

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOU TO MAKE A DECISION PRIOR TO 5:00 P.M. TORONTO TIME ON MAY 23, 2008. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH THIS DOCUMENT, YOU SHOULD CONSULT YOUR INVESTMENT ADVISOR OR OTHER PROFESSIONAL ADVISOR.

This offering of securities is made in the Provinces of Ontario, British Columbia and Alberta, where Caspian Energy Inc. is a reporting issuer, and in certain offshore jurisdictions where they may be lawfully offered for sale. No securities commission or similar authority in Canada or elsewhere has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offense. The securities to which this offering relates have not been and will not be registered under the United States Securities Act of 1933, as amended (the "US Securities Act"), or any state securities laws and subject to certain exemptions, may not be offered or sold within the United States of America or to US persons (within the meaning of Regulation S under the US Securities Act), and this offering does not constitute an offer to sell or a solicitation of an offer to buy any of these securities in the United States or to certain Ineligible Shareholders (as hereinafter defined).

Rights Offering Circular

April 15, 2008

CASPIAN ENERGY INC.

Offering of Rights to Subscribe for Units

Caspian Energy Inc. (the "**Corporation**") is issuing to the holders of its outstanding common shares (the "**Common Shares**") of record at the close of business on April 25, 2008 (the "**Record Date**") rights (each, a "**Right**") to subscribe for units of the Corporation ("**Units**") on the terms set forth herein (the "**Rights Offering**"). Each Unit will be comprised of one Common Share and one-half of one Common Share purchase warrant. Each whole Common Share purchase warrant (a "**Warrant**") will entitle the holder to purchase one additional Common Share at the price of \$0.45 per share at any time until 5:00 p.m. (Toronto time) on the Warrant Expiry Date (as hereinafter defined). Rights will be evidenced by transferable rights certificates (each, a "**Rights Certificate**"). Each registered holder of Common Shares on the Record Date will receive one Right for each Common Share held. 6 Rights plus the sum of \$0.25 (the "**Subscription Price**") are required to subscribe for one Unit (the "**Basic Subscription Privilege**"). The Rights expire at 5:00 p.m. (Toronto time) (the "**Rights Expiry Time**") on May 23, 2008 (the "**Rights Expiry Date**"), after which time unexercised Rights will be void and without value.

Entitlement to Rights:	One Right for each Common Share held on the Record Date.
Subscription Price:	\$0.25 per Unit
Units:	Each Unit is comprised of one Common Share and one-half of one Warrant.
Warrants:	Each whole Warrant entitles the holder to acquire one Common Share at an exercise price of \$0.45 until 5:00 p.m. (Toronto time) (the " Warrant Expiry Time ") on the earlier of (the " Warrant Expiry Date "): (i) the date which is three years following the Rights Expiry Date; and (ii) 30 calendar days following notice by the Corporation that the closing price of the Common Shares on the TSX for any 20 consecutive days exceeded \$0.75. Warrants not exercised by the Warrant Expiry Date will be forfeited.
Basic Subscription Privilege:	6 Rights plus the sum of \$0.25 are required to subscribe for one Unit.
Additional Subscription Privilege:	Holders who have subscribed for all the Units that can be subscribed for with their Rights pursuant to the Basic Subscription Privilege have the privilege of subscribing for additional Units not initially subscribed for, if any, on the basis set forth herein.
Record Date:	April 25, 2008.
Rights Expiry Date and Rights Expiry Time:	May 23, 2008 at 5:00 p.m. (Toronto time)

Maximum Units Issuable:	17,390,543 Units (17,390,543 Common Shares and 8,695,271 Warrants)
Number of Rights:	104,343,263 Rights
Estimated Cost of the Rights Offering	\$217,000 (plus \$143,476 in fees and commissions assuming the Rights Offering is fully subscribed)
Maximum Net Proceeds:	The Rights Offering will result in maximum net proceeds of approximately \$3,987,160 from the sale of the Units, after deducting estimated expenses of this Rights Offering of \$360,476.
Use of Proceeds	The net proceeds of the Rights Offering will be used for development of the Corporation's oil and gas projects in Kazakhstan. See " <i>Use of Proceeds</i> ".
Eligible Shareholders and Eligible Jurisdictions	Rights Certificates will be mailed to and subscriptions will be accepted from each holder of record of outstanding Common Shares as of the Record Date with an address of record in any of the provinces of Ontario, British Columbia and Alberta and in certain offshore jurisdictions (the " Eligible Shareholders " and their jurisdictions being referred to as the " Eligible Jurisdictions "). Rights Certificates will not be mailed to, and subscriptions will not be accepted from, holders of outstanding Common Shares as of the Record Date who are not Eligible Shareholders (" Ineligible Shareholders " and their jurisdictions being referred to as the " Ineligible Jurisdictions "). Rights Certificates in respect of Ineligible Shareholders will be issued to and held by the Subscription Agent (as hereinafter defined), as agent for the benefit of Ineligible Shareholders. The Subscription Agent will, prior to the Rights Expiry Time, attempt to sell such Rights on the open market, on a best efforts basis, and the net proceeds thereof, if any, will be forwarded to such Ineligible Shareholders on a <i>pro rata</i> basis.
Listing	The Common Shares are listed on the Toronto Stock Exchange (the " TSX ") and are admitted to trading on the Alternative Investments Market of the London Stock Exchange (" AIM ") under the symbol "CEK". The Rights will be listed on the TSX under the symbol CEK.RT and will be posted for trading on the TSX until 12:00 p.m. (Toronto time) on the Rights Expiry Date at which time they will be halted for trading. The Common Shares issuable as part of the Units, and issuable upon the exercise of the Warrants will also be listed on the TSX. The TSX has conditionally approved the listing of the Warrants subject to the Corporation meeting all of the requirements of the TSX including the minimum public distribution requirements upon completion of the Rights Offering.
Standby Commitment:	There is no standby commitment associated with this Rights Offering
Managing Dealer Fee and Soliciting Fees	The Corporation has appointed Jones, Gable & Company Limited (" JGCL ") as the managing dealer for the Rights Offering. No other soliciting dealers have been engaged, but the Corporation and JGCL reserve the right to appoint additional soliciting dealers if deemed appropriate to assist with the Rights Offering. The Corporation shall pay JGCL a manager dealer fee (the " Manager Dealer Fee ") equal to the sum of: (i) \$50,000; and (ii) an additional \$50,000 in the event that the total gross proceeds from the sale of Units is not less than \$2,100,000. In addition the Corporation will pay a soliciting dealer fee (the " Soliciting Dealer Fee ") of (i) 0.5% of the value of each subscription for Units under the Rights Offering to JGCL; and (ii) 0.5% of the value of each subscription for Units under the Rights Offering to any soliciting dealers, including if applicable JGCL, who assist with such subscription. JGCL will also be entitled to receive a fee of 5% of the amount of any investment in the Corporation made in the 30 days immediately following the Rights Expiry Time, if any, provided that the entity making such investment received Rights Offering documents from JGCL, or had a meeting facilitated by JGCL.
Subscription Agent	Equity Transfer & Trust Company (the " Subscription Agent " or " Equity ") will act as subscription agent for the Rights Offering. See "Subscription Agent and Transfer Agent" for contact information.

The foregoing is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this Rights Offering circular.

To subscribe for Units, a completed Rights Certificate and payment in full of the Subscription Price must be received by the Subscription Agent before the Rights Expiry Time. Rights not exercised before the Rights Expiry Time will be void and of no value. See “Details of the Rights Offering – How to Exercise the Rights”. No minimum amount is required to be raised in connection with the Rights Offering. The Subscription Agent will hold all subscription proceeds until the Rights Expiry Date whereupon the net subscription proceeds after payment of the Manager Dealer Fee, Soliciting Dealer Fee and expenses of the Rights Offering, will be transferred to the Corporation.

The closing price of the Common Shares on the TSX on April 14, 2008 was \$0.28. The Subscription Price was determined by negotiations between the board of directors of the Corporation (the “**Board**”) and JGCL having regard to regulatory requirements and to issues such as dilution, market forces and the capital requirements of the Corporation.

Investment in the securities offered hereby may be regarded as highly speculative due to the nature of the Corporation’s business and should only be undertaken by those persons who can afford to lose their entire investment in the securities. See “Risk Factors”.

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DOCUMENTS FILED WITH CANADIAN REGULATORY AUTHORITIES

For more information about the Corporation, shareholders of the Corporation (“**Shareholders**”) are referred to the documents filed with securities regulatory authorities in Canada. Continuous disclosure documents for the Corporation are available through the internet on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

ELIGIBILITY FOR INVESTMENT

In the opinion of Cassels Brock & Blackwell LLP, counsel to the Corporation, provided the Rights and the Common Shares and Warrants issuable upon the exercise of the Rights are listed on a designated stock exchange, which includes the TSX, such securities will be qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans and registered disability plans.

FORWARD LOOKING INFORMATION

Certain statements contained in this Rights Offering Circular that are not historical facts are forward-looking statements and involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of oil, costs of distribution, capital expenditures, costs and timing of the development of new distribution networks, success of applications for distribution and construction permits and authorizations, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of oil and gas distribution networks, environmental risks, unanticipated reclamation expenses, title disputes or claims, and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to operations; termination or amendment of existing contracts; actual results of current network design and construction activities; results of reclamation activities, if any; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of oil; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the oil and gas industry; delays in obtaining or failure to obtain any governmental approvals, licenses or financing or in the completion of development or construction activities, as well as those factors discussed in the sections entitled “*Risk Factors*” in this Rights Offering Circular. Although the Corporation has attempted to identify important factors that could affect the Corporation and may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this Rights Offering Circular speak only as of the date hereof. The Corporation does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events, except where required to do so by applicable securities legislation.

THE CORPORATION

The Corporation is incorporated under the *Business Corporations Act* (Ontario) and has its registered office at 500-360 Bay Street, Toronto, ON, M5H 2V6. The head and principal office of the Corporation is located at 410-396 11th Avenue S.W., Calgary, Alberta T2R OC5. The sole subsidiary of the Corporation is Caspian Energy Ltd. (“**Caspian Ltd.**”), a corporation incorporated under the laws of the Province of Ontario and wholly-owned by the Corporation.

BUSINESS OF THE CORPORATION

Since September 2004, the Corporation has been primarily involved in oil and gas exploration in the Republic of Kazakhstan (“**Kazakhstan**”). On April 27, 2004, the Corporation acquired a 14.93% equity interest in the predecessor corporation of Caspian Ltd. (“**Predecessor Caspian Ltd.**”) for aggregate consideration of US\$2,500,000. The Corporation’s investment in Predecessor Caspian Ltd. formed part of a US\$9,750,000 financing conducted at the time by Predecessor Caspian Ltd. to fund its acquisition of an interest in Aral Petroleum Capital LLP (“**Aral**”). The acquisition was completed in June 2004 and is the basis of the Corporation’s current oil and gas exploration activities. On September 21, 2004, the Corporation, Predecessor Caspian Ltd. and 2049769 Ontario Ltd., a wholly-owned subsidiary of the Corporation completed a three-cornered amalgamation (the “**Amalgamation**”), the primary practical effect of which was a refocusing of the Corporation’s business on oil and gas exploration centered in Kazakhstan.

Upon completion of the Amalgamation, Caspian Ltd. (the continuing corporation resulting from the Amalgamation) became a wholly-owned subsidiary of the Corporation and the shareholders of Predecessor Caspian Ltd. (other than the Corporation) acquired in excess of 50% of the outstanding Common Shares in exchange for their common shares of Predecessor Caspian Ltd. Concurrently with the completion of the Amalgamation, the Common Shares were admitted to trading on the AIM Market of the London Stock Exchange under the symbol “CEK” and continue to trade on the TSX under the same symbol.

As a result of the Amalgamation, the Corporation’s primary operating business consists of the oil and gas exploration activities conducted by Caspian Ltd. Through its 50 percent interest in Aral, which is a party to an exploration contract with the Government of Kazakhstan, Caspian Ltd. has the right to explore and develop certain oil and gas properties in a 3,458 square km area in Western Kazakhstan located in the vicinity of the Kazakh pre-Caspian basin 150km south of the city of Oktobe, Kazakhstan (the “**North Block**”).

Aral was reorganized as a limited liability partnership formed under the laws of Kazakhstan on August 25, 2004, however, until such time as the parties enter into a partnership agreement to define their respective rights and responsibilities, the unanimous shareholders’ agreement among the shareholders of Aral (the “**Aral Shareholder Agreement**”) will continue to govern their relationship. Aral has offices in Almaty and Aktobe, Kazakhstan and currently has approximately 49 employees.

The above description is only a brief summary of the Corporation’s business. A more detailed description of the Corporation’s business is available in the Corporation’s most recent annual information form dated March 23, 2007 which is filed on www.SEDAR.com.

DETAILS OF THE RIGHTS OFFERING

Basic Subscription Privilege

Each holder of record as at 5:00 p.m. (Toronto time) on April 25, 2008 (the “**Record Date**”) of outstanding Common Shares will be issued one transferable Right for each Common Share held. 6 Rights plus \$0.25 (the “**Subscription Price**”) entitle the Rights holder to subscribe for one Unit at or before 5:00 p.m. (Toronto time) (the “**Rights Expiry Time**”) on May 23, 2008.

Each Unit is comprised of one Common Share and one-half of one Warrant. Each whole Warrant entitles the holder to acquire one Common Share at an exercise price of \$0.45 until the Warrant Expiry Time on the Warrant Expiry Date.

Rights are evidenced by fully transferable rights certificates (“**Rights Certificates**”), which will be issued in registered form. A Rights Certificate evidencing the total number of Rights to which the holder is entitled, together with a copy of this Rights Offering circular, is being mailed to each holder of record of outstanding Common Shares as of the Record Date with an address of record in any of the provinces of Ontario, British Columbia and Alberta and in certain offshore jurisdictions (the “**Eligible Shareholders**” and their jurisdictions being referred to as the “**Eligible Jurisdictions**”). Rights Certificates will not be mailed to, and subscriptions will not be accepted from, holders of outstanding Common Shares as of the Record Date who are not Eligible Shareholders (“**Ineligible Shareholders**” and their jurisdictions being referred to as the “**Ineligible Jurisdictions**”). See "Ineligible Shareholders".

Holders of Rights Certificates may also be entitled to subscribe for additional Units, if available, at the Subscription Price. See "Additional Subscription Privilege".

Unless the Subscription Agent is instructed otherwise by a subscriber, certificates representing Common Shares and Warrants purchased on the exercise of the Rights will be registered in the name of the holder of the Rights Certificate and will be sent to that person at the address specified on the Rights Certificate. Certificates representing Common Shares and Warrants purchased on the exercise of the Rights will not be issued or sent to any Ineligible Shareholder or any person with an address in an Ineligible Jurisdiction.

The Subscription Price and the Warrant Exercise Price were determined by the Board having regard to regulatory requirements and to issues such as dilution, market price, market forces and the capital requirements of the Corporation. The total number of Units to be issued will depend on demand from the holders of the Rights. The subscription for Units is voluntary. Holders should consult their own advisers with respect to the Rights Offering.

A register of holders of Rights Certificates will be maintained by the Subscription Agent. If a Rights Certificate is lost, stolen or destroyed, a replacement Rights Certificate will be issued only upon compliance with applicable statutory requirements and any other reasonable requirements imposed by the Corporation. Equity should be contacted in the event of the loss, theft or destruction of a Rights Certificate.

Additional Subscription Privilege

A holder of a Rights Certificate who is an Eligible Shareholder and who has exercised all the Rights evidenced by such Rights Certificate may subscribe for additional Units (“**Additional Units**”), if available, at the Subscription Price (the “**Additional Subscription Privilege**”). See "How To Exercise the Rights - To Apply for Additional Units - Form 2". Additional Units will be allocated from those Units, if any, available as a result of Rights that are unexercised at the Rights Expiry Time. A holder who exercises the Additional Subscription Privilege (“**Additional Units**”) will receive the lesser of (i) the number of Units that holder subscribes for under the Additional Subscription Privilege, and (ii) the number of Units that is equal to the aggregate number of Units available through unexercised Rights multiplied by the quotient of the number of Rights previously exercised by such holder under the Rights Offering divided by the aggregate number of Rights previously exercised under the Rights Offering by holders of Rights that have subscribed for Units under the Additional Subscription Privilege.

A Rights holder may subscribe for Additional Units by (i) completing Form 2 of the Rights Certificate, and (ii) delivering the Rights Certificate, together with payment for those Additional Units, to the Subscription Agent at or before the Rights Expiry Time. If payment for all Additional Units subscribed for pursuant to the Additional Subscription Privilege does not accompany the subscription, the over-subscription will be invalid.

If this Rights Offering is fully subscribed, then the funds included for the over-subscriptions will be returned by the Subscription Agent to the relevant subscribers. If the Rights Offering is not fully subscribed, certificates representing Common Shares and Warrants due to subscribers as a result of over-subscriptions will be delivered by the Subscription Agent together with the certificates representing Common Shares and Warrants due to those subscribers pursuant to their subscriptions in accordance with the Basic Subscription Privilege. In addition, the Subscription Agent will return to any over-subscribing subscriber within 30 calendar days of the Rights Expiry Date any excess funds paid in respect of an over-subscription for Units where the number of additional Units available to that subscriber is less than the number of Additional Units subscribed for. No interest will be payable by the Subscription Agent or the Corporation in respect of any excess funds returned to subscribers.

Ineligible Shareholders

Units are being offered for sale only to Eligible Shareholders. "Ineligible Shareholders" are registered holders of record of outstanding Common Shares as of the Record Date who are not Eligible Shareholders. Shareholders of record will be presumed to be resident in the place of their address of record, unless the contrary is shown to the satisfaction of the Corporation. Subscriptions will not be accepted from or on behalf of Ineligible Shareholders or any person who appears to be, or who the Corporation or the Subscription Agent has reason to believe is, a resident of an Ineligible Jurisdiction.

Beneficial owners of outstanding Common Shares registered in the name of a resident of an Ineligible Jurisdiction, who are not resident in an Ineligible Jurisdiction and who believe that their Rights Certificates may have been delivered to the Subscription Agent (as contemplated below), should contact the Subscription Agent no later than seven (7) calendar days prior to the Rights Expiry Date to have their Rights Certificates mailed to them.

Rights Certificates will not be delivered by the Corporation to Ineligible Shareholders. Instead, Ineligible Shareholders will be sent a letter advising them that their Rights Certificates will be issued to and held by the Subscription Agent, who will hold those Rights as agent for the benefit of all Ineligible Shareholders. The Subscription Agent will hold their Rights until seven (7) calendar days prior to the Rights Expiry Date to give beneficial owners of outstanding Common Shares registered in the name of a resident of an Ineligible Jurisdiction, who are not residents of an Ineligible Jurisdiction, an opportunity to claim their Rights Certificates from the Subscription Agent. Thereafter, the Subscription Agent will attempt, on a best efforts basis, to sell the Rights delivered to it through the facilities of the TSX prior to the Rights Expiry Time on a date or dates and at a price or prices as the Subscription Agent determines in its sole discretion. The Subscription Agent's ability to sell Rights, and the prices obtained for the Rights, are dependent on market conditions. The Subscription Agent will not be subject to any liability for failure to sell any Rights held for the benefit of Ineligible Shareholders at any particular price or prices, or at all. The proceeds received by the Subscription Agent, if any, from the sale of the Rights delivered to it, net of any applicable costs and expenses, will be divided among the Ineligible Shareholders *pro rata* according to the total number of Common Shares held by them on the Record Date. The Subscription Agent will mail cheques, by first class mail, to the Ineligible Shareholders at their addresses appearing in the records of the Subscription Agent for their respective proportions of those net proceeds, subject to any applicable taxes which must be withheld for particular Ineligible Shareholders, provided that the Subscription Agent will not be required to make any such payment to any Ineligible Shareholder if the amount owing to such holder is less than \$5.00. Such amount will be used by the Corporation to offset a portion of the remuneration of the Subscription Agent for its services.

Delivery of Rights by Intermediaries

Rights delivered to brokers, dealers or other intermediaries may not be delivered by those intermediaries to beneficial owners of outstanding Common Shares who are resident in Ineligible Jurisdictions. Intermediaries receiving Rights which would otherwise be deliverable to residents of Ineligible Jurisdictions should attempt to sell those Rights for the accounts of the residents of Ineligible Jurisdictions and should deliver any proceeds of sale to those residents.

Fees Payable by Subscribers

Payment of any service charge, commission or other fee payable (including those of brokers) in connection with the transfer of Rights (other than the fees for the services to be performed by the Subscription Agent referred to under "Subscription Agent and Transfer Agent") will be the responsibility of the Rights holder. There will be no commission charged by the Corporation on the issuance of Rights to holders of outstanding Common Shares or upon the exercise of Rights.

Sale and Transfer of Rights

The Rights will be listed on the TSX until 12:00 noon (Toronto time) on the Rights Expiry Date. The Rights evidenced by Rights Certificates may be transferred to others (except "U.S. Persons" as defined in Regulation S promulgated under the U.S. Securities Act) by delivery of such Rights Certificates, provided that the transfer form (Form 3) on the face of the Rights Certificate has been duly completed and executed by the registered holder. See "How to Exercise the Rights - To Sell or Transfer Rights - Form 3". Rights may be bought or sold on the TSX through the usual investment channels, such as brokers and investment dealers.

Payment of any service charge, commission or other fee payable in connection with the trading of Rights will be the responsibility of the holders of the Rights.

Expiry of Rights

The Rights evidenced by the Rights Certificates will expire at 5:00 p.m. (Toronto time) (the “**Rights Expiry Time**”) on May 23, 2008 (the “**Rights Expiry Date**”). The Corporation reserves the right to extend the Rights Expiry Date, in its sole discretion, subject to obtaining any required regulatory approvals, if the Corporation determines that the timely exercise of the Rights may have been prejudiced due to disruption in postal service. **Rights not exercised by the Rights Expiry Time will be void and without value.**

Dilution to Existing Shareholders

If a holder of Common Shares wishes to retain that holder's current percentage ownership in the Corporation and assuming that all Rights are exercised, that holder should purchase all of the Units for which the holder may subscribe pursuant to the Rights delivered with this Rights Offering. If that holder does not do so and other Rights holders exercise all of their Rights, that holder's current percentage ownership in the Corporation will be diluted by the issue of Units under this Rights Offering.

No Rights as Shareholder

A holder of a Rights Certificate is not, by virtue of such Right, a shareholder of the Corporation and does not have any of the rights of a Shareholder.

Listing

The Common Shares are listed on the TSX and are admitted to trading on the AIM under the symbol “CEK”. The Rights will be listed on the TSX under the symbol CEK.RT and will be posted for trading on the TSX on a “when issued” basis commencing two trading days prior to the Record Date until 12:00 p.m. (Toronto time) on the Rights Expiry Date at which time they will be halted for trading. The Common Shares issuable as part of the Units and issuable upon the exercise of the Warrants will also be listed on the TSX. The TSX has conditionally approved the listing of the Warrants subject to the Corporation fulfilling all of the requirements of the TSX including the minimum public distribution requirements upon completion of the Rights Offering.

HOW TO EXERCISE THE RIGHTS

General

By completing the appropriate form on the Rights Certificate in accordance with the instructions below, a Rights holder may:

- (a) subscribe for Units under the Basic Subscription Privilege (Form 1);
- (b) subscribe for Additional Units under the Additional Subscription Privilege (Form 2);
- (c) sell or transfer Rights (Form 3); or
- (d) divide, combine or exchange a Rights Certificate (Form 4).

Delivery of Rights Certificate to Subscription Agent

The method of delivery of the Rights Certificates for the purposes referred to above under "General" is at the discretion of the Rights holder. If mail is used, registered mail is recommended. The mailing address of the Subscription Agent is set out in "Subscription Agent and Transfer Agent".

Unexercised Rights

A Rights holder who completes Form 1 by exercising some, but not all, of the Rights evidenced by the Rights Certificate, will be deemed to have elected not to exercise the balance of the Rights, which will be void and of no value, unless that holder elects to divide the Rights Certificate by completing Form 4. See "To Divide, Combine or Exchange the Rights Certificate - Form 4".

Signatures

If a form on the Rights Certificate is signed by a trustee, executor or administrator, by an officer of a corporation or by any person acting in a representative capacity, the Rights Certificate must be accompanied by evidence satisfactory to the Subscription Agent of authority to so sign. Such evidence would consist of, in the case of a corporation, a certified extract from the by-laws or a certified copy of a board resolution granting authority to certain officers to sell, assign and transfer securities registered in its name, together with a certificate of the corporate secretary identifying the authorized officers. In the case of a trustee, executor or administrator, or by any person acting in a legal representative capacity such evidence would consist of appropriate proof of appointment.

To Subscribe for Units – Form 1

The payment of the Subscription Price and 6 Rights are required to subscribe for one Unit. The holder of a Rights Certificate may subscribe for all or any lesser number of Units for which the Rights Certificate entitles the holder to subscribe by completing and executing Form 1 on the Rights Certificate and delivering the Rights Certificate, together with payment in full of the Subscription Price for those Units subscribed for, to the Subscription Agent. The Subscription Price is payable in Canadian funds by certified cheque, bank draft or money order made payable to "Equity Transfer & Trust Company." All payments, together with Form 1 duly completed on the Rights Certificate, must be received by the Subscription Agent at or before the Rights Expiry Time.

Completion of Form 1 constitutes a representation that the holder is an Eligible Shareholder.

To Apply for Additional Units – Form 2

A Rights holder who uses Form 1 and subscribes for all of the Units for which that Rights Certificate entitles that holder to subscribe, may, at the same time, subscribe for additional Units (at the Subscription Price) by completing Form 2. The number of additional Units, if any, available for allocation to a subscriber for additional Units will be the lesser of

- the number of additional Units subscribed for by the subscriber on Form 2, and
- the product (disregarding fractions) obtained by multiplying the aggregate number or amount of Units available through unexercised Rights by the quotient of the number of Rights previously exercised by the holder under the Rights Offering divided by the aggregate number of Rights previously exercised under the Rights Offering by holders of Rights that have subscribed for Units under the Additional Subscription Privilege.

To accept the offer to subscribe for additional Units, a Rights holder must complete and execute Form 2 as well as Form 1 on the Rights Certificate and deliver to Equity, at or before the Rights Expiry Time, the Rights Certificate, together with payment in full of the subscription price for each Unit and each additional Unit subscribed for. The subscription price for Units and additional Units is payable in Canadian funds by certified cheque, bank draft or money order made payable to "Equity Transfer & Trust Company." All payments, together with Form 1 and Form 2 duly completed on the Rights Certificates, must be received by the Subscription Agent at or before the Rights Expiry Time.

Subscribers for additional Units will be notified as soon as practicable after the Rights Expiry Time of the number of additional Units, if any, allotted to them. Any excess subscription monies will be returned by first class mail without interest within 30 calendar days of the Rights Expiry Date.

To Sell or Transfer Rights - Form 3

Rights Certificates are in registered form. A Rights holder, in lieu of exercising Rights to subscribe for Units, may sell or transfer the Rights personally or through the usual investment channels (such as brokers or investment dealers) by completing Form 3 on the back of the Rights Certificate and delivering the Rights Certificate to the purchaser (transferee). Rights Certificates will not be registered in the name of an Ineligible Shareholder. The transferee may exercise all of the Rights of the transferring holder without obtaining a new Rights Certificate. If a Rights Certificate is transferred in blank, the Corporation and the Subscription Agent may thereafter treat the bearer as the absolute owner of the Rights Certificate for all purposes and neither the Corporation nor the Subscription Agent will be affected by any notice to the contrary.

The signature of the transferring Rights holder on Form 3 must be guaranteed by an Eligible Institution or otherwise to the satisfaction of the Subscription Agent. "**Eligible Institution**" means a Canadian Schedule I chartered bank, a member of the Securities Transfer Agents Medallion Program (STAMP), a member of the Stock Exchanges Medallion Program (SEMP) or a member of the New York Stock Exchange, Inc. Medallion Signature Program (MSP). Members of these programs are usually members of recognized stock exchanges in Canada and the United States, members of the Investment Dealers Association of Canada, members of the National Association of Securities Dealers or banks and trust companies in the United States. If Form 3 is signed by a trustee, executor, administrator, curator, tutor, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity, it should be accompanied by satisfactory evidence of authority to act. The signature of the transferee on any one or more of the forms on the Rights Certificate must correspond exactly with the name of that transferee shown on Form 3.

To Divide, Combine or Exchange the Rights Certificate - Form 4

A Rights Certificate may be divided, combined or exchanged by completing and executing Form 4 on the Rights Certificate and delivering the Rights Certificate to the Subscription Agent. The Subscription Agent will then issue new Rights Certificates in any denominations (totaling the same number of Rights as are evidenced by the Rights Certificate being divided, exchanged or combined) as are requested by the holder. Rights Certificates must be surrendered for division, combination or exchange prior to 5:00 p.m. (Toronto time) on the third (3rd) Business Day before the Rights Expiry Date to permit the new Rights Certificates to be issued to and used by the holder.

A bank, trust company, investment dealer or broker holding Common Shares on the Record Date for more than one beneficial owner may, upon providing satisfactory evidence to the Subscription Agent of the beneficial ownership of those Common Shares, divide and transfer the Rights Certificate issued to it, by duly completing and executing Form 4 on the Rights Certificate, on the same basis as if the beneficial owners were registered on the Record Date.

Reservation of Common Shares

The Corporation will, at all times, reserve a sufficient number of its unissued Common Shares to permit the exercise of all of the Rights and the exercise of all of the Warrants.

No Fractional Units

The Corporation will not issue fractional Common Shares or Warrants upon the exercise of Rights. Where the issuance of Rights would otherwise entitle the holder of Rights to fractional Common Shares or Warrants, the holder's entitlement will be reduced to the next lowest whole number of Common Shares or Warrants, with no additional compensation.

Determinations as to Validity of Subscription

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscription or request for transfer will be determined by the Corporation, in its sole discretion, whose determination shall be final and binding. All subscriptions are irrevocable. The Corporation reserves the absolute right to reject any subscription if such subscription is not in proper form or if the acceptance thereof or the issuance of Units pursuant thereto could be deemed

unlawful. The Corporation also reserves the right to waive any defect with regard to any particular subscription. Neither the Corporation nor Equity will be under any duty to give any notification of any defect or irregularity in such subscriptions nor shall either of them incur any liability for failure to give such notification.

SUBSCRIPTION AGENT AND TRANSFER AGENT

The Subscription Agent has been appointed to receive subscriptions and payments from holders of Rights and to perform the services relating to the exercise and transfer of the Rights. The following office of the Subscription Agent has been appointed to perform these services:

Equity Transfer & Trust Company
200 University Ave., Suite 400
Toronto, Ontario M5H 4H1
Attention: Corporate Actions

The Corporation will pay the fees and expenses of the Subscription Agent in respect of such services. The Subscription Agent, through its offices at Toronto, Ontario, is the transfer agent and registrar for the Common Shares, and the warrant agent for the Warrants.

MANAGING DEALER FEE AND SOLICITING DEALER FEES

The Corporation has appointed JGCL as the managing dealer for the Rights Offering. No other soliciting dealers have been engaged, but the Corporation and JGCL reserve the right to appoint additional soliciting dealers if deemed appropriate to assist with the Rights Offering. The Corporation shall pay JGCL a manager dealer fee (the "Manager Dealer Fee") equal to the sum of: (i) \$50,000; and (ii) an additional \$50,000 in the event that the total gross proceeds from the sale of Units is not less than \$2,100,000. In addition the Corporation will pay a soliciting dealer fee (the "Soliciting Dealer Fee") of (i) 0.5% of the value of each subscription for Units under the Rights Offering to JGCL; and (ii) 0.5% of the value of each subscription for Units under the Rights Offering to any soliciting dealers, including if applicable JGCL, who assist with such subscription. JGCL will also be entitled to receive a fee of 5% of the amount of any investment in the Corporation made in the 30 days immediately following the Rights Expiry Time, if any, provided that the entity making such investment received Rights Offering documents from JGCL, or had a meeting facilitated by JGCL.

STAND-BY COMMITMENT

No stand-by commitment is being offered in connection with this Rights Offering.

USE OF PROCEEDS

In the event that the Rights Offering is fully subscribed, the Corporation will receive gross proceeds of approximately \$4,347,635 and net proceeds of approximately \$3,987,160 after deducting expenses of the Rights Offering estimated at \$217,000, and fees of approximately \$143,476.

The Corporation expects to incur exploration expenditures in the drilling of the Baktygaryn #703 well, located in the North Block, the cost of which is estimated to be \$3.5 million, of which the Corporation is obligated to fund to 50%, being \$1.75 million. Following the release of the rig from Baktygaryn #703, the Corporation intends to move its drilling efforts to the western part of the North Block where it will subsequently determine the location of a second well, estimated to cost \$1.9 million, of which the Corporation is obligated to fund 50% being \$950,000, representing an aggregate approximate exploration cost to the Corporation of \$2.7 million. As at the date hereof, the location of the second well has not been determined. The Corporation intends to use the proceeds of the Offering, including the proceeds raised from the exercise of the Warrants, if any, to fund these exploration obligations. Any remaining proceeds from the Offering will be used for general working capital.

The Corporation is required to fund 50% of approximately US\$8.6 million in exploration expenses to be incurred by Aral prior to December 31, 2008 pursuant to Aral's exploration contract (the "**Exploration Contract**"). The expenses incurred by the Corporation in respect of the Baktygaryn #703 well and the second well in the North Block at a location to be determined will qualify toward the satisfaction of this requirement. It is expected that the remainder of the

Corporation's exploration expenditure obligations under the Exploration Contract will be arranged through additional debt or equity financings. There can be no assurance that such debt or equity financings will be available, or available on terms acceptable to the Corporation.

The above use of proceeds reflects the current intention of the Corporation based on information currently available to it and on current circumstances, economic and otherwise. The Corporation may use any such moneys for the purpose of acquisition, lease costs, geological expenses and initial work on other properties or on other matters.

In the event that the Corporation does not realize the maximum gross proceeds of the Rights Offering, the Board may amend the proposed allocation of the actual proceeds for such other purposes as may be deemed by the Board to be in the best interests of the Corporation.

Pending their actual use, the Corporation may invest its working capital, including the proceeds of the Rights Offering, in short-term money market instruments and government securities, as well as investment-quality, interest-bearing or dividend-paying securities. The Corporation does not invest its working capital, including the proceeds of the Rights Offering, in asset-backed securities.

INCOME TAX CONSEQUENCES

The income tax consequences of acquiring, holding or disposing of a Right or the Common Shares and Warrants acquired upon exercise of a Right or the Common Shares acquired upon exercise of the Warrants may vary according to the status of the investor, the jurisdiction in which he resides or carries on business and his own particular circumstances. Each investor should seek independent advice regarding such tax consequences based on his own particular circumstances.

DESCRIPTION OF SHARE CAPITAL

General

The authorized capital of the Corporation consists of an unlimited number of Common Shares. As at April 11, 2008 there were 104,343,263 Common Shares issued and outstanding, all of which are fully paid and non-assessable. 10,508,655 Common Shares are reserved for issuance pursuant to currently outstanding share purchase warrants, and convertible debentures and 13,328,777 Common Shares are reserved for issuance pursuant to currently outstanding stock options granted under the Corporation's incentive stock option plan.

The holders of Common Shares are entitled to one vote for each share held at all meetings of shareholders of the Corporation and are entitled to receive dividends as and when declared by the Board. In the event of a liquidation, dissolution or winding-up of the Corporation, holders of Common Shares are entitled to receive the remaining property of the Corporation available for distribution.

The Units

Each Unit will consist of one Common Share and one-half of one Warrant. Each whole Warrant entitles the holder to purchase one additional Common Share of the Corporation at a price of \$0.45 per Common Share at any time on or before 5:00 p.m. (Toronto time) on the Warrant Expiry Date, at which time the Warrants will expire and be void and of no value. See "The Warrants".

The Warrants

The Warrants will be issued under and subject to an indenture (the "**Warrant Indenture**") to be executed between the Corporation and Equity. Each whole Warrant will entitle the holder to purchase one Common Share at a price of \$0.45 per share at any time on or before 5:00 p.m. (Toronto time) on the Warrant Expiry Date, after which time the Warrants will expire and be void and of no value. The Warrants will be exercisable at the corporate trust offices of Equity in Toronto. The Warrants will be transferable upon compliance with applicable securities laws at the corporate trust offices of Equity in Toronto.

The Warrant Indenture will provide for adjustment to the exercise price and to the number of Common Shares issuable upon exercise of a Warrant upon the occurrence of certain events. Under the Warrant Indenture, the Corporation

may purchase in the market, by private contract or otherwise, all or any portion of the Warrants on such terms as the Corporation may determine.

The Corporation will not issue fractional Common Shares upon the exercise of Warrants. Where the exercise of Warrants would appear to entitle the holder of Warrants to fractional Common Shares, the holder's entitlement will be reduced to the next lowest whole number of Common Shares.

Holders of Warrants will have as such no voting or pre-emptive rights or other rights of holders of Common Shares.

CHANGES OF OWNERSHIP

As at the date hereof, to the knowledge of the Corporation there have been no transfers or issuances of Common Shares that have materially affected the control of the Corporation since December 31, 2006.

OWNERSHIP OF COMMON SHARES

To the knowledge of the directors of the Corporation, no person or corporation beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the voting rights attributable to the issued and outstanding Common Shares.

INTENTION OF INSIDERS TO EXERCISE RIGHTS

The Corporation has been advised that certain of the directors and senior officers of the Corporation may exercise the Rights they will receive under this Rights Offering (subject to compliance with the laws of the jurisdiction in which they are resident); however no commitments to do so have been made.

RISK FACTORS

An investment in the Corporation's securities entails a significant degree of risk and should be considered speculation due to the nature of the Corporation's business and stage of development. The Corporation 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 Rights Offering Circular. Security holders should carefully consider the information contained herein prior to investing.

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

The Corporation'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 Corporation. 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 reported by the Corporation represent estimates only. Actual production, revenues and expenditures with respect to the Corporation'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 Corporation'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.

All estimates are to some degree speculative and are based on extensive engineering judgment and classifications of reserves are only attempts to define the degree of speculation involved. For these reasons, 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 the Corporation's public disclosure documents should not be interpreted as being the same as the current market value of the estimated reserves. The Corporation 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 following: 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 Corporation will require additional equity and/or debt financing. The Corporation'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 Corporation, regulatory developments, credit availability from banks and other lenders and provisions of tax and securities laws that are conducive to raising capital.

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 Corporation may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business.

The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects. The Corporation's inability to procure sufficient financing could adversely affect the Corporation's ability to implement its business strategy. Failure to raise sufficient funds to meet the Corporation's work programs and obligations could result in suspension and, ultimately, termination of the Exploration Contract. If the Corporation 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. Kazhakstani 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 Corporation'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 Corporation's 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 Corporation 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 Corporation 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 Rights Offering Circular, 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 2008. The BAT requirements could require the Corporation to incur significant capital expenditures.

The Corporation 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 Corporation's cash flows may be insufficient to meet the Corporation's obligations. In addition, the Corporation 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 Corporation 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 Corporation, 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 Corporation's principal asset consists of its (indirect) ownership interest in Aral. Accordingly, the Corporation'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

The Corporation holds a 50% interest in Aral and the remaining 50% is held by Azden Management Ltd. ("Azden"). Pursuant to the terms of the Aral Shareholders Agreement, both shareholders share control of Aral and have equal rights to appoint members of its board of directors. As a result, the Corporation 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 Corporation. 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 Atyran-Samara pipeline and 2,500,000 tonnes through the Makhachkala-Tikhoretsk –Novorossiisk 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 will 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 Corporation 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. 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 the Corporation for breaches of the Aral 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 Corporation 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. No assurance can be given that the tenge will not experience significant 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 the Corporation) 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.

Subscribers may not revoke the exercise of their Rights even if there is a decline in the trading price of the Common Shares prior to the Rights Expiry Date

Even if the Common Share price declines below the subscription price for the Units, resulting in a loss on Subscribers' investments upon the exercise of the Subscribers' Rights, Subscribers may not revoke or change the exercise of Rights after they send in their subscription forms and payment.

Unpredictability and Volatility of Share Price

A publicly traded company will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Common Shares will trade cannot be predicted. The market price of the Common Shares could be subject to significant fluctuations in response to variations in quarterly operating results and other factors.

The trading price of the Common Shares in the future may decline below the price of the Units.

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, 2007, the Company estimated the total undiscounted amount of cash flows required to settle ARO's at \$202,280 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 Corporation'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 Corporation'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 at less than world prices. In the event that Aral enters into a Production Contract, the Ministry of Energy and Mineral Resources of Kazakhstan may require that some of Aral's production be sold locally at less than world prices.

Debentures

On March 1, 2006, the Corporation issued an aggregate principal amount of \$16 million in secured convertible debentures (the "**Debentures**") to third parties. Pursuant to the terms of the Debentures, the Corporation granted a security interest to the Debentureholders over all of the Corporation's property, including the Corporation's indirect interest in Aral (the "**Secured Property**"). In the event of default by the Corporation 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.

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 Corporation 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 Corporation, or available on acceptable terms, in an amount sufficient to fund the Corporation's needs.

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

AS A RESULT OF THESE FACTORS, THE RIGHTS OFFERING IS ONLY SUITABLE FOR THOSE INVESTORS WHO ARE WILLING TO RELY ON MANAGEMENT OF THE CORPORATION AND WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT IN THE UNITS.

STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides security holders of the Corporation with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, if there is a misrepresentation in a circular or a notice that is required to be delivered to those security holders. However, such rights must be exercised within the prescribed time limits. Security holders should refer to the applicable provisions of securities legislation of the respective province of residence for particulars of those rights, or consult with a lawyer.

STATEMENT AS TO RESALE RESTRICTIONS

The Rights being issued hereunder, the Common Shares and Warrants issuable upon exercise of the Rights and the Common Shares issuable upon exercise of the Warrants are being distributed by the Corporation pursuant to exemptions from the registration and prospectus requirements under securities legislation in the of the Eligible Jurisdictions in Canada (the "**Qualifying Jurisdictions**").

Resale of the Rights, the Common Shares and the Warrants issuable upon exercise of the Rights and the Common Shares issuable upon the exercise of the Warrants may be subject to restrictions pursuant to applicable securities legislation then in force. Set out below is a general summary of the restrictions governing first trades in Rights, Common Shares and Warrants issuable upon exercise of Rights and Common Shares issuable on exercise of Warrants in the Qualifying Jurisdictions. Additional restrictions apply to “insiders” of the Corporation and holders of Rights, Common Shares and Warrants who are “control persons” or the equivalent or who are deemed to be part of what is commonly referred to as a “control block” in respect of the Corporation for purposes of securities legislation.

Generally, the first trade in Rights, Common Shares and Warrants issuable upon exercise of Rights and Common Shares issuable upon exercise of Warrants will be exempt from the prospectus requirements of securities legislation in the Qualifying Jurisdictions, if:

- (a) the Corporation is and has been a reporting issuer in a jurisdiction of Canada for the four months immediately preceding the trade;
- (b) the trade is not a control distribution;
- (c) no unusual effort is made to prepare the market or to create a demand for the security that is the subject of the trade;
- (d) no extraordinary commission or consideration is paid to a person or company in respect of the trade; and
- (e) if the selling securityholder is an insider or officer of the Corporation, the selling securityholder has no reasonable grounds to believe that the Corporation is in default of securities legislation.

If such conditions are not met then the Rights, the Common Shares and Warrants issuable upon exercise of the Rights and the Common Shares issuable upon exercise of the Warrants may not be resold except pursuant to a prospectus or prospectus exemption, which may only be available in limited circumstances.

None of the Rights, the Common Shares and Warrants issuable on exercise of the Rights and the Common Shares issuable on exercise of the Warrants have been nor will they be registered under the U.S. Securities Act, and they may not be offered or transferred within the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act.

INQUIRIES

Inquiries relating to this Rights Offering should be addressed:

By Mail, Hand Delivery or Courier to:

Equity Transfer & Trust Company
Suite 400, 200 University Avenue
Toronto, ON M5H 4H1

By E-mail to:

info@equitytransfer.com