of $5,026,321 of principal plus $629,720 of accrued interest).

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

10. Share capital

On February 19, 2014, the Company's shareholders approved the one-for-ten consolidation of the Company's common shares.

	Number of shares	Amount
Balance, December 31, 2013	23,021,777	143,559
Settlement of trade and other payables (Note 5)	3,138,240	195
Conversion of Debentures (Note 8)	108,319,091	16,248
Cancellation of shares	(44,999)	–
Share issue costs	–	(92)
Balance, September 30, 2014	134,434,109	159,910

During the nine months ended September 30, 2014, the Company cancelled 44,999 shares which were deemed not-issuable by the holders.

11. Warrants

As at December 31, 2013, the Company had 317,835 warrants outstanding. During the nine months ended September 30, 2014, 115,419 warrants expired resulting in 202,416 warrants outstanding as at September 30, 2014.

Information about warrants as at September 30, 2014 is summarized in the following table:

Exercise price	Number of warrants outstanding	Weighted average exercise price	Weighted average remaining contractual life (years)
$ 0.57	98,721	$ 0.57	0.53
$ 0.64	64,334	0.64	0.28
$ 1.41	39,361	1.41	0.01
	202,416	$ 1.04	0.35

12. Share-based compensation

(a) Stock options

A continuity of options outstanding as at September 30, 2014 is summarized as follows:

	Number of options	Weighted average exercise price
Balance, December 31, 2013	2,584,162	$ 1.43
Expired	(264,000)	1.71
Balance, September 30, 2014	2,320,162	$ 1.42
Exercisable	2,320,162	$ 1.42

Information about options outstanding and exercisable as at September 30, 2014 is summarized in the following table:

Exercise price	Number of options outstanding	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of options exercisable
$ 0.50	75,000	$ 0.50	3.50	75,000
$ 0.70	450,000	0.70	3.32	450,000
$ 0.95	450,000	0.95	3.11	450,000
$ 1.80	670,162	1.80	1.73	670,162
$ 1.90	500,000	1.90	2.53	500,000
$ 2.00	175,000	2.00	0.67	175,000
	2,320,162	$ 1.44	2.34	2,320,162

(b) Performance shares

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

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

The fair value of performance shares was estimated to be a negligible amount and therefore no amount has been recognized in the consolidated financial statements in respect of the consulting services performed to date. As of September 30, 2014, no performance shares had been issued.

13. Per share amounts

	Three months ended September 30 2014	Three months ended September 30 2013	Nine months ended September 30 2014	Nine months ended September 30 2013
Loss for the period	$ (731)	$ (623)	$ (2,633)	$ (5,918)
Weighted average number of shares (in thousands) – basic:				
Issued common shares at January 1	23,022	22,696	23,022	22,696
Effect of shares issued during the period	108,701	326	88,999	249
	131,723	23,022	112,021	22,945
Net loss per share – basic and diluted	$ (0.01)	$ (0.03)	$ (0.02)	$ (0.26)

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

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

14. Finance (income) expense

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Interest on promissory note	–	2	–	4
Interest on convertible debentures	–	469	179	1,157
Accretion of convertible debentures	–	–	–	2,679
Interest on convertible loan	41	–	41	–
Interest on loan payable	235	119	552	281
Net foreign exchange (gain) loss	412	(366)	984	495
Net finance (income) expense	688	224	1,756	4,616

15. Supplemental cash flow disclosure

During the three and nine months ended September 30, 2014, the Company paid $nil (three and nine months ended September 30, 2013 – $nil) of interest in cash and settled $nil (three and nine months ended September 30, 2013 – $nil and $163,000) of interest through the issuance of common shares and warrants.

During the three and nine months ended September 30, 2014, the Company paid $502,502 of cash and issued 3,274,758 common shares valued at $195,120 in settlement of $1,379,719 of trade and other payables (Note 5).

16. Guarantee in favour of Asia Sixth

In connection with the Transaction Agreements signed on June 3, 2013, the Company agreed to provide a guarantee of its 40% share of the obligations owed by Aral to Asia Sixth under the Aral Loan Agreement.

As at September 30, 2014, obligations owed by Aral to Asia Sixth under the Aral Loan Agreement totalled USD 30.2 million comprised of USD 21.1 million of existing loans (as defined by the Aral Loan Agreement) and USD 9.1 million of amounts advanced under the USD 20 million of "New Loan" portion of the Aral Loan Agreement.

17. Selected financial information for Aral Petroleum Capital LLP

As at September 30, 2014 and December 31, 2013, the Company held a 40% interest in Aral, recognized in these consolidated financial statements using the equity method of accounting. As the investment is in a negative net asset position, there is no representation of the investment in the Company's consolidated financial statements. To date, the Company has not received any dividends from Aral.

In connection with certain regulatory requirements for the approval and closing of the Share Purchase Agreement described in Note 18(b), Aral's financial statements for the years ended December 31, 2013, 2012 and 2011 were restated. As a result, the Company amended the disclosure of Aral's assets and liabilities as at December 31, 2013 to reflect information from Aral's restated December 31, 2013 financial statements.

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

(a) Aral's results of operations, assets and liabilities

A summary of Aral's results of operations for the nine months ended September, 2014 and 2013 and Aral's assets and liabilities as at September 30, 2014 and December 31, 2013 is presented below:

For the nine months ended September 30	2014	2013
Oil and natural gas revenue, net	3,456	1,440
General and administrative expenses	(1,215)	(1,195)
Operating and transportation expenses	(4,543)	(5,840)
Depletion and depreciation expense	(211)	(1,060)
Interest and finance expense	(47,967)	(3,244)
Loss and comprehensive loss	(50,480)	(9,899)

As at	September 30 2014	December 31 2013
Cash and cash equivalents	1,441	161
Other current assets	2,431	5,626
Total current assets	3,872	5,787
Exploration and evaluation assets	48,425	51,533
Property, plant and equipment	1,666	1,902
Other non-current assets	9,157	9,943
Total non-current assets	59,248	63,378
Total assets	63,120	69,165
Trade and other payables	55,505	65,292
Current loans payable	189,033	164,300
Total current liabilities	244,538	229,592
Long-term loans payable	44,524	37,226
Other non-current liabilities	1,139	1,265
Total non-current liabilities	45,663	38,491
Total liabilities	290,201	268,083

(b) Caspian's 40% interest in Aral's results of operations, assets and liabilities

A summary of the Company's 40% interest in Aral's results of operations for the nine months ended September 30, 2014 and 2013 and Aral's assets and liabilities as at September 30, 2014 and December 31, 2013 is presented below:

For the nine months ended September 30	2014	2013
Oil and natural gas revenue, net	1,382	576
General and administrative expenses	(486)	(478)
Operating and transportation expenses	(1,817)	(2,336)
Depletion and depreciation expense	(84)	(424)
Interest and finance expense	(19,189)	(1,297)
Loss and comprehensive loss	(20,194)	(3,959)

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

	September 30 2014	December 31 2013
Current assets	1,548	2,314
Exploration and evaluation assets	19,370	20,613
Property, plant and equipment	666	761
Total assets	25,246	27,665
Current liabilities	97,815	91,837
Total liabilities	116,081	107,233

18. Subsequent events

(a) On November 3, 2014, the July 2014 Loan Facility was to increase the maximum amount of the loan to USD 3 million and an additional USD 0.7 million was advanced to Caspian pursuant to the July 2014 Loan Facility in November 2014 (the "November Advance"). See Note 6.

(b) On August 1, 2014, as amended November 11, 2014, the Company entered into an agreement with, among others, Asia Sixth pursuant to which Caspian will acquire all the remaining interests in Aral, not already owned by the Company. The transaction will be completed by the way of a share purchase agreement (the "Share Purchase Agreement") made among Caspian, its wholly-owned subsidiary CEL, Asia Sixth, Groenzee, and four other parties ("Investors").

Under the terms of the Share Purchase Agreement, the Company will acquire, in exchange for the issuance of 162,743,814 common shares to nominees of Asia Sixth and 115,450,742 common shares to the Investors, all of Asia Sixth's (and the Investors') interests in Aral (including the 50% interest in Aral owned by Groenzee by way of acquiring 100% of the issued and outstanding shares of Groenzee from Asia Sixth), and the debt owed by Groenzee to Asia Sixth (being approximately US$139 million) (collectively the "Purchased Assets").

The Share Purchase Agreement contains a condition precedent in favour of Caspian that Sixth Energy Limited ("Sixth Energy") (the majority shareholder of Asia Sixth) and Meridian will on closing provide a secured loan facility of up to USD 61.5 million to Aral. The loan facility will be secured by share pledges over the entirety of the Company's Aral interests in favour of the lenders on a pro-rata basis.

The terms of the Share Purchase Agreement remain subject to the approval of the NEX, and consequently the terms of the agreement may be required to be amended. The closing of the transactions contemplated therein is also subject to certain conditions including but not limited to:

- Caspian having received the required shareholder approval;
- The approval by the Kazakh government for the acquisition of the Aral interests;
- The execution of the financing documents providing for the USD 61.5 million secured facility;
- The conversion of the Loan Agreement described in Note 6 into common shares of the Company,;
- The execution of a shareholders' agreement among Caspian, Sixth Energy and Meridian governing certain matters relating to Caspian;
- The termination of previous agreements made directly or indirectly by Asia Sixth and the Investors to acquire interests in Aral; and
- Customary regulatory approvals and other closing conditions.

Pursuant to the shareholders' agreement to be entered as a condition of closing, Asia Sixth and Meridian will each be entitled to nominate two nominees to Caspian's board of directors and will be entitled to agree on two independent nominees in consultation with management. A seventh member of the board of directors being a member of senior management may also be nominated.