

Caspian Oil and Gas Limited

ASX: CIG

Colin Carson
Executive Director

Caspian Oil & Gas Limited (Caspian) is an oil producer and explorer with oil projects located in the Kyrgyz Republic.

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Colin Carson, Executive Director, spoke with *Wall Street Reporter Magazine* on July 20, 2006.

WSR: Bring us up to speed on the company's assets and operations.

CIG: The company's main assets are 24,000 square kilometers of oil licenses in the Kyrgyz Republic in central Asia, most of them in the oil-prone Fergana Basin. This is most of the prospective acreage in the Kyrgyz Republic, and Santos, Australia's third-largest oil company, is now a joint venture partner on most of that acreage.

WSR: Expand on this play and tell us where Caspian is in terms of drilling, development resources, and so on.

CIG: Caspian has a joint venture with Santos, which is spending USD\$24 million by June 2009 on a staged basis. If Santos spends that amount, Caspian will retain a 20% equity. Santos is planning some seismic later this year, a major seismic program next year, and then to drill a number of wells in 2008 and 2009. It is targeting deeper prospects with large potential, up to 100 million barrels recoverable. Caspian retains the right to drill a number of shallow (to a depth of 1,000m) prospects on its northern Fergana licenses and has a joint venture with the local government oil company, KNG, on the Mailisu III prospect. Caspian is planning a six-well program on some of its shallow prospects and the Mailisu III license later this year, subject to finalise the drilling contract.

WSR: Educate us in terms of the infrastructure and the political climate within this region as it relates to resource development, production, and so on.

CIG: The region has been producing oil for over 100 years now. There are pipelines, storage facilities and a presently underutilized refinery in the country. Before the break-up of the Soviet Union, the Kyrgyzstan was producing significant quantities of oil, but production dropped off dramatically then because there was no refinery in the country at the time. Petrofac out of the UK now operates a refinery near Caspian's projects, but only at about 20% capacity, so there is a ready market there, and obviously being a neighbor of China, Caspian can export oil to them as well. Politically, the Kyrgyz Government is very keen on facilitating development of resources in the country. For a former Soviet country, the Kyrgyz Republic is extremely progressive, with a 10% income tax rate, a 5.3% total royalty, and US\$2 a barrel excise, making it one of the most attractive fiscal regimes available for oil production.

WSR: How important are these strategic alliances and joint ventures going forward?

CIG: The joint venture with Santos is very important for Caspian. It enables us to develop smaller projects on our own and gives us the opportunity to replicate what we've done in the Kyrgyz Republic by looking for new projects elsewhere, particularly in Africa, where we have strong links from our previous activities in that area.

WSR: What is unique about Caspian Oil & Gas?

CIG: Caspian is carried for next three years of exploration in a region renowned for oil production over a long period of time. There is plenty of evidence of oil, with oil seeps throughout the licenses, and there are numerous large targets at present. Santos is carrying both the risk and the cost of exploration. Caspian retains a 20% equity at the end of the day, so even a modest discovery will be very significant to it. Caspian also has the ability to and is in the process of developing its own production profile through its joint venture with KNG (the government oil company) and the shallow targets on its northern Fergana licenses.

WSR: What about the present Board and management team?

CIG: Reg Gillard, our Board Chairman, has over 20 years' experience managing and directing successful mineral exploration companies, including Chairing Moto Gold Mines until recently. Juerg Walker is a Swiss Fund Manager. Dr Alex Becker is a Russian-born Structural Geologist with significant experience in the former Soviet countries. Mike Sandy is a petroleum geologist with extensive international experience. Graeme Parsons, our new Chief Operating Officer starts in August; he is a petroleum geologist with extensive international development and exploration experience.

WSR: Does the investment community understand the direction Caspian is going in?

CIG: The investment community understands Caspian's potential. Right now, the stock price is undervalued because investors are waiting to see if a rig can be organized to undertake the drilling program later this year. We hope to have news on that soon.

WSR: In closing, why should investors consider Caspian Oil & Gas as a long-term investment opportunity?

CIG: The main reason is that the oil acreage in the Kyrgyz Republic will be developed by Santos over the next three years. If they are successful, Caspian could potentially have 20% of a number of major oil discoveries right on the border with China, in a country with a very low tax regime that is keen to seeing development occur. In addition, we are looking for new projects which could add a new level of excitement to what we already have at present.

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