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**XX 2006**

**CASPIAN ENERGY INC.  
("Caspian" or the "Company")**

**Caspian Energy to raise US\$16 million through  
issue of Secured Convertible Debentures**

**TSX: CEK  
AIM: CEK**

Caspian Energy Inc., an oil and gas exploration company operating in Kazakhstan, today announces a proposed financing to raise US\$16 million (the "Loan") through privately placed secured convertible debentures (the "Debentures").

The Debentures will bear interest at a rate of 10% per annum and mature 5 years plus 1 day from the date of issue.

The funds raised through the issuance of the Debentures will be used to complete the Company's second well, EZ#302, that was spudded on 25 December 2005, and drill and complete EZ #303. The funds will also provide the finances for the "acid fracs" of three wells in East Zhagabulak and provide general working capital.

Caspian has begun to acidize the exploration well EZ#301. The acid work and testing is expected to be concluded in one to two weeks.

**Details of the Placing**

The holders of the Debentures may convert the principal amount of the Debentures, in whole or in part (but subject to a minimum conversion of US\$0.25 million) and at any time and from time to time, into common shares of the Company at a conversion price of Cdn\$2.45 per share (the "Conversion Price"). The Conversion Price will be subject to adjustment under certain circumstances, including in the event that Caspian completes an offering of securities at a price per common share or having an exercise price or conversion price per common share below the Conversion Price.

At any time after the second anniversary of their date of issue, the Company may repay the principal amount of the Debentures, in whole or in part (but subject to a minimum repayment of US\$1 million), or require conversion of the principal amount of the Debentures, in whole or in part (but subject to a minimum conversion of US\$0.25 million), into common shares of the Company at a conversion price of Cdn\$2.45 per share if the volume-weighted average trading price of the common shares on the Toronto Stock Exchange (the "TSX") for the 40 consecutive trading days immediately prior to the issue of a written notice of conversion by Caspian is at least Cdn\$4.08 and the common shares issuable on the conversion are issued within 5 trading days of the date of the written notice of conversion.

Capitalized and accrued but unpaid interest will be convertible at a conversion price to be determined at the time of conversion in accordance with the rules of the TSX and subject to TSX approval, which conversion price will be the Conversion Price or such greater price as may be required by the TSX.

The Debentures will be secured by a general charge over the Company's assets and a pledge of the shares of its subsidiary.

Completion of the financing is subject to the approval of the TSX and certain other customary closing conditions.

**For further information please contact:**

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**Notes to Editors**

Caspian's principal assets are a 50% indirect interest in Aral Petroleum Capital LLP ("Aral"), held by Caspian Ltd., and a temporary 100% beneficial interest in the currently producing well of Aral. Through its interest in Aral, Caspian has the right to explore and develop certain oil and gas properties in Kazakhstan, known as the North Block, a 3,458 square kilometre area located in the vicinity of the Kazakh pre-Caspian basin. The Company also has minor resource interests in Canada.