THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult an independent professional adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

The Directors of Caspian Holdings Plc, whose names appear on page 4 of this document, accept responsibility both individually and collectively for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure this is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the whole of the issued and to be issued Ordinary Shares to be admitted to trading on AIM, a market operated by the London Stock Exchange. It is expected that admission will become effective and that trading in the Ordinary Shares will commence on AIM on 4 November 2004. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM Securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The rules of AIM are less demanding than those of the Official List of the UK Listing Authority and it is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. Furthermore, neither the London Stock Exchange nor the UK Listing Authority has examined or approved the contents of this document. The Ordinary Shares are not dealt on any other recognised investment exchange and no other such applications have been made.

The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States of America, Australia, Canada, Japan or the Republic of Ireland. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within the United States of America, Australia, Canada, Japan or the Republic of Ireland or to or for the account or benefit of any national resident or citizen of Australia, Canada, Japan or the Republic of Ireland or any person located in the United States. This document does not constitute an offer, or the solicitation of an offer to subscribe or buy, any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

This document, which comprises a prospectus and an AIM admission document, has been drawn up in accordance with the Public Offers of Securities Regulations 1995 (as amended) ("POS Regulations") and the AIM Rules, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of the Regulations.

Caspian Holdings Plc

(Incorporated and registered in England and Wales with Registered No. 04782584)

Placing of 17,571,685 New Ordinary Shares of 0.1p each at 23p per Ordinary Share and Admission to trading on the AIM Market

Nominated Adviser
Grant Thornton Corporate Finance

Broker
Hoodless Brennan & Partners plc

SHARE CAPITAL IMMEDIATELY FOLLOWING PLACING AND ADMISSION

Authorised Number of Ordinary Shares	Amount		*Issued and fully paid* Number of Ordinary Shares	Amount
150,000,000	£150,000	Ordinary Shares of 0.1p each	82,181,685	£82,182

All the New Ordinary Shares will, on Admission, rank *pari passu* in all respects with the existing Ordinary Shares in issue and will rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission.

Grant Thornton Corporate Finance, a division of Grant Thornton UK LLP, which is authorised and regulated by the Financial Services Authority, is the Company's nominated adviser for the purposes of the AIM Rules and as such, its responsibilities are owed solely to London Stock Exchange plc and are not owed to the Company or any Director or any other entity or person. Grant Thornton Corporate Finance will not be responsible to anyone other than the Company for providing the protection afforded to clients of Grant Thornton Corporate Finance or for advising any other person in connection with the Placing and Admission.

Hoodless Brennan & Partners plc, which is authorised and regulated by the Financial Services Authority, is acting exclusively for the Company, as Broker, in relation to the Placing and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Hoodless Brennan & Partners plc or advising any other person on the Placing and the contents of this document or any matter referred to herein.

No representation or warranty, express or implied, is made by Grant Thornton or Hoodless Brennan & Partners plc as to the contents of this document (without limiting the statutory rights of any person to whom this document is issued) and Grant Thornton and Hoodless Brennan & Partners plc have not authorised the contents of any part of this document for the purposes of Regulation 13(1)(g) of the Regulations.

Prospective investors should read the whole text and contents of this document and should be aware that an investment in the Company is speculative and involves a degree of risk. In particular, prospective investors' attention is drawn to the section entitled "Risk factors" in Part II of this document.

Copies of this document will be available during normal business hours on any day (except Saturdays, Sundays and public holidays) free of charge to the public at the offices of Grant Thornton, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP, for one month from the date of Admission.

CONTENTS

PLACING STATISTICS

Placing Price	23p
New Ordinary Shares being issued pursuant to the Placing	17,571,685
Number of Ordinary Shares in issue following Admission	82,181,685
Percentage of enlarged issued share capital subject to the Placing	21.4 per cent.
Directors' interests in the share capital of the Company immediately following Admission*	24.3 per cent.
Estimated gross proceeds of the Placing receivable by the Company	£4,041,488
Estimated net proceeds of the Placing receivable by the Company	£3,660,000
Market Capitalisation at the Placing Price on Admission	£18,901,788

*Further details of the Directors' interests in the share capital of the Company are set out in paragraph 5 of Part VII of this document.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission and commencement of dealings in Ordinary Shares on AIM	4 November 2004
CREST accounts credited	4 November 2004
Expected date of dispatch of definitive certificates for Ordinary Shares	11 November 2004

DIRECTORS, SECRETARY AND ADVISERS

Directors	Michael George Masterman,	*Executive Chairman*
	Dietmar Greil,	*Chief Operating Officer*
	Michael Victor Garland,	*Non-Executive Director*
	Malcolm Raymond Scott James,	*Non-Executive Director*
	All of 22 Melton Street, London NW1 2BW	
Company secretary	**MSP Secretaries Ltd** Craven House West Street Farnham Surrey GU9 7EN	
Registered office	22 Melton Street London NW1 2BW	
Nominated adviser	**Grant Thornton Corporate Finance** Grant Thornton House Melton Street Euston Square London NW1 2EP	
Broker	**Hoodless Brennan & Partners plc** 40 Marsh Wall Docklands London E14 9TP	
Corporate advisers	**RCM Asia Limited** c/o Kwok & Yih 37th Floor, Gloucester Tower The Landmark Central, Hong Kong	
Auditors	**Cook & Partners** Manufactory House Bell Lane Hertford Hertfordshire SG14 1BP	
Reporting accountants	**Chapman Davis LLP** No 2 Chapel Court London SE1 1HH	
Solicitors to the Company (as to English law)	**Kerman & Co LLP** No 7 Savoy Court Strand London WC2R 0ER	
Solicitors to the Company (as to Kazakhstan law)	**Sayat Zholshy & Partners** 2nd Floor 153a Abai Avenue Almaty Republic of Kazakhstan	
Independent Competent Person	**Ecopetrol S.r.L** via Buzzi 4 20017 Mazzo di Rho Milan, Italy	
Solicitors to the Placing	**Wedlake Bell** 52 Bedford Row London WC1R 4LR	
Principal bankers	**ANZ Banking Corporation** 77 St Georges Terrace Perth WA 6000 Australia	
	HSBC PO Box 260 46 The Broadway Ealing London W5 5JZ	
Registrars	**Share Registrars Limited** Craven House West Street Farnham Surrey GU9 7EN	

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires.

"Act"	the Companies Act 1985, as amended
"Admission"	admission of the issued and to be issued Ordinary Shares (including the Placing and Consideration Shares) to trading on AIM becoming effective in accordance with the AIM Rules
"AIM"	the AIM Market of London Stock Exchange
"AIM Rules"	the rules for AIM companies published by London Stock Exchange
"Aptian Layer"	represents those rocks deposited during the Aptian Age (119 to 113 million years ago)
"Articles of Association" or "Articles"	the Articles of Association of the Company
"Bbl"	abbreviation for barrel, which is 42 US gallons
"bbl/d"	abbreviation for barrel of oil per day
"Board" or "Directors"	the Directors of the Company whose names are set out on page 4 of this document
"bopd"	the abbreviation for barrels of oil per day
"Broker" or "Hoodless Brennan"	Hoodless Brennan & Partners plc of 40 Marsh Wall, Docklands, London E14 9TP
"BRENT"	IPE BRENT crude futures provides a pricing complex that includes spot rates and forward markets. The BRENT pricing complex is used to price over 65 per cent. of the world trade crude oil
"Business Day"	a day, other than a Saturday, Sunday or public holidays, on which banks are generally open in London for the transaction of normal business
"Company" or "Caspian"	Caspian Holdings Plc
"CPC"	Caspian Pipeline Consortium, operator of the 1,500 km CPC pipeline from Atyrau to Novorossiisk on the Black Sea.
"Combined Code"	the combined code on corporate governance, as set out in an Appendix to the Listing Rules of the UK Listing Authority
"Competent Persons' Report"	the report prepared by Ecopetrol S.r.L, a copy of which is reproduced in Part III of this document
"Consideration Shares"	610,000 New Ordinary Shares conditionally payable to each of the vendors under the terms of the Minority Ownership Interests Acquisition Agreements
"CREST"	the computerised settlement system to facilitate the transfer of title to or interests in securities in uncertificated form, operated by CRESTCo Limited
"CREST Member"	a person who has been admitted by CRESTCo as a system member (as defined in the Regulations)
"CREST Participant"	a person who is, in relation to CREST, a system participant (as defined in the Regulations)

"Development well"	a well drilled within the proved area of an oil or gas reservoir to the depth of the horizon known to be productive
"Ecopetrol"	Ecopetrol S.r.L of via Buzzi 4, 20017 Mazzo di Rho, Milan, Italy
"Exploration well"	a well drilled to find and produce oil or gas in an unproved area, to find a new reservoir in an area previously found to be productive (oil or gas) in another reservoir, or to extend a known reservoir
"Field"	an area consisting of a single or multiple reservoirs all grouped or related to the same individual geological structure
"Founding Shareholders"	Michael Masterman and Dietmar Greil
"FSU"	the Former Soviet Union
"geophysical"	prospecting techniques which measure the physical properties (magnetism, conductivity, density, etc) of rocks and define anomalies for further testing
"Grant Thornton Corporate Finance"	the corporate finance division of Grant Thornton UK LLP which is authorised by the Financial Services Authority to carry on investment business
"Group"	the Company, its subsidiaries and subsidiary undertakings as described in paragraph 2 of Part VII of this document and any of them as context may require. References to Group interests (or the equivalent) exclude the interests attributable to other shareholders in the subsidiaries, save where otherwise stated
"hydrocarbon"	a compound of hydrogen and carbon
"Jurassic Layer"	on the basis of radiometric measurements, rocks deposited 208 to 144 million years ago
"km(s)"	kilometres
"London Stock Exchange"	London Stock Exchange plc
"mbbls"	abbreviation for one million barrels of oil or other liquid hydrocarbons
"Minority Ownership Interests Acquisition Agreements"	agreements dated 1 September 2004 entered into by the Company with two minority participants for the acquisition of the 30 per cent. ownership interests in Taraz LLP not already owned by the Company, providing the Company with a 100 per cent. ownership interest
"Neocomian Layer"	represents those rocks deposited 146 to 125 million years ago
"New Ordinary Shares"	the Placing shares and the Consideration shares
"Oil"	Crude and condensate oil
"OOIP"	original oil in place. That quantity of petroleum/crude estimated to exist originally in natural occurring accumulations
"Operating Company"	the limited liability partnership which, directly or indirectly, own the licences, leases and other assets that comprise the oil prospects known as the Zhengeldy Oil Field being Taraz LLP
"Ordinary Shares"	ordinary shares of 0.1p per share in the capital of the Company
"Placing"	the conditional placing by Hoodless Brennan, of the Placing Shares at the Placing Price pursuant to the Placing Agreement
"Placing Agreement"	the conditional agreement dated 29 October 2004 between the Company (1), the Directors (2) and Hoodless Brennan (3) relating to the Placing, details of which are set out in paragraph 8 of Part VII of this document

"Placing Price"	23 pence per Placing Share
"Placing Shares"	the 17,571,685 Ordinary Shares proposed to be issued pursuant to the Placing which, when issued, will rank *pari passu* in all respects with the other Ordinary Shares in issue and which may be held in certificated form, represented by definitive share certificates, or in uncertificated form, i.e. in CREST
"POS Regulations"	the Public Offers of Securities Regulations 1995, as amended
"Proved Reserves" or "(C1)" **	the quantity of petroleum, which by analysis of geological and engineering data can be estimated with reasonable certainty to be commercially recoverable at a given date and under current economic conditions. Specifically these C1 reserves are limited by an hypothetical contour, including wells, in which there is a commercial production rate, resulting from the production tests, done on the indications of Electrical logs
"Probable Reserves" or "(C2)" **	the quantity of petroleum, which by analysis of geological and engineering data suggest, is more likely than not to be commercially recoverable. Specifically these C2 reserves are derived from geophysical data (seismic and well logs) and covering a larger area delimited from a supposed water/oil contact.
"Possible Reserves" or "(C3)" **	the quantity of petroleum, which by analysis of geological and engineering data suggest, is less likely to be commercially recoverable than probable reserves. Specifically C3 reserves are calculated only on the base of geophysical data, not yet verified by an exploratory well
"Regulations"	the Uncertificated Securities Regulations 2001
"Relevant Shareholders"	means (1) the Directors, (2) Mr Igor Borissov (an applicable employee) and (3) the persons to whom shares have been issued as referred to in paragraph 3.1(i) of Part VII of this document
"Reservoir"	a porous and permeable underground formation containing a natural accumulation of producible oil and/or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs
"Royalty Interest"	an interest in the oil and gas property entitling the owner to a share of the oil or gas production free of costs of production
"Shareholder(s)"	holder(s) of Ordinary Shares
"Seismic Data"	the use of shock waves generated by controlled explosions of dynamite or other means to ascertain the nature and contour of underground geological structures
"Taraz"	Taraz LLP, a limited liability partnership organised and existing under the laws of the Republic of Kazakhstan located at 89 Karasay, Batyr Street, Almaty, Republic of Kazakhstan
"Tenge"	the official currency of Kazakhstan
"Transneft"	the Russian oil transport company
"Triassic Layer"	represents those rocks deposited during the Triassic age 250 to 210 million years ago in the Triassic Period
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland

** The classification of Oil & Gas Reserves terminology was reached during the 12th World Petroleum Congress (WPC) and approved by Society of Petroleum Engineers and American Association of Petroleum Geologists. Such definitions, presented at Geneva by Anibal R. Martinez in June 2002.

"uncertificated" or "in uncertificated form"	a share or security recorded on the relevant register as being held in uncertificated form in CREST and entitlement to which, by virtue of the Regulations, may be transferred by means of CREST
"US" or "USA" or "United States"	United States of America (including the States thereof and the District of Columbia), its territories and possessions
"Workover"	routine maintenance operations on a producing well in order to maintain, restore or increase production
"3D Seismic survey"	seismic that is run, acquired and processed to yield a three dimensional picture of the subsurface. 3D Seismic is relatively expensive because it takes a considerable amount of computer time to process the data
"Zhengeldy Oil Field" or "Zhengeldy" or "Zengeldy" or "the Field"	the oil field located in the central part of the South-Emba region of Kazakhstan, 180 km from the regional capital Atyrau

The below table sets out the exchange rates used in this document, except where stated otherwise:

Currency	*Currency*	*Rate*
GBP	KZT (Tenge)	241.00
US$	KZT (Tenge)	151.52

Notes:

In this document, the symbols "£" and "p" refer to pounds and pence sterling respectively and the symbols "US$" or "$" refer to United States dollars.

Any reference to any provision of any legislation in any jurisdiction shall include any amendment, modification, re-enactment or extension thereof.

Unless otherwise stated, all references to legislation refer to the laws of the United Kingdom.

Words importing the singular shall include the plural and *vice versa* and words importing the masculine gender shall include the feminine or neutral gender.

KEY INFORMATION

This summary highlights information contained elsewhere in this Admission Document. This summary does not contain all of the information investors should consider before investing in Ordinary Shares. The following information is extracted from, and should be read in conjunction with, the full text of this document. Investors should read the whole document and not rely solely on the information in the "Key information" section or any other summarised information in this document.

The Placing

The Placing comprises the issue of 17,571,685 Placing Shares by the Company to raise approximately £4 million before expenses. On Admission the Company will have 82,181,685 Ordinary Shares in issue and a market capitalisation of approximately £19 million at the Placing Price. The Ordinary Shares have not been listed, traded or quoted on any regulated or recognised stock market, but application has been made for the admission of the whole of the issued shares capital of the Company to trading on AIM and such admission is expected to occur on 4 November 2004.

Strategy of the Group

The strategy of the Company has been to focus on shallow oil fields that combine the benefits of lower exploration and development costs, a shorter lead time to production and higher return on funds invested as compared to deeper targets that are traditionally targeted by the major oil companies.

This strategy has resulted in the identification and acquisition of the Zhengeldy Oil Field in the Republic of Kazakhstan.

Following Admission the principal activity of the Company will be to develop and bring into full production the Zhengeldy Oil Field.

In February 2004, the Company entered into agreements to acquire a 70 per cent. interest in Taraz LLP, the Operating Company which, directly or indirectly, owns the licences, leases and other assets that comprise the Zhengeldy Oil Field and on 1 September 2004 entered into the Minority Ownership Interests Acquisition Agreements to acquire the remaining 30 per cent. minority interest. Under the terms of the Minority Ownership Interests Acquisition Agreements, the Consideration Shares are to be issued to each of the vendors, as detailed in paragraph 8.2 of Part VII.

The Zhengeldy Oil Field is situated in the central part of the South-Emba oil and gas bearing area some 180 kilometers from the coast of the Caspian Sea with the licence area covering 1.5 square kms. An application has been made to extend this area to 30 square kms.

The Company is targeting production of 4,300 bbl/day and all necessary infrastructure to support the operations of the Zhengeldy Oil Field has been developed or is in existence in the immediate area, including an international transit pipeline some 18kms from the Field.

In addition to the development of the Zhengeldy Oil Field into full production, the Company will be focused on identifying and acquiring similar type assets within the greater FSU region and Europe, particularly where synergies exist.

The Company has a strong management capability, that includes;

- Directors with strong and relevant skills mix;
- Directors with international experience;
- commitment to lean and efficient operation;
- significant in-house technical skills and knowledge, complemented by recognised and proven external service providers; and
- ability to manage a growing company and exploit new opportunities as they arise.

Risk management

Investors are specifically referred to the risk factors in Part II of the document. The Company is of the opinion that it has, and will continue, to take the necessary steps to minimize risks associated with the development of the Zhengeldy Oil Field.

These steps include the establishment of a sound working relationship with relevant authorities, engaging specialized third party experts to assist in each area of exploration, resource definition and production.

Further the Company has a Board of Directors with experience in all relevant disciplines to ensure early identification and mitigation of risks, and will be developing systems to ensure early identification of such risks.

Future prospects

The Company believes that with the successful development of the Zhengeldy Oil Field that it will be well placed to expand production through further acquisition and development of similar oil fields.

YOUR ATTENTION IS DRAWN TO THE RISK FACTORS REFERRED TO IN PART II OF THIS DOCUMENT.

PART I

Information on the Group

Introduction

The Company currently owns 70 per cent. of Taraz, the Operating Company which directly or indirectly owns the licences and other assets that comprise the Zhengeldy Oil Field and will upon completion of the Minority Ownership Interests Acquisition Agreements, details of which are set out in paragraph 8.2 of Part VII, own 100 per cent. Whilst the Company will initially be focused on bringing the Zhengeldy Oil Field into full production the Directors believe that additional value can be realized for shareholders by the exploration and development of existing and future projects in the FSU and Europe. The Company will continue its strategy of targeting shallow oil fields where efficiencies in exploration and development costs are achieved with a corresponding reduction in the development timeframe which traditionally results in a higher return on funds invested.

These shallow oil fields are also less likely to attract competitive bidding from major oil companies.

The Directors acknowledge that the realization of shareholder value in any project it undertakes can be achieved in a number of ways, ranging from taking assets through to bankable feasibility study stage and/or to full production, entering into a joint venture agreement with another party or an outright sale of an asset or the Company as a whole.

Background

The Company was incorporated as Caspian Holdings Ltd on 30 May 2003 for the purpose of acquiring Taraz and developing the Zhengeldy Oil Field, an advanced stage oil and gas field in Kazakhstan, and to consider other oil and gas opportunities in the FSU, in particular other republics in the Caspian region. On 15 September 2004, the Company re-registered as a Public Limited Company.

The Company's Executive Chairman, Mr Michael Masterman, who has played a key role in acquiring and progressing the Zhengeldy Oil Field, has a strong track record in establishing and building new resource companies and in raising project finance.

Mr Masterman spent eight years at McKinsey & Company serving major international resources companies principally in the area of strategy and development.

The Company's Chief Operating Officer and Executive Director, Mr Dietmar Greil, an experienced oil and gas reservoir engineer with over 30 years experience in exploration and development in the oil industry, will provide the necessary technical support to the Company.

Non-Executive Director, Michael Garland held the position of Commercial Manager for Tullow Oil plc and was an executive director of Star Energy Group plc. Previously, Mr Garland held positions in banking and law having been involved in the structuring and financing of a number of natural resources and energy projects including initial public offerings. Mr Garland is the chief executive officer of Maverick Oil & Gas Inc. based in London.

Mr James is also a Non-Executive Director and has over 25 years experience in merchant banking, engineering, manufacturing and financing. Over the last 15 years, Mr James has been involved at the executive level in the development of significant mining projects, playing an active role in the identification, acquisition, exploration, financing and development of several mining projects around the world.

The Zhengeldy Oil Field

Location

The Zhengeldy Oil Field is located in the central part of the South-Emba oil and gas bearing area in the vicinity of the Makatsky region of the Atyrau oblast. The area is 180km from the regional capital Atyrau on the coast of the Caspian Sea and 20km from the town of Dossor.

The Zhengeldy Oil Field is located 18km from Makat, which is the principal oil storage and transportation hub in the region. Makat is the central gathering and oil treatment station for the international transit pipeline. Roads and railways connect the region for local transportation of all equipment and material required for exploration and production. Water and electricity are sourced locally.

The Zhengeldy Oil Field currently covers a 1.5 square km licence area and an application has been made to extend this area to 30 square km. Major oil fields in the area include Tengiz and Kazagen.

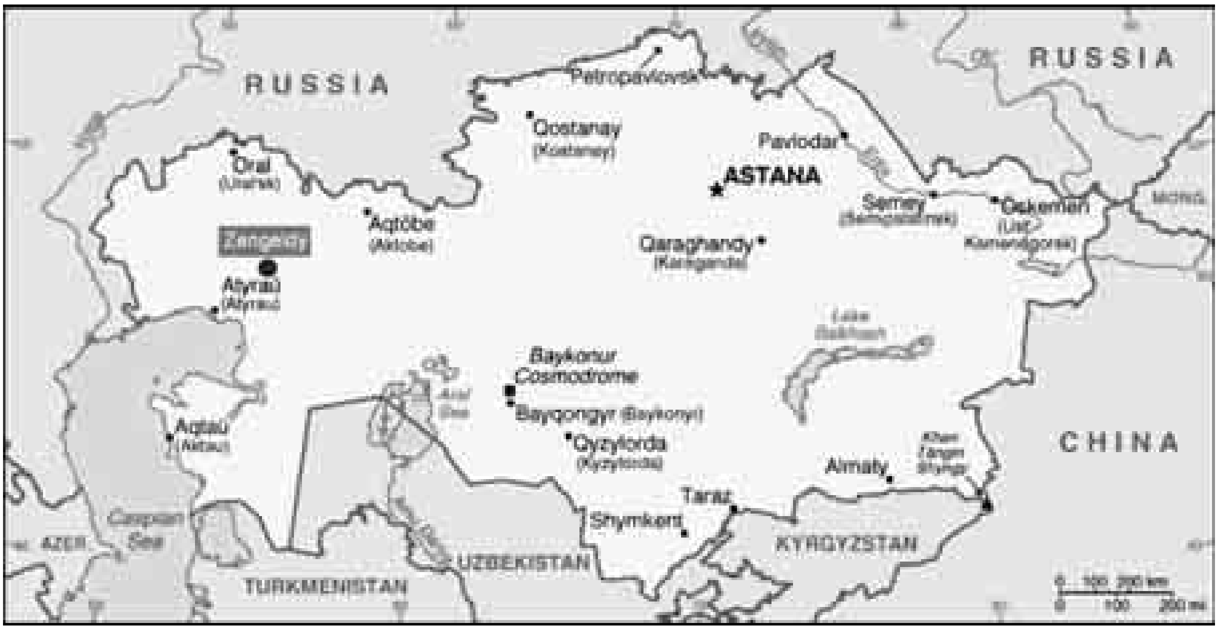
History

In 1931, on the basis of a gravimetric survey, the Zhengeldy salt dome was discovered. In two different periods (1933-1941 and 1954-1958) a number of geophysical surveys (gravimetric, geoelectric and seismic measures) were carried out on the structure and these provided more information on the complex structural setting.

During the period 1941-45, the Field was brought into production and produced small quantities of oil. In 1945, the production was temporarily stopped because of the very low daily oil rate of the wells, the limited extension of the pools and the costs associated with transport of the product between the Zhengeldy Oil Field and the Dossor station.

Following independence in 1991, Chevron Texaco Corporation funded development of the Tengiz oil field to the south of the Zhengeldy Oil Field. In addition, road rail and pipeline infrastructure in the region was significantly expanded during the 1990s. Since then, infrastructure in the region has increased significantly and the Directors believe that this is sufficiently able to support production from the Zhengeldy Oil Field.

FIG 1. Kazakhstan: Atyrau and Aktyubinsk Oil Region



Geology

The Zhengeldy Oil Field is in the geological conformation of the Kazakhstan portion of the Caspian Sea shoreline and is defined by two large structural elements:

- Pre-Caspian Depression to the North; and
- Turanskaya Plate to the South.

The Pre-Caspian Depression (syncline) is understood as a region of Saline-Dome tectonics development. It belongs to the East European Platform and represents the part with the deepest submerged foundation.

The Sub-salt, Saline and Per-saline Complexes are characterised as follows:

- Sub-salt Complex (Prekungurskiy-Lower Permian) is predominantly made up by terrigenous formations with thick carbonate layers in the upper portion. The thickness of this complex may reach 5-6km;

- Saline Complex (Kungurskiy-Permian) is formed by salt rock with anhydrite, dolomite, potash and terrigenous rock alternating. Sediments of the complex form presently large protrusions (salt domes) and local depressions (troughs). The height of Saline Domes sometimes reaches 10km, percolating, partially or totally through the overlying layers;
- Persaline Complex (from Upper Permian to Neogene) is relatively uniform. It is formed by shallow waters, shoreline and lagoon-continental clay/sandstone/marl/sand sediments, that dislocated by growing diapirism, make uplifts over salt domes and troughs in the inter-dome zones; and
- The oil and gas content of the Pre-Caspian Depression corresponds with its tectonic elements. Industrial oil fields of Pricaspian oil and gas bearing provinces are connected with subsalt as well as persaline deposits (cumulatively more than 110 industrial deposits). The most significant fields are confined to subsalt deposits at depths exceeding 4500m.

Reserves and field extensions

The Operating Company's recoverable oil reserves in Zhengeldy, were estimated by independent petroleum engineers, Ecopetrol and are summarised in the Table 1. The sum of Proved Reserves plus the Probable Reserves is 13.2mbbl.

Table 1. Zhengeldy reserves million Bbls

		Percentage Reserves Recovery Factor					
Layer	*Original oil in place*	*Proved*	*Probable, Possible*	*Proven C1/a*	*C1/b*	*Probable C2*	*Total Reserve recovery*
Aptian	5.2	30	25	0.0	1.2	0.3	1.5
Neocomian	4.7	30	25	0.0	1.3	0.1	1.4
Jurassic	3.1	30	25	0.0	0.7	0.2	0.9
Triassic (I+II)	33.2	30	25	0.0	6.6	2.8	9.4
Total area	46.2			0.0	9.8	3.4	13.2

There are numerous uncertainties in estimating quantities of proved reserves and projecting future rates of production and the timing of development expenditures. The numbers in Table 1 are only estimates and actual reserves may vary substantially from these estimates.

Reserve extension and exploration potential

There is scope to extend this reserve base with extensions to the southeast and also at depth. Taraz has applied to expand the lease area from 1.5 square km to approximately 30 square km.

Z5 was drilled to a depth of 718m through the Triassic Layers. The well tested oil in the deeper Triassic Layers and this has resulted in a large increase in Zhengeldy reserves from an original 4mbbl to 13.2mbbl.

TABLE 3. Zhengeldy project summary

(Proven + Probable) recoverable reserves	13.2 mbbls
Production estimates:	
– Production per well (new)	288 bbl/d
– No. of wells	15
– Targeted daily production	4,300 bbl/d
– Quality	Low sulphur 0.31 per cent.
– Capital expenditure/completed well	US$300,000
– Operating cost/barrel inclusive of CapEx	
– Operating cost/barrel	US$2.3/bbl
Infrastructure:	
– Towns	Dossor and Makat
– Pipeline entry point	Makat 20km
– Rail/storage	Makat 20km
Transport:	
– Pipeline, processing and sales costs	US$9.50/bbl

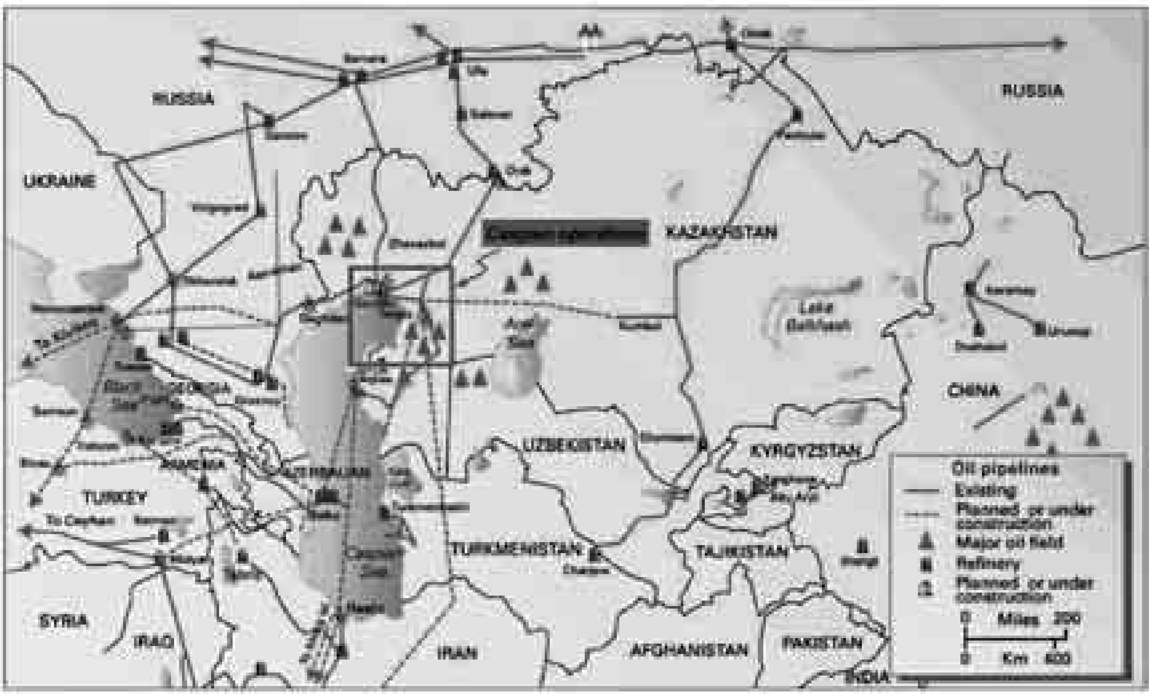
Marketing and transport

The region has sufficiently developed infrastructure for receiving and preparing trade oil with a station for an international transit pipeline that is located in Makat town.

There already exists a 750km pipeline between Tengiz and Komsomolsk, with planning in place to extend the pipeline a further 1,500km between Komsomolsk and Novorossiisk, where a new loading terminal will be built on the Black Sea.

Full transport capacity of 28 million tonnes per annum is expected in the coming months. The capacity of the pipeline will be increased in the future to 67 million tonnes per annum, starting in 2014. The transport capacity rights are held by international and local companies, providing the Operating Company with commercial third party access.

FIG 2. Kazakhstan hydrocarbon infrastructure map



Oil can be transported from Zhengeldy to the international market either by railway (central storage and loading station for vessels in Markat) or by pipeline. The key pipeline transportation systems in the region are:

- Keniyak – Atyrau; 448km, 24 inch pipeline recently constructed and commissioned by a Kazakhstan/Chinese joint venture;
- Atyrau – Novorossiisk on the Black Sea, 1500km, pipeline owned by Caspian Pipeline Consortium (CPC) (capacity is 565,000 bbl/d with expansion to 1.34 million bbl/d by 2015); and
- Atyrau – Samara Russian Refinery; 690km, links to the Russian oil export pipeline system (capacity 310,000 bbl/d).

The Company's convenient proximity to existing pipeline and export infrastructure gives the Company the option to negotiate sales to a range of alternative purchase points:

- The port of Novorossiisk on the Black Sea (2,000km to the west via the CPC pipeline);
- The Russian refinery Samara; and
- Entry to the Russian Transneft pipeline system via the Atyrau – Samara Pipeline.

Zhengeldy development

The Company, after collating and re-interpreting all available data on the Zhengeldy Oil Field, commenced field operations in June 2004. This included re-drilling ZEN-5 down to 718m, discovering new oil bearing layers in the Triassic series and so increasing its reserves. In addition, the Company has drilled a further two new wells with the ZEN 113 well being drilled to 622m, confirming 9m of oil in the Jurassic and well ZEN 123 being drilled down to 737m. As part of the current field season, all the required infrastructure has been constructed for commercial operations.

The drilling of 3 new wells has been programmed for the last quarter of 2004, with the objective of targeting new blocks in the structure and to convert Probable Reserves to Proven Reserves. The 5 new wells plus reactivated well number ZEN 5 should establish oil production of 1,400 to 2,100 bbl/d. An additional 10 wells are planned to be drilled during 2005.

A summary of the drilling programme to date and planned through to 2005 is as follows:

Wells drilled to date:

Old well	Zen 5	718 metres
New wells	Zen 113	622 metres
	Zen 123	737 metres

Wells to be drilled:

2004	3 new wells
2005	10 new wells

The execution of 3D Seismic survey is forecasted before the end of 2004. Short spread and high coverage is suggested for recording shallow data from the first 500 metres of the sedimentary series. Processing and interpretation of the data will follow as soon as is practicable.

The Company is also evaluating a number of other areas onshore around the Caspian Sea (mainly old oil and gas fields), in order to increase reserves and to enlarge production capacity.

Regional exploration and acquisition potential

The Company's focus is on developing high return shallow oil fields around the region of the Caspian Sea. There is significant scope for resource expansion in the Zhengeldy licence area, adjacent areas and through the acquisition of other shallow gas fields.

Financial record and asset valuation

Set out in Part V of this document is an unaudited *pro forma* balance sheet for the Group as at 30 June 2004 which has been extracted without material adjustment from the unaudited accounts of the Group. **Investors should not rely solely on the any summarised financial information but should read the whole of this document.**

Given the current economic indicators for exploration investment, Ecopetrol S.r.L. considers the Taraz property in Kazakhstan, as set out and reviewed in Part III of this document, to have a technical value range of between US$50 million and US$75 million. These figures exclude any fixed assets.

The net assets of the Group following the Placing and the Acquisitions, as extracted from the *pro forma* statement of net assets set out for illustrative purposes only in Part V of this document, are £2,848,000.

The Placing and use of proceeds

The Company proposes to raise approximately £4 million (before expenses) through a placing of 17,571,685 new Ordinary Shares representing 21.4 per cent. of the enlarged share capital of the Company on Admission.

Hoodless Brennan has agreed, pursuant to the Placing Agreement and conditional, *inter alia*, on Admission to use its reasonable endeavours to place the Placing Shares at the Placing Price of 23 pence per Placing Share. The Placing is not being underwritten.

The Placing Shares will rank *pari passu* with the existing Ordinary Shares including the rights to all dividends and other distributions declared, paid or made after the date of issue.

Further details of the Placing Agreement of are set out in paragraph 8.5 of Part VII of this document.

The proceeds of the Placing will be used to fund exploration work, feasibility studies and initial development of the assets being acquired, with special focus being placed on the development of the Zhengeldy project and other projects that may be acquired in light of the Company's strategy. Although a proportion of the funds raised will be used to fund the running of the business and general working capital requirements, the majority of the funds will be invested in the developing assets of the business.

Directors

The Caspian management team is a strong and dynamic team with considerable experience in both the oil and gas industry in general and Kazakhstan in particular. Ecopetrol considers this to be a major asset in the management of Taraz and is of the opinion that there are few junior oil companies that would be better equipped to operate in Kazakhstan.

The Directors believe that the present Board and operational management structure is appropriate for, and reflects, the current scale of the Company's proposed operations.

Michael Masterman aged 41, *Executive Chairman*

In the Company's initial development stage, Mr Masterman will act as Executive Chairman and will, during this phase, also take responsibility for the financial procedures of the Company.

Mr Masterman has a strong track record in establishing and building new resources companies and in raising project finance. He spent 9 years (1986 to 1995) at McKinsey & Company serving major international resources companies principally in the area of strategy and development. In 1996 he joined Anaconda Nickel, as executive director and chief financial officer. Mr Masterman joined Anaconda just after the completion of a AUD$6 million initial public offering. Mr Masterman and the rest of the executive team were responsible for transforming Anaconda into a major nickel producer with the (US)$1 billion Murrin Murrin project in Western Australia over a period of 3 years. This involved negotiation of a (US)$220 million joint venture agreement with Glencore International and the raising of (US)$420 million in project finance from a US capital markets issues, the first of its kind for a green fields mining project. The management team and organisation at Anaconda were built from a small team of 5 to over 400 people. In 2002, following Anaconda, Mr Masterman took up the position of Executive Chairman and Chief Executive Officer of Northsun Italia SpA, a leading independent Italian oil and gas company, which is currently developing three gasfields in the Po Valley of Italy. In addition to his role as Executive Chairman of Northsun Italia and Caspian, Mr Masterman is a Director of Access Devices Digital Limited and Signifo Expenses Limited, two UK based technology companies.

Mr Masterman is a joint founder of the Company.

Dietmar Greil aged 50, *Executive Director and Chief Operating Officer*

Mr Greil is a highly experienced reservoir engineer with over 30 years experience in Exploration and Development in the oil industry. Mr Greil began his career in the oil industry with senior positions at Statoil ASA (Norway), Chevron Texaco Corporation (USA) and Preussag Energie GmbH (Germany). Following Preussag Mr Greil worked in the FSU for 15 years and was responsible for drilling over 40 wells, as well as building the Rosscor Int BV equipment supply business.

He has extensive experience in the development of oil fields in Russia and other former Soviet republics as well as experience in structuring and managing Joint Ventures. Following Rosscor, Mr Greil founded Northsun Italia in 1997 where he acted as Chief Executive Officer. Under Mr Greil's leadership Northsun was successful in acquiring six medium sized gas fields in Italy, the most successful of the new companies entering Italy following deregulation of the ENI monopoly in 1998. Mr Greil is a joint founder of the Company and is now the full time Chief Operating Officer.

Michael Garland aged 41, *Non-Executive Director*

Mr Garland held the position of Commercial Manager for Tullow Oil plc and that of Commercial Director at Star Energy Group plc before becoming a Director of Caspian Holdings. Previously, Mr Garland held positions in banking and law. At Wood Gundy Inc., Mr Garland was involved in the early UK Government privatisations and set up the Australian desk to market the bank's products to Australian companies. When Wood Gundy Inc. was acquired by the Canadian Imperial Bank of Commerce he was involved in many aspects of the European and North American Capital Markets but primarily with the marketing of the bank's capital market products to government and semi-government organisations within Europe. Mr Garland has been involved in the structuring and financing of a number of natural resources and energy projects including initial public offerings. Mr Garland is the chief executive officer of Maverick Oil & Gas Inc, based in London.

Malcolm James aged 48, *Non-Executive Director*

Mr James has completed a Bachelor of Business Studies at RMIT University in Melbourne, Australia and is an experienced accountant with over 25 years experience in merchant banking, engineering, manufacturing and financing. Over the last 15 years, Mr James has been involved at the executive level in the development of significant mining projects. Mr James has played an active role in the identification, acquisition, exploration, financing and development of several mining projects around the world. Mr James has worked on projects in Australia, Southern Africa, Asia, the Pacific Rim, the Middle East and FSU.

Over the last 10 years Mr James has been responsible for equity and debt financings in excess of AUD$2 billion and has been involved in bringing several companies onto recognised exchanges. Mr James is a non-executive director of Tianshan Goldfields Ltd, Siberia Mining Corporation Ltd, Hibernia Gold Ltd, Lefroy Resources Ltd and Peninsula Mineral Ltd all of which are listed on the Australian Stock Exchange and non-executive director of Eureka Mining plc which is listed on the AIM market of London Stock Exchange.

It is the intention of the Company, as it develops, to appoint a Finance Director at the appropriate time.

Lock-in arrangements

All Directors, substantial shareholders and applicable employees (as defined in the AIM Rules) who, on Admission, are the holders of Ordinary Shares, are prevented by the AIM Rules from disposing of interests in Ordinary Shares held by them for a period of 12 months from Admission except in very limited circumstances. Accordingly all Directors, and Mr Igor Borissov (as an applicable employee), who will, in aggregate be interested in 21,000,000 Ordinary Shares (representing 25.6 per cent. of the enlarged issued share capital) have undertaken with the Company and the Broker not to sell or dispose of any of their Ordinary Shares for a period of 12 months from Admission except in limited circumstances.

The above persons have also agreed to certain orderly market provisions for a further period of 12 months from the first anniversary of Admission.

Additionally, the persons to whom shares have been issued to as referred to in paragraph 3.1(i) in Part VII of this document have undertaken with the Company and the Broker not to sell or dispose of any of their Ordinary Shares for the period from Admission to the later of (1) the publication of the Company's next annual results and (2) 6 months after Admission (the "Absolute Lock-In Period") except in limited circumstances. These persons have also agreed to certain orderly market provisions for a further period of 6 months from the end of the Absolute Lock-In Period.

Option scheme

To assist in the incentivisation, retention and recruitment of employees and consultants, the Company intends to put in place one or more share option or other incentive schemes following Admission. All the employees of the Group, including the Directors, will be eligible to participate. Save as may otherwise be approved by Shareholders, the maximum aggregate number of shares that will be made available pursuant to such schemes shall not exceed 7.5 per cent. of the issued share capital of the Company from time to time. It is intended that options granted within 3 months of Admission will have an exercise price of the Placing Price.

Dividend policy

Any future decision to declare dividends on Ordinary Shares will be made by the Directors having regard to the financial requirements of the Company to finance growth, the financial condition of the Company and other factors which the Directors may consider appropriate in the circumstances. The Directors anticipate that future earnings will be retained for development of its business and do not anticipate the payment of dividends for the foreseeable future.

Corporate governance

The Directors recognise the importance of sound corporate governance and the guidelines set out in the Principles of Good Corporate Governance and Code on Corporate Governance and Code of Best Practice published in July 2003 by the Financial Reporting Council (the "Combined Code"). Following Admission, the Company intends to comply with the Combined Code so far as is practicable and appropriate for a public company of its size and nature. The Company also proposes to follow the recommendations on corporate governance of the Quoted Companies Alliance. The Directors have established an audit committee and a remuneration committee with formally delegated duties and responsibilities to operate with effect from Admission.

The Audit Committee consists of the Non-Executive Directors of the Company and will be chaired by Michael Garland. It will meet at least twice a year. The Audit Committee is responsible for ensuring that the financial performance of the Group is properly monitored, controlled and reported on. It will also meet the auditors without executive Board members being present and review reports from the auditors relating to accounts and internal control systems.

The Remuneration Committee, consisting of the Non-Executive Directors and chaired by Malcolm James, will review the performance of Executive Directors and set the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of Shareholders. In determining the remuneration of Executive Directors, the Remuneration Committee will seek to enable the Company to attract and retain executives of the highest calibre. The Remuneration Committee will also make recommendations to the full Board concerning the allocation of incentive shares to employees. No Director will be permitted to participate in discussions or decisions concerning his own remuneration.

The Company intends to hold regular Board meetings at which financial and other reports are considered and where appropriate are voted on.

The Directors will comply with Rule 19 of the AIM Rules relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Company's applicable employees.

The Company has adopted and will operate a share dealing code for Directors and employees in accordance with the AIM Rules.

CREST

The Company's Articles of Association permit it to issue shares in uncertificated form in accordance with the Regulations. CREST is a computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form, although a Shareholder can continue dealing based on share certificates and stock transfer forms.

The Directors will apply for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if the relevant Shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

Taxation

Information regarding taxation is set out in Paragraph 11 of Part VII of this document. These details are intended as a general guide to the current tax position under UK taxation law. Any person who is in any doubt as to his or her tax position or who may be subject to tax in any jurisdiction other than the UK should consult their own professional adviser.

Additional information

Your attention is drawn to the information contained in the rest of this document, which contains further information on the Company.

PART II

Risk factors

In addition to the other relevant information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. If you are in any doubt about the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. A prospective investor ought not to infer any relative importance in relation to the risk factors by reference to the order in which they appear.

The exploration and development of natural resources is a highly speculative activity that involves a high degree of financial risk. The risk factors which should be taken into account in assessing the Group's activities and investment in the Company include, but are not necessarily limited to, those set out below. Anyone or more of these risks could have a material effect on the value of any investment in the Company and should be taken into account in assessing the Group's activities.

Exploration and development risks

The Company's success is dependent on finding, developing and producing economic quantities of oil and gas. The Directors will make use of the best information available to them and employ current technologies and consultants to attempt to mitigate risks. However, despite these efforts, the Company's drilling operations may not be successful in finding economic reserves. The Company is also subject to operating risks normally associated with the exploration, development and production of oil and gas. These risks include high pressure or irregularities in geological formations, blowouts, cratering, fires, shortages or delays in obtaining equipment and qualified personnel, equipment failure or accidents, and adverse weather conditions, such as winter snowstorms. These risks can result in catastrophic events, or they may result in higher costs and operating delays. The Company is currently reviewing relevant insurance coverage to compensate for those risks and will enter into appropriate insurance coverage where such coverage is available and is cost effective.

Oil and gas reserve risks

There are numerous uncertainties inherent in estimating quantities of proved oil and gas reserves and projecting future rates of production and timing of development expenditures. Changes in prices and cost levels, as well as the timing of future development costs, may cause actual results to vary significantly from the data presented. The oil and gas reserve data shown herein represent estimates only and are not intended to be a forecast or fair market value of the Company's assets. The Company's sole asset, the Zhengeldy Oil Field has three wells in operation which have Proved Reserves, but these wells are not capable of production until further workover procedures are performed. The economic success of the Zhengeldy Oil Field is dependent on finding and developing sufficient reserves and rates of production to generate positive cash flow and provide an economic rate of return on the Company's investments in the Field.

Risks of international operations

The Company is subject to risks inherent in international operations, including adverse governmental actions, political risks, expropriation of assets, loss of revenues and the risk of civil unrest or war. The Company's primary oil and gas property will be located in Kazakhstan, which until 1990 was part of the FSU. Kazakhstan retains many of the laws and customs from the FSU, but has developed and is continuing to develop its own legal, regulatory and financial systems. As the political and regulatory environment changes, the Company may face uncertainty about the interpretation of its agreements and in the event of dispute, may have limited recourse within the legal and political system.

Marketing and oil prices

The Company's future success is dependent on being able to transport and market production either within Kazakhstan or preferably through export to international markets. The exportation of oil from Kazakhstan depends on access to transportation routes and primarily pipeline systems, which can have limited available capacity and are subject to other restrictions. The Company does not currently have transportation contracts and there can be no assurance that sufficient transportation will be available to the Company and on favourable terms. There are currently no economic markets for natural gas production and the Company's gas reserves have been given no value in the future net cash flow data presented herein.

If the Company is successful in establishing meaningful quantities of oil and gas production, the prices that can be achieved for the Company's oil production will have a significant impact on the Company's future financial position and results of operations. Prices of oil and gas are subject to significant volatility in response to changes in supply, market uncertainty and a variety of other factors beyond the Company's control.

Expansion targets and operational delays

The Company plans to bring its oil assets to production and expand further on these assets. However, there can be no assurance that it will be able to complete these expansions on time or to budget, or that the current personnel, systems, procedures and controls will be adequate to support the Company's operations. Failure of management to identify problems at an early stage could have an adverse impact on the Company's financial performance.

Volatility of exchange rates

Any future income from the Company's product sales will be subject to exchange rate fluctuations and could become subject to exchange controls or similar restrictions. Currency conversion may have an adverse effect on income or asset values.

Currency fluctuations may affect the cash flow that the Group will realise from its operations, as oil production is sold in the world market in United States dollars. The Group's costs are incurred in United States dollars, British pounds sterling and also in the currencies of the FSU countries where it has exploration and development rights. Fluctuations in exchange rates between currencies in which the Company operates may cause fluctuations in its financial results which are not necessarily related to the Group's underlying operations.

Governmental regulations and processing licences

Governmental approvals, licences and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental offices. The Company must comply with known standards, existing laws and regulations that may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and the interpretation of the laws and regulations implemented by the permitting authority. New laws and regulations, amendments to existing laws and regulations, or more stringent enforcement of existing laws and regulations, could have a material adverse impact on the Company's results of operations and financial position.

The Group's exploration, drilling and processing activities are dependent upon the grant and maintenance of appropriate licences, concessions, leases, permits and regulatory consents which may be withdrawn or made subject to limitations. There can also be no assurance that they will be renewed or if so, on what terms.

These licences contain a range of past, current and future obligation on Taraz including minimum expenditure requirements. In some cases there could be adverse consequences of a breach of these obligations, ranging from penalties to, in the extreme cases, suspension or termination of the licences or related contracts.

In the case of the licence and associated resource contract (full details of which are set out in Part VI of this Admission Document) held by Taraz the historic annual minimum expenditure commitments have not been satisfied. However, the Board of the Company believes that the work programmes that the Company and Taraz have put in place should result in the aggregate expenditures required over the relevant exploration and production periods being met. In the event that these minimum expenditure requirements were not to be regarded by the authorities as satisfied, it could result in the suspension or forfeiture of the licence and contract.

If the Company is successful in establishing commercial production from the Field, an application will be made for an exploration and production contract. The Company has the exclusive right to negotiate this contract for the Zhengeldy Oil Field, and the Kazakhstan government is required to conduct these negotiations under the Law of Petroleum. Such contracts are customarily awarded upon determination that the field is capable of commercial rates of production and that the applicant has complied with the other terms of its licence and exploration contract. However, the Company is not guaranteed the right to a production contract. The terms of the exploration and production contract will establish the royalty and other payments due to the government in connection with commercial production. While the Company believes that it can successfully negotiate an exploration and production contract, it cannot be guarantee that it will be able to do so or that the terms of such contract will be favourable. If satisfactory terms cannot be negotiated, it could have a material adverse effect on the Company's financial position.

Development projects

Development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, estimates of Proven and Probable Reserves and cash operating costs are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of cash operating costs based upon anticipated production, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual cash operating costs and economic returns may differ from those currently estimated.

Limited operating history

The Company has no properties producing positive cash flow and its ultimate success will depend on its ability to generate cash flow from producing properties in the future. The Company has not earned profits to date and there is no assurance that it will do so in the future. A portion of the Company's activities will be directed to the search for and the development of new reserves. Significant capital investment will be required to achieve commercial production from the Company's existing projects and from successful exploration efforts. There is no assurance that the Company will be able to raise the required funds to continue these activities.

Financing

The successful extraction of oil requires very significant capital investment. In addition, delays in the construction and commissioning of any of the Group's projects or other technical difficulties may result in projected target dates for related production being delayed and/or further capital expenditure being required. In common with all drilling operations, there is uncertainty, and therefore risk, associated with operating parameters and costs resulting from the scaling up of extraction methods tested in laboratory conditions. The Company's ability to raise further funds will depend on the success of existing and acquired operations. The Company may not be successful in procuring the requisite funds and, if such funding is unavailable, the Company may be required to reduce the scope of its operations or anticipated expansion.

Reserve and resource estimates

The Company has derived the oil reserves and resource figures presented in this document from the calculations and estimates prepared by management and/or reported in the Competent Persons' Report set out in Part III of this document. Reserve figures are estimates and there can be no assurances that they will be recovered or that they can be brought into profitable production. Reserves and resources estimates may require revisions based on actual production experience. Furthermore, a decline in the market price of oil that the Company may discover could render reserves containing relatively lower grades uneconomic to recover and may ultimately result in a restatement of reserves. The estimates of potential reserves include a proportion which are undeveloped. These reserves require further capital expenditure in order to bring them into production. No guarantee can be given as to the success of drilling programmes in which the Group has interests. In addition, drilling, development and production may be delayed or adversely effected by factors outside the control of the Company and the companies operating those drilling programmes.

Environmental factors

The Group's operations are subject to environmental regulation (including regular environmental impact assessments and permitting) in all the jurisdictions in which it operates. Such regulation covers a wide variety of matters, including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. Environmental legislation and processes for obtaining permits are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees.

Political risks

Although political conditions in the countries in which the Group operates are generally stable, changes may occur in their political, fiscal and legal systems which might affect the ownership or operation of the Group's interests, including *inter alia*, changes in exchange control regulations, expropriation of extraction rights, changes in government and in legislative and regulatory regimes.

Limitations on foreign control of oil and gas companies

There are no restrictions on the foreign ownership of oil and gas companies in any of the jurisdictions in which the Company is currently operating. However, there can be no assurance that the requirements of the various governments as to the foreign ownership and control of mining companies will not change.

Uninsured risks

The Company, as a participant in exploration and drilling programmes, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs or other reasons. The Company may incur a liability to third parties (in excess of any insurance cover) arising from pollution or other damage or injury.

Dependence on key personnel

The Company is dependent upon its current executive management team. Whilst it has entered into contractual arrangements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. Accordingly, the loss of any key management of the Company may have an adverse effect on the future of the Company's business.

Taxation

The local and national tax environment in the Republic of Kazakhstan is constantly changing and subject to inconsistent application, interpretation and enforcement. There have been many new tax and foreign currency laws and related regulations introduced in recent years which are not always clearly written and whose interpretation and application is subject to the opinions of the local tax inspectorate. Non-compliance with Kazakhstan laws and regulations can lead to the imposition of punitive damages in respect to penalties and interest. To the extent that future tax investigations or inquiries raise issues or assessments, which the Operating Companies in Kazakhstan believe they are not subject to, or have complied with, and therefore have not provided for in their financial statements, such assessments could include taxes, penalties and interest, and those amounts could be material.

Legal environment

The views of the Directors expressed in this document assume that the relevant Kazakhstan authorities will act consistently, in good faith, reasonably and for proper purposes in arriving at decisions relating to the licences. However, the legal system in the Republic of Kazakhstan does not incorporate any system of precedent nor a system of judicial review similar to that contained within most western legal systems, whereby decisions of governmental bodies can be subjected to legal review by the Courts according to specified guidelines intended to ensure that such bodies act consistently, in good faith, reasonably and for proper purposes in arriving at their decisions.

Other areas of risk

- the market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets;
- the price at which investors may dispose of their shares in the Company may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. Investors may realise less than the original amount invested;

- notwithstanding the fact that an application will be made for the Ordinary Shares to be traded on AIM, this should not be taken as implying that there will be a "liquid" market in the Ordinary Shares. An investment in the Ordinary Shares may thus be difficult to realise. The Ordinary Shares will not be quoted on the Official List of the UK Listing Authority;
- upon completion of the Placing, the Directors will control 24.3 per cent. of the issued share capital of the Company. As a result, the Directors will be able to exercise significant influence over matters requiring shareholder approval, including the election of Directors and approval of significant corporate transactions;
- the Company may require additional financial resources to continue funding its future expansion. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the Company or its Shareholders;
- notwithstanding statutory subscription rights, if additional funds are raised through the issue of equity securities, the percentage ownership of then current Shareholders of the Company may be reduced and such securities may have rights, preferences or privileges senior to those of the holders of the Company's Ordinary Shares;
- if adequate funds are not available to satisfy either short or long-term capital requirements, the Company may be required to limit its operations significantly or farm-out some level of interest in its projects;
- there can be no assurance that the Company will be able to manage effectively the expansion of its operations or that the Company's current personnel, systems, procedures and controls will be adequate to support the Company's operations. Any failure of management to manage effectively the Company's growth and development could have a material adverse effect on the Company's business, financial condition and results of operations;
- there is not certainty therefore that all or, indeed, any of the elements of the Company's current strategy will develop as anticipated and that the Company will be profitable;
- estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates, which were valid when made, may change significantly when new information becomes available. In addition, resource estimates are necessarily imprecise and depend to some extent on interpretation, which may prove to be inaccurate. Should the Company encounter formations different from those predicted by past drilling, sampling and similar examinations, estimates may have to be adjusted and plans may have to be altered in a way which could affect the Company's operations; and
- the market price of the Ordinary Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

The risks above do not necessarily comprise all those faced by the Company and are not intended to be presented in any assumed order of priority.

The investment offered in this Admission Document may not be suitable for all of its recipients. Investors are accordingly advised to consult an investment adviser, who is authorised under the Financial Services and Markets Act 2000 and who or which specialises in investments of this kind before making a decision to apply for or purchase Ordinary Shares.

PART III

Competent Persons' Report

Ecopetrol S.r.L.
Via Buzzi, 4
20017 Mazzo di Rho
Milan, Italy

October 6, 2004

The Directors
Caspian Holdings Plc
c/o MSP Secretaries Ltd
22 Melton Street
London NW1 2BW

Hoodless Brennan & Partners plc — Broker to the Placing
40 Marsh Wall
Docklands
London E14 9TP

Grant Thornton Corporate Finance — Nominated Advisor to the Placing
Grant Thornton House
Melton Street
London NW1 2EP

Dear Sirs,

Executive summary

Caspian Holdings Plc ("Caspian") has acquired 70 per cent. of the issued capital of Taraz LLP ("Taraz") which holds 100 per cent. of the Zengeldy Oil Field Exploitation Licence ("Zengeldy").

Caspian has entered into further contracts to purchase the remaing 30 per cent. of Taraz. We have therefore based our assessment on 100 per cent. ownership.

The concession over the Zengeldy Oil Field was issued by the Kazakhstan Republic on May 27, 1999 for an initial term of 25 years, expiring in May 2024.

From our evaluation, it is possible to conclude that Zengeldy is an oil field with good potential to produce commercial quantities of oil. We have estimated that Caspian's recoverable Proved and Probable oil reserves in Zengeldy total 13.2 mbbls.

Based on our knowledge, and the documents provided by Caspian and Taraz regarding the status of the assets in question, Ecopetrol has determined a range of technical values for the Zengeldy Oil Field.

Any valuation of this nature is somewhat subjective, and the observations, comments and results of technical analysis presented in this report represent Ecopetrol's opinions as of September 2004. Whilst Ecopetrol is confident that the opinions presented are reasonable, a substantial amount of data has been accepted in good faith and where such information has not been independently verified Ecopetrol cannot accept any liability, either direct or consequential, for the validity of such information.

Based on the calculation of reserves as detailed in Section 3 of the Report and the oil price assumptions outlined in Section 3 Ecopetrol considers Caspian's oil properties in Kazakhstan, as reviewed here, have a technical value range of between US$ 25 million and US$ 100 million. These figures exclude any fixed assets.

In conclusion, Ecopetrol believes that a reasonable technical value for Caspian's oil assets would be in the order of US$ 50 million to US$ 75 million.

SECTION 1 – INTRODUCTION

Background

The Republic of Kazakhstan is a large country extremely rich in natural resources that include crude oil, gas, coal, iron, copper, aluminium, gold and other metals.

Hydrocarbons represent one of most important sectors in the country and, according to current estimates, the Republic of Kazakhstan will become one of the main producers of crude oil within the next ten years.

Almost half of the current production comes from three onshore oil fields located in the Western part of the country:

- TENGIZ oil field, located on the North-East coast of the Caspian Sea, one of the ten largest in the world;
- KARACHAGANAK gas and condensed oil field, located near the Russian border; and
- UZEN oil field, located near Aktau.

Kazakhstan's proved reserves are predicted to significantly increase in the near to medium term, when the surveys carried out using advanced technologies are completed.

In 1991, the year of Kazakhstan independence, the Government started to apply a liberal free market policy, granting to foreign companies licences for hydrocarbon exploration, exploitation and production. This policy has attracted major international oil companies and considerable foreign investment to finance and develop oil and gas activities.

History

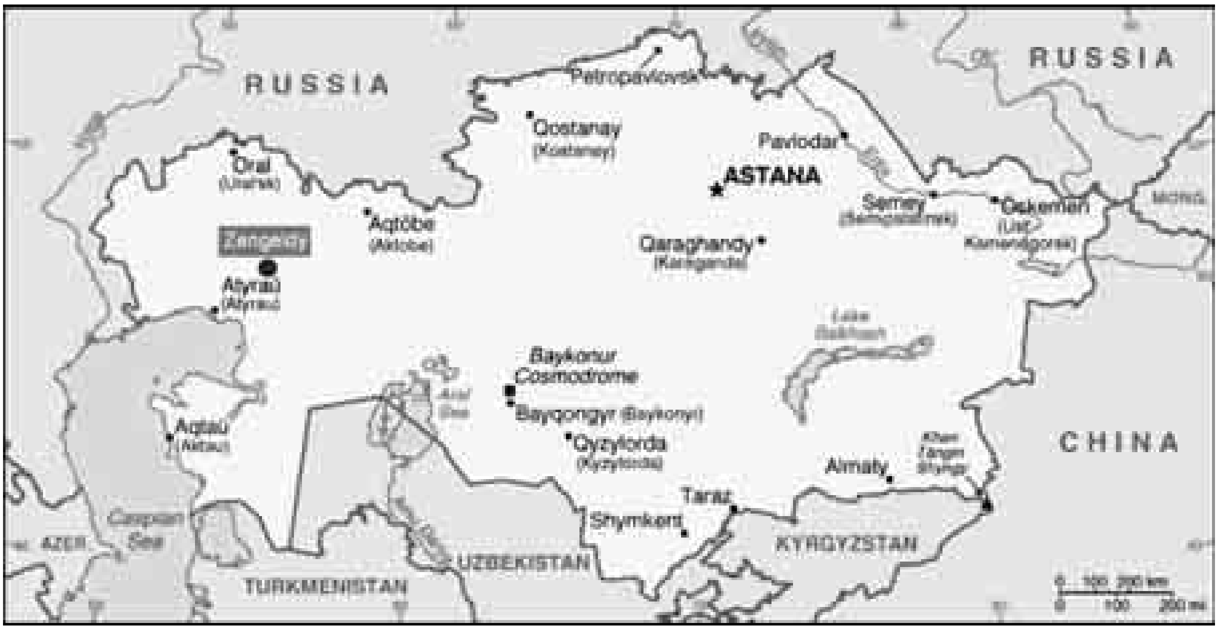
Zengeldy was discovered in 1931 as part of a Soviet exploration expedition to the area.

During the period 1941-45 the field was brought into production and produced small quantities of oil. When the unassisted flow rates from the initial wells dropped the field was closed.

Soviet exploration in the Atyrau region continued but the limits on infrastructure precluded economic development.

Major oil fields in the area include Tengiz and Kazagen. Following independence in 1991 Chevron Texaco Corporation funded the development of the Tengiz oil field to the south. In addition road, rail and pipeline infrastructure in the region was significantly expanded during the 1990s.

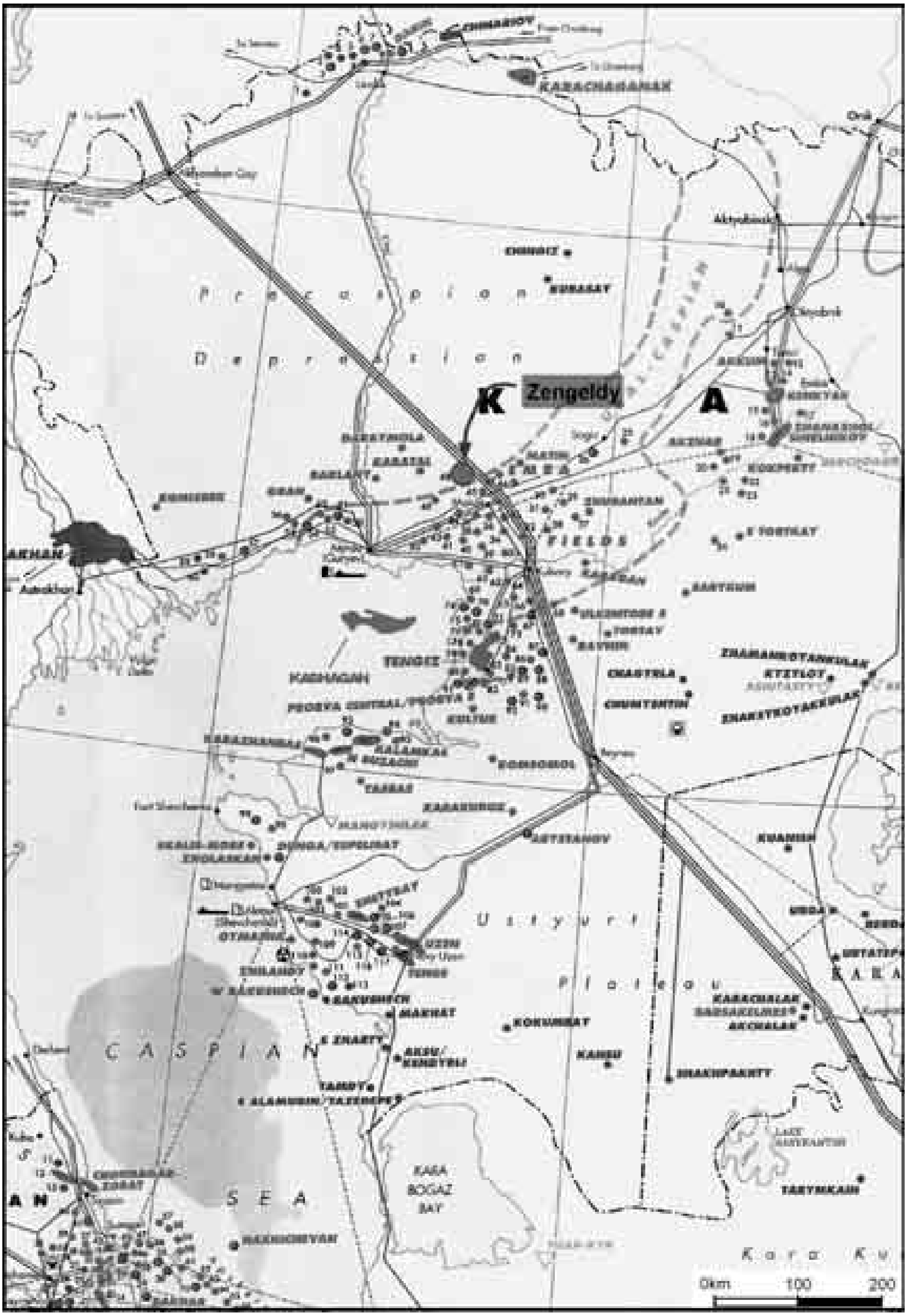
FIG 1. Kazakhstan: Atyrau and Aktyubinsk oil region



Location and geographical character

The Zengeldy Oil Field is located in the central part of the South-Emba oil and gas bearing area in the vicinity of the Makatsky region of the Atyrau oblast (FIG 2). The area is 180km from the regional capital Atyrau on the coast of the Caspian Sea and 20km from the town of Dossor.

FIG 2. Geographic map with “Zengeldy” Oil Field location



The Zengeldy field is located 18km from Makat, which is the principal oil storage and transportation hub in the region. Makat is the central gathering and oil treatment station for the international transit pipeline, situated 20km from the Dossor railway station and 18km from the Makat railway station, in the large and very flat Kaspian Depression.

The Zengeldy Oil Field currently covers a 1.5 square km licence area and an application has been made to extend this area to 30 square km.

Caspian regional facilities

Roads and railways connect the region for local transportation of all equipment and material involved with exploration and production. Water and electricity are sourced locally.

The region has sufficiently developed infrastructure for receiving and preparing trade oil with a station for the international transit pipeline being located in Makat town.

There already exists a 750km pipeline between Tengiz and Komsomolsk, with planning in place to extend the pipeline a further 1500km between Komsomolsk and Novorossiisk, where a new loading terminal will be built on the Black Sea.

Full transport capacity of 28 million tons per annum is expected in a few months. The capacity of the pipeline will be increased in the future to an estimated 67 million tons per annum, starting in 2014. The transport capacity rights are held by international and local companies.

Oil can be transported from Zengeldy to the international market either by railway (central storage and loading station for vessels in Makat) or by pipeline. The key pipeline transportation systems in the region are:

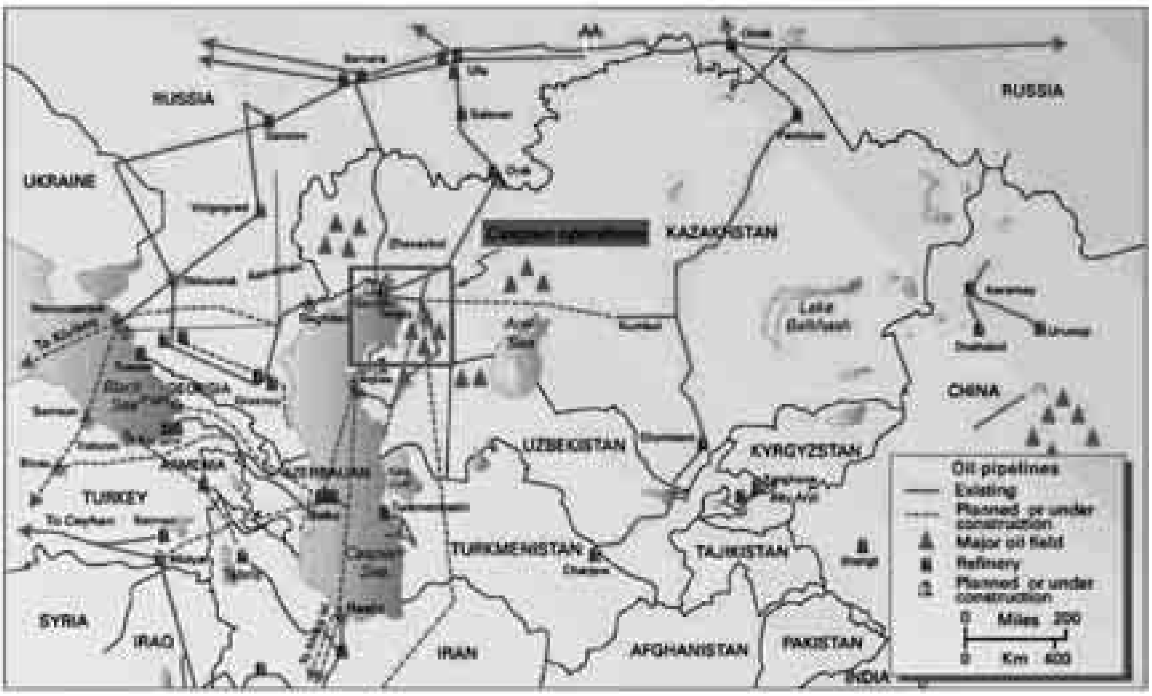
- Keniyak – Atyrau; 448km, 24 inch pipeline recently constructed and commissioned by a Kazakhstan / Chinese joint venture
- Atyrau – Novorossiisk on the Black Sea, 1500km, pipeline owned by Caspian Pipeline Consortium (CPC) (capacity is 565,000 bbl/d with expansion to 1.34 million bbl/d by 2015)
- Atyrau – Samara Russian Refinery; 690km, links to the Russian oil export pipeline system (capacity 310,000 bbl/d)

Caspian's convenient proximity to existing pipeline and export infrastructure gives the option to negotiate sales to a range of alternative purchase points:

- The port of Novorossiisk on the Black Sea (2,000km to the west via the CPC pipeline);
- The Russian refinery Samara and an entry point to the Russian Transneft pipeline system via the Atyrau – Samara Pipeline.

Central Asia crude oil transportation

FIG 3. Kazakhstan Hydrocarbon Infrastructure



Management

The Caspian management team is a strong and dynamic team with considerable experience in both the oil and gas industry in general and Kazakhstan in particular. Ecopetrol considers this to be a major asset of the Company and is of the opinion that there are few junior oil companies that would be better equipped to operate in Kazakhstan.

Qualifications of consultant

Ecopetrol was established in 1988 by four former General Managers coming from the four of the main oil companies operating in Italy: Agip, Fiat Rimi, Fina Italiana and Montedison.

During the subsequent 16 years, Ecopetrol has increased its activity, obtained quality certification and been placed on the vendor list of the main oil companies.

Ecopetrol's staff are qualified and experienced, coming from oil companies, and/or primary order consultants specialised in the various oil and gas exploration and production disciplines.

The main task of Ecopetrol is to supply a range of services related to the exploration and production of oil and gas including, but not limited to:

- 2D and 3D seismic interpretation time and depth mapping, well data correlation and geological synthesis, well location and expected hydrocarbon reserves;
- Geological reports for permit applications and reservoir studies for concession application;
- Environmental reports for applications, geophysical surveys, drilling consent, etc;
- 2D and 3D static and dynamic reservoir studies, for economical and/or technical scope;
- Studies for gas storage projects;
- Prospects and exploration (technical and economical) evaluation;
- Evaluation of areas and regional geological studies; and
- Providing extensive support services to the exploration and production operators.

Ecopetrol has collaborated on international projects supplying its experience, professionalism, organisation and advanced technology.

The main clients for which Ecopetrol have worked are listed below:

British Gas	JKX
Caspian Oil Co	NorthSun Italia
Cispel	Petrorep
Edison Gas	Società Petrolifera Italiana (SPI)
ENI / Agip Division	Total (Formerly Total Fina Elf)
Fina Italiana	WPN
Gas della Concordia	

This Report has been prepared by a team of petroleum geologists and reservoir engineers with more than 30 years' experience in hydrocarbon exploration and production, having worked with primary international oil companies in Italy and abroad. In the Former Soviet Union, Ecopetrol has undertaken studies on Pechora Sea, Barents Sea, Caspian Sea and the Aqtobe Regions.

Neither Ecopetrol nor any of its employees employed in the preparation of this Report has any beneficial interest in the assets of Caspian. Ecopetrol will be paid a fee for this work in accordance with normal professional consulting practice.

Work conducted

This valuation is based largely upon information supplied to Ecopetrol by Caspian. Ecopetrol visited Kazakhstan in December 2003 as part of the valuation of Caspian's oil properties in Kazakhstan. During these visits a variety of reports and documents were reviewed and detailed discussions held with a variety of personnel involved within the exploration activities of the Company.

SECTION 2 – EXPLORATION PORTFOLIO

Ownership/Licence details

Caspian has acquired a 70 per cent. interest in Taraz LLP, which in turn owns the licence over the Zengeldy Oil Field Exploitation Licence.

The licence, BLOCK XXIV - 13 - F , was issued by the Kazakhstan Republic to Taraz LLP for Hydrocarbon Mining from "Zengeldy" Oil Field in Atyrau region.

The licence is issued for 25 years, for which the validity period may be prolonged by the Kazakhstan Republic Government Decree, provided the owner observes all licence/contract terms and conditions. The reservoir can be accessed from the contracted registration date, with extraction starting six months from the licence sign date.

Minimal work programme is fixed (in million of Tenge) (US$'s):

Year	Exploitation	Exploration
1st	20.0m ($132,000)	21.0m ($139,000)
2nd	15.0m ($ 99,000)	6.0m ($ 40,000)
3rd	15.0m ($ 99,000)	4.0m ($ 26,000)
4th	10.0m ($ 66,000)	2.0m ($ 13,000)
5th	10.0m ($ 66,000)	2.0m ($ 13,000)

Geology

The Zengeldy Oil Field is in the geological conformation of the Kazakhstan portion of the Caspian Sea shoreline and is defined by two large structural elements:

- Pre-Caspian Depression at the North; and
- Turanskaya Plate at the South.

The Pre-Caspian Depression (syncline) is understood as a region of Saline-Dome tectonics development. It belongs to the East European Platform and represents the part with the most deeply submerged foundation.

The Sub-salt, Saline and Per-saline Complexes are characterised as follows:

- Sub-salt Complex (Prekungurskiy-Lower Permian) is predominantly made up by terrigenous formations with thick carbonate layers in the upper portion. The thickness of this complex may reach 5-6km;
- Saline Complex (Kungurskiy- Permian) is formed by salt rock with anhydrite, dolomite, potash and terrigenous rock alternating. Sediments of the complex form presently large protrusions (salt domes) and local depressions (troughs), with the salt domes extending 10km, percolating, partially or totally through the overlying layers;
- Persaline Complex (from Upper Permian to Neogene) is relatively uniform. It is formed by shallow waters, shoreline and lagoon-continental clay/sandstone/marl/sand sediments, that, dislocated by growing diapirism, make uplifts over salt domes and troughs in the inter-dome zones; and
- The oil and gas content of the region corresponds with its tectonic elements. Industrial oil fields of Pre-caspian oil and gas bearing provinces are connected with subsalt as well as Persaline deposits (cumulatively more than 110 industrial deposits). The most significant fields are confined to subsalt deposits at depths exceeding 4500 m.

Exploration/Development

In 1931, on the basis of a Gravimetric Survey, the Zengeldy salt dome was discovered. In two different periods (1933-1941 and 1954-1958) a number of Geophysical Surveys (gravimetric, geoelectric and seismic measures), on the structure were carried out that gave a more defined shape of the complex structural setting.

In 1934 the first well that found a small quantity of oil in the Neocomian layer was drilled. This was followed by Zen-3 (1935), oil productive; Zen-1 (1939), with many shows in almost all layers and Zen-5 (1939), oil productive; Zen-7,8,9 and 11 (1940) all oil productive in different layers; Zen-6 and 10 (1941), oil productive; Zen-13,17,19 (1942), oil productive in different blocks or layers. Detailed information about the production of individual wells is presented in Tab. 1, 3. Each well was drilled as an independent well.

Exploitation of the field commenced in 1941 and lasted until 1945. The total amount of production for the period was estimated at more than 2,000 tons.

In 1945 the production was temporarily stopped because of the very low daily oil rate of the wells, the limited extension of the pools and the costs associated with transport of the product between the "Zengeldy" Oil Field to the Dossor station.

The results of the more recent investigation surveys (1957-58) detailed with more precision the structural and tectonic assessment. As a consequence some other deeper exploratory wells were drilled, of which location and results are not available.

Work conducted

Caspian, after collating and re-interpreting all available data on the "Zengeldy" Oil Field, commenced field operations in June 2004. This included, re-drilling ZEN-5 down to 718 m, discovering new oil bearing layers in the Triassic series and so increasing its reserves. In addition Caspian has drilled a new well ZEN 113 down to 622 m, confirming 9 m of oil in the Jurassic and a second new well ZEN 123 down to 737 m. As part of the current field season all required infrastructure has been constructed for commercial operations. This includes accomodation oil storage and power generation.

The drilling of 3 new wells has been programmed for the last quarter of 2004, with the objective of targeting new blocks in the structure and to convert Probable Reserves to Proved.

The 5 new wells should establish oil production of 1,400 to 2,100 bbl/d. An additional 10 wells are planned to be drilled during 2005.

The Company is also evaluating a number of other areas (mainly old oil and gas fields), in order to increase reserves and to enlarge production capacity. There is significant scope for resource expansion in the Zengeldy licence area, adjacent areas and through the acquisition of other shallow gas fields.

In addition there is scope to extend Caspian's reserve base with extensions to the southeast. Taraz has applied to expand the lease area from 1.5 square km to approximately 30 square km.

Project status

The old well ZEN- 5 was recovered and drilled to 718m. Into the cased hole were recorded the radioactive Logs, that detained a wide pay zone in the Triassic Layers.

At the end of July 2004 a new well, ZEN 113 , had been drilled to a depth of approximately 622 m. ZEN 123 was drilled to a depth of 737m in September 2004.

Another 3 wells will be drilled during 2004 and an additional 10 wells are planned during 2005.

The execution of 3D Seismic Survey is forecasted before the end of 2004. Short spread and high coverage is suggested for recording shallow data from the first 500 metres of the sedimentary series. Processing and Interpretation will follow.

Comments

The Zengeldy Oil Field is highly prospective and early indications of reserve potential are encouraging. A major benefit to this project is the proximity of functional and planned infrastructure including power and communications.

SECTION 3 – VALUATION APPROCH

Petroleum reserves definition

Reserves derived under the following definitions are affected by the geological complexity, stage of development, degree of depletion of the reservoirs and amount of available data. The reserve classifications are:

1. **Proved Reserves (C1):** The quantity of petroleum, which by analysis of geological and engineering data can be estimated with reasonable certainty to be commercially recoverable at a given date and under current economic conditions. Proved Reserves have been discovered in recovery well ZEN-5.
2. **Probable Reserves (C2):** The quantity of petroleum, which by analysis of geological and engineering data suggest, is more likely than not to be commercially recoverable. This includes all reserves of oil included into the license area that are not yet confirmed by recent well data.
3. **Possible Reserves (C3):** The quantity of petroleum, which by analysis of geological and engineering data suggest, is less likely to be commercially recoverable than Probable Reserves. Those reserves outside the license boundaries that are from the same block of Probable Reserves, have been included in this category.

In this particular case Ecopetrol considers it appropriate to divide Proved Reserves in two sub-categories:

i) **Proved Developed Reserves (C1/a)** of petroleum are the quantities of oil and gas, calculated for one productive well, considering only the volume of the cylinder, which is determined by multiplying a limited circular (i.e. drainage ray or spacing) area around the well by the net pay of the oil and gas bearing layers.

ii) **Proved Undeveloped Reserves (C1/b)** of petroleum are the quantities of oil and gas, calculated for the total extension of the oil and gas bearing area (structure geometry), checked against one productive well.

Reserve calculations

Oil productivity of commercial interest was demonstrated for the Central and Eastern Part of the south-west zone of "Zengeldy" Salt Dome. The production is distributed in a number of small dimension pools with one or two productive wells.

Development of the field required many wells, unless the old wells are capable of being recovered for exploitation.

A number of cores, within suspected horizons, were taken during drilling operations; reservoirs physical and chemical parameters were not studied. There is no data about gas content as gas factors were not measured, so the Reserves of gas dissolved in oil are not evaluated.

The Oil Reserves, according to classification of oil fields Reserves and prognosis resources of natural oil bitumen, approved by the State Commission on Reserves of minerals of URSS Minister Council in 1984 are classified as belonging to the categories C1/a (Developed Reserves), C1/b (Undeveloped Reserves) and C2 (Probable Reserves).

Reserves of C1/a and C1/b are described above. C1/b Category is limited by conventional contours, passing through the well depth at the Test shoot holes, in which commercial rate production was achieved, taking into account the oil indications shown by Electrical Logs.

Reserves, derived only from geophysical data and show indications, are classified in C2 Category.

Calculation of Oil Reserves, for the Aptian to Jurassic-IV layers, was performed by Volumetric Method, using the formula:

$Q = F * h * Cp * Cos * Dox * Csh$

Where:

Q (C1,C2) are the Proved and Probable Oil Reserves (ton, bbl)

F is the area covered by oil pool (square meters)

h is real oil saturated thickness of layer (net pay in meters), calculated by the Logs from the top of the oil bearing layer to the oil/water contact depth or to the bottom of the layer (ODT)

Cp is porosity coefficient, defined according to the core and/or logs analysis

Cos is the oil saturation coefficient, defined according to the field geophysical data

Dox is the oil density in g/cm3

Csh is the oil shrinking coefficient, taken in analogy with that of South Emba oil fields for Neocomian, Jurassic and Triassic Layers: at Makat the value is 0.978; at Dossor is 0.95-0.98; at Tanatar is 1.0; at Sagiz is 0.910-0.974 and at Baichunas is 0.9975.

For the Triassic Layers (recent discovery) the following formula (Trapezoidal method) was applied:

Q = Bv * N/G * Cp * Cos * Dox * Csh

Where:

Bv = Σ (A1:An)Ak*h

A1:An are areas inside the depth contour map

h is the contour interval

N/G is the ratio between Net pay and Gross pay

All other symbols have the same meaning as described above.

The pools are similar among the layers, with unequigranular sands and a sandstone coefficient of 0.85-1.00; sediments are terrigenous, with a raggedness coefficient of 0.5-1.3.

Oil viscosity of the surface samples is 17.2-55 m*m2/sec at 50°C. In the regional oil fields the current oil extraction coefficients are:

- Dossor oil field = 0.46-0.80
- Makhat oil field = 0.55
- Sagiz oil field = 0.3-0.7

Taking into account the good quality of the above mentioned reservoirs, the chemical physical characteristics of "Zengeldy" oil in a series of complicated geological traps, not only structural, but in some cases, also stratigraphic, it is acceptable to use for calculation purposes an extraction coefficient value of 0.3-0.25 (30-25 per cent. of OOIP).

Since 1945, results by minutes N° 3915 dated 15 June 1946 GKS CCCP were approved Reserves of category C1 in the quantity of 1,234.5 (OOIP)/414.5 (RR) thousand tons, of category C2 in quantity of 287 (OOIP)/83 (RR), applying an extracting coefficient of 0.3.

As of 1 January 1991, Undeveloped Reserves, assigned to the C1/b category, are 1417 (OOIP)/425 (RR) thousand tons and Probable Reserves, assigned to category C2, are 512 (OOIP)/153 (RR) thousand tons.

During testing activity from the producing wells approximately 2.0 thousand tons and, of oil was extracted. Because of the minimal oil produced, the Oil Residual Recoverable Reserves per single layer were not calculated.

The following table summarises the Reserves as calculated by Ecopetrol.

Zengeldy Reserves mbbls

Layer	OOIP	Recovery factor		Proved		Probable	Total Proved+ Probable
		Percentage					
		C1	C2	C1/a	C1/b	C2	
Aptian	5.2	30	25	0.0	1.2	0.3	1.5
Neocomian	4.7	30	25	0.0	1.3	0.1	1.4
Jurassic	3.1	30	25	0.0	0.7	0.2	0.9
Triassic-(I+II)	33.2	30	25	0.0	6.6	2.8	9.4
Total area	**46.2**			**0.0**	**9.8**	**3.4**	**13.2**

a. Costs

Based on Ecopetrol's experience in the region, and other operating fields of similar size, the following costs have been applied:

Costs	Description	Tenge KZT'000s	US$'000s
Capital costs:			
2004/05 DRILLING	15 WELLS	727,300	4,800
2004/05 INFRASTRUCTURES	FOR PRODUCTION	106,000	700
2004/05 SEISMIC AND STUDIES	3D SURVEY	90,900	500
	Total capital costs	924,200	**6,000**
Operating costs:			
Fixed personnel	SALARY		524
Fuel	FOR PRODUCTION		1,500
	Total fixed costs		**2,024**
Variable:			
CONSUMPTION MATERIAL			139
MAINTENANCE			461
	Total variable costs		**600**
	Total operating costs		**2,624**
Presumed royalties			1,625

Zengeldy project summary

(Proved+Probable) Recoverable Reserves	13.2 mbbls
Production	
— Production per well (new)	288 bbl/d
— No. of wells	15
— Targetted daily production	4,300 bbl/d
— Revenue per day (US$ xxxx/barrel) first 5 years	US$ 108,300
— Quality	Low sulphur 0.31 per cent.
— Capital expenditure/well	US$ 300,000
— Operating cost/barrel inclusive of CapEx	
— Operating cost/barrel	US$ 2.3/bbl
Infrastructure:	
— Towns	Dossor and Makat
— Pipeline entry point	Makat 20km
— Rail/Storage	Makat 20km
Transport:	
— Pipeline, processing and sale costs	US$ 9.50/bbl

SECTION 4 – CONCLUSION

The sum of the Proved plus the Probable Reserves (13.2 Mbbl) was used to produce a forecast profile (Fig.3) used for the economic valuation of the entire project.

An oil price starting from the official price of the BRENT (US$ 38/bbl), July 15 2004 has been assumed, and discounted to US$28.50bbl. Developments investments (CAPEX) royalties and operational cost (OPEX) were taken on the current exercise of similar fields.

Minimum values

Establishing minimum values for an oil property is generally the simplest part of the valuation exercise. If the property is purchased, then the purchase price is the minimum value assigned to that property by the purchaser. The minimum value should also include the amount that the current owner intends to expend on the assets during the next phase of work and any revenue to be generated from such work, as this is a further indication of the perceived value of the property.

In this case Ecopetrol would suggest a minimum value of US$ 25 million.

Maximum values

Philosophically the maximum value of assets such as those being acquired may be linked to the contained and exploitable oil. Based on the available geological data Ecopetrol would suggest a maximum value of US$ 100 million for the assets.

Project status

Successful realisation of the maximum potential value increases as development progresses. During the early stages of exploration the possibility of success is lower then in latter stages. Although further drilling is required to achieve maximum value for the Zengeldy Oil Fields, it is Ecopetrol's opinion that there is clear evidence to suggest the good potential of the oil reserves.

The suitable geographical and economical position of the Zengeldy Oil Field, such as its proximity to major oil pipelines, electricity grid, railroad and industrial centres provides for economical commercial development.

For and on behalf of Ecopetrol S.r.L.

ECOPETROL S.R.L.
Il Presidente
(Dr. N Marini)

GLOSSARY

"Aptian Layer"	Represents those rocks deposited during the Aptian Age (119 to 113 million years ago)
"bbl"	Abbreviation for barrel, which is 42 US gallons
"bbl/d"	Abbreviation for barrel of oil per day
"BRENT"	IPE BRENT crude futures provides a pricing complex that includes spot rates and forward markets. The BRENT pricing complex is used to price over 65 per cent. of the world trade crude oil
"Company" or "Caspian"	Caspian Holdings Plc
"CPC"	Caspian Pipeline Consortium – operator of the 1,500km CPC pipeline from Atyrau to Novorossiysk on the Black Sea
"Development well"	A well drilled within the proved area of an oil or gas reservoir to the depth of the horizon known to be productive
"Ecopetrol"	Ecopetrol S.r.L
"Exploration well"	A well drilled to find and produce oil or gas in an unproved area, to find a new reservoir in an area previously found to be productive (oil or gas) in another reservoir, or to extend a known reservoir
"field"	An area consisting of a single or multiple reservoirs all grouped or related to the same individual geological structure
"Jurassic Layer"	On the basis of radiometric measurements, it extends from about 208 to 144 million years ago
"group"	the Company, its subsidiaries and subsidiary undertakings. References to Group interests (or the equivalent) exclude the interests attributable to other shareholders in the subsidiaries, save where otherwise stated
"hydrocarbon"	a compound of hydrogen and carbon
"IRR"	Internal Rate of Return
"km(s)"	kilometres
"mbbls"	Abbreviation for one million barrels of oil or other liquid hydrocarbons
"Neocomian Layer"	Represents those rocks deposited during the Age (146 to 125 million years ago)
"oil"	Crude oil and condensate
"OOIP"	Original oil in place. That quantity of petroleum/crude estimated to exist originally in natural occurring accumulations
"Proved Reserves (C1)" (**)	The quantity of petroleum, which by analysis of geological and engineering data can be estimated with reasonable certainty to be commercially recoverable at a given date and under current economic conditions. Specifically these C1 reserves are limited by an hypothetical contour, including wells, in which there is a commercial production rate, resulting from the production tests, done on the indications of Electrical logs.
"Probable Reserves (C2)" (**)	The quantity of petroleum, which by analysis of geological and engineering data suggest, is more likely than not to be commercially recoverable. Specifically these C2 reserves are derived from geophysical data (seismic and well logs) and covering a larger area delimited from a supposed water/oil contact.

"Possible Reserves (C3)" (**)	The quantity of petroleum, which by analysis of geological and engineering data suggest, is less likely to be commercially recoverable than probable reserves. Specifically C3 reserves are calculated only on the base of geophysical data, not yet verified by an exploratory well
"Reservoir"	A porous and permeable underground formation containing a natural accumulation of producible oil and/or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs
"Royalty Interest"	The term "royalty interests" means an interest in the oil and gas property entitling the owner to a share of the oil or gas production free of costs of production
"Seismic data"	The use of shock waves generated by controlled explosions of dynamite or other means to ascertain the nature and contour of underground geological structures
"Taraz"	The company Caspian Holdings is acquiring. Referred to as Taraz in the document
"Tenge"	The official currency of Kazakhstan
"Transneft"	The Russian oil transport company
"Triassic Layer"	Represents those rocks deposited during the Triassic age (250 to 210 million years ago) in the Triassic Period
3D Seismic survey	Seismic that is run, acquired and processed to yield a three dimensional picture of the subsurface. 3D Seismic is relatively expensive because it takes a considerable amount of computer time to process the data

** The classification of Oil & Gas Reserves terminology was reached during the 12th World Petroleum Congress (WPC) and approved by SPE and AAPG. Such definitions, presented at Geneva by Anibal R. Martinez in June 2002.

PART IV A

Accountants' report on interim financial information

The following is the full text of a report received from Chapman Davis LLP, the Reporting Accountants.

Chapman
Davis LLP

CHARTERED ACCOUNTANTS

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Hoodless Brennan & Partners plc
40 Marsh Wall
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29 October 2004

Dear Sirs,

Caspian Holdings Plc

Introduction

We report on the consolidated financial information set out below relating to Caspian Holdings Plc and its sole subsidiary Taraz LLP, a limited and liability partnership registered in Kazakhstan. On 30 May 2003 Caspian Holdings Limited was incorporated and registered in England and Wales under no. 4782584. On 15 September 2004 the Company changed its status and was re-registered as Caspian Holdings Plc. The Group's principal activity during the period under review was that of Oil Exploration. The Directors during the period under review were M G Masterman and D Greil. This information has been prepared for inclusion in the Prospectus dated 29 October 2004.

Basis of preparation

The financial information set out below is based on the financial statements of the Group for the six months to 30 June 2004 to which no adjustments were considered necessary.

The interim financial statements of the Group for the six months ended 30 June 2004 were audited by Cook & Partners, Chartered Accountants and registered Auditors.

Responsibility

Such financial statements are the responsibility of the Directors of Caspian, who approved their issue.

The Directors of Caspian are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Company, consistently applied and adequately disclosed. We planned and performed our work so as to obtain all the information and explanations which we considered necessary.

Opinion

In our opinion, the financial information contained in this report gives, for the purposes of the Prospectus drawn up under the Public Offers of Securities Regulations 1995, a true and fair view of the state of affairs of the Group as at 30 June 2004 and of its results and recognised gains and losses for the period then ended.

Consent

We consent to the inclusion in the Prospectus dated 29 October 2004 of this report and accept responsibility for this report for the purposes of paragraphs 45(1)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Group Profit and Loss Account

For the period 1 January 2004 to 30 June 2004

	Notes	£
Turnover	2	—
Administrative expenses		207,828
Operating loss	4	
Acquisitions		(83,501)
Continuing operations		(124,327)
		(207,828)
Interest receivable and similar income	5	2,295
Interest payable and similar charge	6	(1,267)
Loss on ordinary activities before taxation		(206,800)
Tax on profit on ordinary activities	7	—
Loss for the financial year after taxation		(206,800)
Minority equity interests		29,317
Retained loss for the financial year		(177,483)

Group Balance Sheet

30 June 2004

	Notes	£
Fixed assets:		
Intangible assets	9	798,644
Tangible assets	10	41,877
		840,521
Current assets:		
Stocks	12	48,461
Debtors	13	68,166
Cash at bank and in hand		276,410
		393,037
Creditors: Amounts falling due within one year	14	168,939
Net current assets		224,098
Total assets less current liabilities:		1,064,619
Creditors: Amounts falling due after more than one year	15	242,290
		822,329
Capital and reserves		
Called up share capital	16	5,379
Share premium account	17	1,089,250
Other reserve	17	2,080
Profit and loss account	17	(205,194)
Shareholders' funds		891,515
Minority interests		(69,186)
		822,329
Shareholders' funds attributable to:		
Equity interest		891,515

Group Cash Flow Statement

For the period 1 January 2004 to 30 June 2004

	Notes	£
Net cash outflow from operating activities	1	(434,850)
Returns on investments and servicing of finance	2	1,028
Capital expenditure and financial investment	2	(98,448)
Acquisitions and disposals	2	(292,060)
		(824,330)
Financing	2	1,100,740
Increase in cash in the period		276,410
Reconciliation of net cash flow to movement in net debt	3	
Increase in cash in the period		276,410
Cash outflow from decrease in debt and lease financing		(7,333)
Change in net debt resulting from cash flows		269,077
Royalty creditor acquired		(288,315)
Movement in net debt in the period		(19,238)
Net debt at 1 December 2003		—
Net debt at 30 June 2004		(19,238)

NOTES TO THE GROUP CASH FLOW STATEMENT

For the period 1 January 2004 to 30 June 2004

1. Reconciliation of operating loss to net cash inflow from operating activities

	£
Operating loss	(207,828)
Amortisation charges	8,904
Depreciation charges	3,549
(Increase) in stocks	(48,168)
(Increase) in debtors	(30,111)
Decrease in creditors	(161,196)
Net cash outflow from operating activities	(434,850)

2. Analysis of cash flows for headings netted in the cash flow statement

	£
Returns on investments and servicing of finance	
Interest received	2,295
Interest paid	(1,267)
Net cash inflow for returns on investments and servicing of finance	1,028
Capital expenditure and financial investment	
Purchase of intangible fixed assets	(49,366)
Purchase of tangible fixed assets	(36,480)
Exchange differences	(12,602)
Net cash outflow for capital expenditure and financial investment	(98,448)
Acquisitions and disposals	
Purchase of subsidiaries	(295,178)
Cash acquired	3,118
Net cash outflow for acquisitions and disposals	(292,060)
Financing	
Movement on other reserve	778
Share issue	1,092,629
Capital element of hire purchase or finance leases	18,141
Capital element of royalty payments	(10,808)
Net cash (outflow)/inflow from financing	1,100,740

3. Analysis of changes in net debt

	Cash flow	Acquisitions (excluding cash)	At 30 June 2004
	£	£	£
Net cash:			
Cash at bank and in hand	276,410	—	276,410
Debt:			
Hire purchase or finance leases	(18,141)	—	(18,141)
Royalty lease creditor	10,808	(288,315)	(277,507)
	(7,333)	(288,315)	(295,648)
Total	269,077	(288,315)	(19,238)

Analysed in balance sheet

	£
Cash at bank and in hand	276,410
Bank overdraft	
Hire purchase or finance leases:	
– within one year	(18,141)
Royalty lease payments:	
– within one year	(35,217)
– after one year	(242,290)
	(19,238)

4. Purchase of subsidiaries

Net assets acquired

	£
Fixed assets	366,319
Stock and work in progress	293
Debtors	8,116
Cash at bank and in hand	3,118
Creditors	(509,442)
Other reserve	(1,302)
Minority interest	39,869
Goodwill	388,207
	295,178

Satisfied by

Cash	295,178

NOTES TO THE FINANCIAL STATEMENTS

For the period 1 January 2004 to 30 June 2004

1. Accounting policies

Accounting convention

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the accounts of subsidiaries made up to 30 June 2004.

On 8 April 2004 formal completion of the acquisition of 70 per cent. of the capital of Taraz LLP took place. The consolidated financial statements include the results of Taraz LLP for the six months ended 30 June 2004. The Directors consider that the pre acquisition results of Taraz LLP are not material to the results shown in the consolidated profit and loss account. The Directors have adopted this accounting treatment in order that the consolidated results of the Group show a true and fair view.

No profit or loss account is presented for the Company as permitted by S230 (3) of the Companies Act 1985.

Goodwill

Goodwill arising on consolidation, which represents the excess of the purchase price over the fair value of net assets acquired, is shown in the balance sheet as an asset and will be amortised evenly over it estimated useful life once trading has commenced. In addition to the systematic amortisation, the book value is written down to recoverable amount when any impairment is identified.

The Directors consider the estimated useful life of goodwill to be in line with the contact between Taraz LLP and the Government of the Republic of Kazakhstan for the exclusive right to use the subsurface on the Zhengeldy Oil Field which terminates on 27 May 2024.

Intangible fixed assets

Amortisation is calculated and provided in order to write off each asset over its estimated and useful economic life, such ammortisation to commence when the asset concerned is initially used within the business.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under finance lease, over the lease term, whichever is the shorter.

Motor vehicles	– 20 per cent. on cost
Plant and equipment	– 20 per cent. – 33 per cent.on cost
Furniture and office equipment	– 10 per cent. – 33 per cent. on cost

Stock

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling, at the rates of exchange ruling, at the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

2. Turnover

The Group has yet to commence trading.

3. Staff costs

	£
Wages and salaries	109,463
Social security costs	10,062
	119,525

The average monthly number of employees during the year was as follows:

Management and administration	16
Production, technical and operations	13
	29

4. Operating loss

The operating loss is stated after charging:

	£
Directors emoluments and other benefits	
M Masterman	26,000
D Greil	24,856
	50,856

5. Interest receivable and similar income

	£
Bank interest	996
Other interest	1,299
	2,295

6. Interest payable and similar charges

	£
Bank loans, overdrafts and other loans repayable within five years other than by instalments	101
Finance charges – hire purchase contracts or finance leases	1,166
	1,267

7. Taxation

No liability to UK corporation tax arose on ordinary activities for the period

8. Loss of the parent undertaking

The parent undertaking's loss for the financial year after taxation amounted to £155,917.

9. Intangible fixed assets

Group	Royalty £	Software £	Deferred costs £	Goodwill £	Total £
Cost					
Acquisitions at fair value	329,226	309	98,238	388,207	815,980
Additions	—	—	49,366	—	49,366
Disposals	—	—	—	—	—
Exchange differences	11,325	11	3,379	—	14,715
At 30 June 2004	340,551	320	150,983	388,207	880,061
Depreciation					
Acquisitions at fair value	70,041	61	—	—	70,102
Charge for the year	8,875	29	—	—	8,904
Disposals	—	—	—	—	—
Exchange differences	2,409	2	—	—	2,411
At 30 June 2004	81,325	92	—	—	81,417
Net book value					
At 30 June 2004	259,226	228	150,983	388,207	798,644

10. Tangible fixed assets

Group	Motor vehicles £	Plant and equipment £	Furniture and office equipment £	Total £
Cost				
Acquisitions at fair value	3,460	8,783	3,919	16,162
Additions	17,682	9,725	9,073	36,480
Disposals	—	—	—	—
Exchange differences	119	302	135	556
At 30 June 2004	21,261	18,810	13,127	53,198
Depreciation				
Acquisitions at fair value	1,730	5,381	403	7,514
Charge for year	1,537	1,275	737	3,549
Disposals	—	—	—	—
Exchange differences	59	185	14	258
At 30 June 2004	3,326	6,841	1,154	11,321
Net book value				
At 30 June 2004	17,935	11,969	11,973	41,877

Fixed assets, included in the above, which are held under hire purchase contracts or finance leases are as follows:

	£
Cost	
Additions	17,682
Disposals	—
Exchange differences	—
At 30 June 2004	17,682
Depreciation	
Charge for the year	1,179
Disposals	—
At 30 June 2004	1,179
Net book value	
At 30 June 2004	16,503

11. Fixed asset investments

Held by parent undertaking:

The Company holds more than 10 per cent. of the equity of the following companies:

Name of company	*Country of registration*	*Percentage proportion held*	*Nature of business*
Taraz LLP	Kazakhstan	70	Oil exploration

Held by subsidiary undertaking:

	£
Cost	
Additions	295,178
At 30 June 2004	295,178

12. Stocks

	Group £	*Company* £
Stock and work in progress	48,461	—

13. Debtors: Amounts falling due within one year

	Group £	*Company* £
Amounts due from subsidiary undertakings	—	538,342
Other debtors	66,867	28,549
Prepayments and accrued income	1,299	12,461
	68,166	579,352

14. Creditors: Amounts falling due within one year

	Group £	*Company* £
Trade creditors	3,069	—
Amounts owed to related undertaking	18,812	18,812
Obligations under finance leases and hire purchase contracts	18,141	—
Royalty lease payments	35,217	—
Social security and other taxes	8,108	
Other creditors	85,592	58,341
	168,939	77,153

15. Creditors: Amounts falling due after more than one year

	Group £	*Company* £
Royalty lease payments	242,290	—

16. Share capital

	£
Authorised	
10,000 Ordinary Shares of £1 each	10,000
Allotted, issued and fully paid	
5,379 Ordinary Shares of £1 each	5,379

The following fully paid shares were allotted during the period at a premium as shown below:

2,758 Ordinary shares of £1 each at £277 per share.

621 Ordinary shares of £1 each at £554 per share.

The beneficial interests of the Directors holding office on 30 June 2004 in the issued £1 Ordinary Shares of the Company were as follows:

	30 June 2004	*1 January 2004*
M G Masterman	1,320	1,000
D Greil	1,000	1,000

17. Reserves and reconciliation of movements in shareholders' funds

	Share capital £	*Other reserve* £	*Share premium* £	*Profit and loss Account* £	*Total shareholders' funds* £
Group					
Loss for the financial year	—	—	—	(206,032)	(206,032)
Purchase of subsidiary	—	1,302	—	—	1,302
Increase in period	—	778			778
Shares issued	3,379	—	1,089,250	—	1,092,629
Net additions to shareholders' funds	3,379	2,080	1,089,250	(206,032)	888,677
Opening shareholders' funds	2,000	—	—	838	2,838
Closing shareholders' funds	5,379	2,080	1,089.250	(205,194)	891,515

	Share capital £	*Other reserve* £	*Share premium* £	*Profit and loss account* £	*Total shareholders' funds* £
Company					
Loss for the financial year	—	—	—	(155,917)	(155,917)
Shares issued	3,379	—	1,089,250	—	1,092,629
Net additions to shareholders' funds	3,379	—	1,089,250	(155,917)	936,712
Opening shareholders' funds	2,000	—	—	838	2,838
Closing shareholders' funds	5,379	—	1,089.250	(155,079)	939,550

18. Transactions with Directors

Group

Included within other creditors is £19,440 due to one of the Group's Directors, Mr M G Masterman.

19. Related party disclosures

Group

Included in other creditors is the sum of £18,812 ($34,000) due to Caspian Oil Limited, a company whose directors and Shareholders included Mr M G Masterman and Mr D Greil, Directors and Shareholders of this Company. Mr M Masterman and Mr D Greil resigned as Directors of Caspian Oil Limited on 27 February 2004 and disposed of their shareholding on 4 March 2004.

20. Post balance sheet events

Since the balance sheet date the following events have occurred:

The Company allotted 721 fully paid ordinary shares of £1 each at £1,000 per share in August 2004.

The authorised share capital of the Company was increased from £10,000 to £150,000.

Following the allotment and the increase in the authorised share capital, the Company carried out a 9 for 1 rights issue at £1 per share.

The Company's share capital was altered as follows: Each of the 150,000 authorised ordinary shares of £1 each in the capital of the Company were subdivided into 1,000 ordinary shares of 0.1p each, each to rank *pari passu* in all respects.

The Company was re-registered as a public limited company under the Companies Act 1985 on 15 September 2004.

The Company signed binding agreements on 1 September 2004 to acquire the remaining 30 per cent. interest in Taraz LLP for the consideration of US $621,000 plus 2 per cent. of the shares of Caspian Holdings Plc. The first agreement for the acquisition of 15 per cent. states that US $310,500 be paid on 1 October 2004, and the second agreement for the acquisition of 15 per cent. states that US $310,500 be paid on 1 November 2004.

21. Significant shareholdings

As at 30 June 2004 the following significant shareholdings had been notified to the Company

	No. of £1 Ordinary Shares	*Percentage of issued share capital*
Michael Masterman	1,320	24.5
John Kahlbetzer	1,179	21.9
Dietmar Greil	1,000	18.6
Beronia Investments	560	10.4
Laurie Macri	400	7.4
Joan Masterman	200	3.7

Yours faithfully

Chapman Davis LLP
Chartered Accountants
Registered Auditors

PART IV B

Accountants' report on audited financial statements

The following is the full text of a report received from Chapman Davis LLP, the Reporting Accountants.

Chapman
Davis LLP

Tel. 020 7357 6008
Fax. 020 7357 6159
Email. cd@chapct.co.uk

CHARTERED ACCOUNTANTS

2 CHAPEL COURT LONDON SE1 1HH

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22 Melton Street
London NW1 2BW

Grant Thornton Corporate Finance
Grant Thornton House
Melton Street
Euston Square
London NW1 2EP

Hoodless Brennan & Partners plc
40 Marsh Wall
London E14 9TP

29 October 2004

Dear Sirs,

Caspian Holdings Plc

Introduction

We report on the financial information set out below relating to Caspian Holdings Plc ("the Company" or "Caspian"). On 30 May 2003 Caspian Holdings Limited was incorporated and registered in England and Wales under no. 4782584. On 15 September 2004 the Company changed its status and was re-registered as Caspian Holdings Plc. The principal activity of the Company in the period under review was that of Oil Exploration. This information has been prepared for inclusion in the Prospectus of Caspian Holdings Plc dated 29 October 2004.

Basis of preparation

The financial information set out below is based on the financial statements of Caspian for the period 30 May 2003 to 31 December 2003 to which no adjustments were considered necessary.

The financial statements were audited by Cook & Partners, the Company's auditors. Their opinion expressed in the covering audit report was unqualified.

Responsibility

The financial statements are the responsibility of the Directors of Caspian, who approved their issue.

The Directors of Caspian are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial records and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary.

Opinion

In our opinion, the financial information contained in this report gives, for the purposes of the Prospectus drawn up under the Public Offers of Securities Regulations 1995, a true and fair view of the state of affairs of the Company as at 31 December 2003 and of its results and recognised gains and losses for the period then ended.

Consent

We consent to the inclusion in the Prospectus dated 29 October 2004 of this report and accept responsibility for this report for the purposes of paragraphs 45(1) (b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Profit and Loss Account

For the period 30 May 2003 to 31 December 2003

	Notes	£
Turnover		—
Operating profit on ordinary activities before taxation	2	—
Tax on profit on ordinary activities	3	—
Profit for the financial period after taxation		—
Retained profit carried forward		—

There were no recognised gains or losses for the period.

Balance Sheet

As at 31 December 2003

	Notes	£
Current assets:		
Debtors	4	57,650
Creditors: Amounts falling due within one year	5	55,650
Net current assets:		2,000
Total assets less current liabilities:		2,000
Capital and reserves:		
Called up share capital	6	2,000
Shareholders' funds:		2,000

NOTES TO THE FINANCIAL STATEMENTS

For the period 30 May 2003 to 31 December 2003

1. Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The Company was dormant throughout the period ended 31 December 2003.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

2. Operating profit

	£
The operating profit is stated after charging:	
Directors' emoluments and other benefits etc	—

3. Taxation

No liability to UK corporation tax arose for the period

4. Debtors: Amounts falling due within one year

Other debtors	2,000
Loan to associated company	55,650
	57,650

5. Creditors: Amounts falling due within one year

	£
Amount due to associated company	16,224
Loan	39,426
	55,650

6. Called up share capital

Authorised:

Number:	*Class:*	*Nominal value*	£
10,000	Ordinary	£1	10,000

Allotted, issued and fully paid:

Number:	*Class:*	*Nominal value*	£
2,000	Ordinary	£1	2,000

The following Ordinary Shares were issued in the period to the Company's Directors and retained by them at the period end:

M G Masterman (appointed 30 May 2003)	1,000
D Greil (appointed 25 November 2003)	1,000

Yours faithfully

CHAPMAN DAVIS LLP

Chartered Accountants
Registered Auditors

PART IV C

Accountants' report on Taraz LLP

The following is the full text of a report received from Chapman Davis LLP, the Reporting Accountants.

Chapman
Davis LLP
CHARTERED ACCOUNTANTS

Tel. 020 7357 6008
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London NW1 2BW

Grant Thornton Corporate Finance
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Melton Street
Euston Square
London NW1 2EP

Hoodless Brennan & Partners plc
40 Marsh Wall
London E14 9TP

29 October 2004

Dear Sirs,

Taraz LLP

Introduction

We report on the financial information set out below relating to Taraz LLP ("Taraz") a company incorporated and resident in the Republic of Kazakhstan. This information has been prepared for inclusion in the Prospectus of Caspian Holdings Plc dated 29 October 2004.

Basis of preparation

The financial information set out below is based on the financial statements of Taraz for the three years ended 31 December 2003 to which no adjustments were considered necessary.

The financial information presented below in respect of the three years ended 31 December 2003 does not constitute UK statutory accounts for those years.

The financial statements of Taraz for the three years ended 31 December 2003 were prepared by LLP UTA Consulting licence No. 0000208, issued by the State Commission for Auditing under the Government of the Republic of Kazakhstan.

Responsibility

The financial statements are the responsibility of the management and participants of Taraz, who approved their issue.

The Directors of Caspian Holdings Plc are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial records and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary.

Opinion

In our opinion, the financial information contained in this report gives, for the purposes of the Prospectus drawn up under the Public Offers of Securities Regulations 1995, a true and fair view of the state of affairs of the Company as at 31 December 2001, 2002 and 2003 and of its results and cash flows for the three years then ended.

Consent

We consent to the inclusion in the Prospectus dated 29 October 2004 of this report and accept responsibility for this report for the purposes of paragraphs 45(1)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Profit and Loss Account

Year to 31 December

	Notes	2001 KZT'000	2002 KZT'000	2003 KZT'000
Income	1	—	—	—
Gross profit		—	—	—
Administrative expenses	1	72	501	29,076
Operating loss		(72)	(501)	(29,076)
Loss on ordinary activities before taxation		(72)	(501)	(29,076)
Tax on loss on ordinary activities		—	—	—
Loss on ordinary activities after taxation		(72)	(501)	(29,076)
Net results of non-operating activity	1	(2,827)	(2,530)	6,187
Net loss for the year		(2,899)	(3,031)	(22,889)

Balance Sheet

As at 31 December

	Notes	2001 *KZT'000*	2002 *KZT'000*	2003 *KZT'000*
Fixed assets				
Tangible	2	12,523	16,989	26,262
Intangible	3	79,037	77,330	67,519
		91,560	94,319	93,781
Current assets		2	6,942	766
Debtors and prepayments	4	—	3,425	1,994
Stock and work in progress	5	10	10	72
		12	10,377	2,832
Current liabilities				
Creditors: amounts falling due within one year	6	16,936	32,618	62,243
Net current liabilities		(16,924)	(22,241)	(59,411)
Total assets less current liabilities		74,636	72,078	34,370
Creditors: amounts falling due after one year	7	(74,273)	(72,418)	(62,926)
Net assets/liabilities		(363)	(340)	(28,556)
Capital and reserves				
Called up share capital	8	700	700	700
Other reserves	9	6,039	8,367	3,038
Profit and loss account	10	(6,376)	(9,407)	(32,296)
Equity shareholders' funds		(363)	(340)	(28,556)

Cash Flow Statement

Year to 31 December

	2001 *KZT'000*	2002 *KZT'000*	2003 *KZT'000*
Net cash outflow from operating activities	(3,258)	(3,590)	(33,142)
Capital expenditure and financial investment			
Payments to acquire fixed assets	(3,008)	—	(76)
Net cash (outflow) for capital expenditure and financial investment	—	—	—
Cash (outflow) before use of liquid resources and financing	(250)	(3,590)	(34,180)
Debt due beyond a year	—	10,530	28,116
Repayments	(251)	—	(112)
Net cash inflow from financing	251	10,530	28,004
Increase/(Decrease) in cash in the year	(1)	6,940	(6,176)

Basic accounting principles

Accounting method

The financial statements have been prepared under the historic cost convention and in line with International Accounting Standards (IAS).

The Company maintains its accounting records in accordance with the requirements of the Republic of Kazakhstan under Kazakhstan Accounting Standards, KAS. The adjustments necessary to reconcile the net assets and results to date from KAS to IAS are immaterial.

Reporting currency

The currency used in the preparation of the financial statements is the Kazakhstan Tenge, abbreviated as "KZT".

Revaluation of items denominated in a foreign currency

Foreign currency transactions are recorded according to the exchange rates current at the time the transaction was completed. Exchange rate differences for the balances of foreign currency cash flow arising as a result of changes in the official exchange rate after the date of the transaction are taken to the profit and loss account.

Income and expenditure

Incomes are recognised, when there is a probability that the Company will be able to obtain economic gains from operations, and a sum of incomes may be authentically determined. Expenses are recorded on the accruals basis.

Debtors

Amounts receivable are shown net of any provision for bad debts.

Stock

Stocks are valued at the lower of cost or net realisable value. Cost is calculated based on the weighted average cost method.

Fixed assets

Fixed assets are included at original cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the useful life of the asset based on the following periods – 3 to 10 years.

Intangible assets

Intangible assets are included at historical value less accumulated amortisation. Amortisation is calculated on the basis of the intangible assets useful life using the straight-line method over the following periods, 3 to 20 years.

Deferrals

Deferrals are capitalized current costs made for future oil production. These costs are taken to the balance sheet and will be charged to the profit and loss account following the commencement of oil production.

NOTES TO THE FINANCIAL STATEMENT

1. Income and expenses

There was no income operating activity. Net results from non-operating activity were credited/(debited) as a result of exchange differences.

Administrative expenses were as follows:

	2001	*2002*	*2003*
	KZT'000	*KZT'000*	*KZT'000*
Interest paid	—	—	155
Wages and salaries	—	—	14,287
Rent – Premises	—	211	1,743
Taxes	—	—	2,807
Other expenses	72	290	10,084
	72	501	29,076

2. Fixed assets – Tangible assets

The tangible assets at 31 December comprise the following:

	2001	*2002*	*2003*
	KZT'000	*KZT'000*	*KZT'000*
Equipment and vehicles – at cost	3,008	3,008	3,971
Accumulated depreciation	349	1,048	1,846
Net book value	2,659	1,960	2,125
Deferrals – at cost			
At beginning of the year	5,183	9,864	15,029
Net deferrals in the year	4,681	5,165	9,108
At end of the year	9,864	15,029	24,137
Total net fixed tangible assets	12,523	16,989	26,262

In the balance sheet the value of fixed assets are disclosed as their historical value less the accumulated depreciation.

3. Fixed assets – Intangible assets

The intangible assets at 31 December comprise the following:

	2001	*2002*	*2003*
	KZT'000	*KZT'000*	*KZT'000*
Licences at cost	87,819	90,976	84,399
Accumulated depreciation	8,782	13,646	16,879
Net book value	79,037	77,330	67,519

Depreciation of the intangible assets is calculated on the basis of the intangible assets useful life using the straight-line method. A decrease in the value of the intangible assets occurred as a result of accumulated depreciation.

Licence costs consist of the royalty due under the oil exploration contract which is expressed in US dollars and consequently has a variable KZT costs. Depreciation is based on the amended KZT cost. The figures for 2003 include a software licence with a cost of KZT 76,000 and an accumulated depreciation of KZT 15,000.

In the balance sheet the value of fixed assets are disclosed as their historical value less the accumulated depreciation.

4. Debtors and prepayments

	2001 KZT'000	2002 KZT'000	2003 KZT'000
Advances to suppliers	—	3,399	28
Employee advances	—	26	1,966
	—	3,425	1,994

Advances were made to employees to enable them to purchase supplies.

5. Stock

Stock is comprised of loose tools and consumables and is valued based on the Company's accounting policy.

6. Creditors: Amount falling due within one year

	2001 KZT'000	2002 KZT'000	2003 KZT'000
Short term loan	—	—	11,527
Loan interest	—	—	154
Amounts due to suppliers	—	309	5,466
Advance received	4,400	4,400	4,400
Shareholder loans	4,444	4,444	4,444
Employees – wages and pension	—	—	1,933
Royalty – overdue	3,723	8,383	3,718
– current year	4,369	4,526	4,195
Other taxes	—	—	1,120
Other creditors	—	10,556	25,286
	16,936	32,618	62,243

The short term loan was made by Caspian Oil Limited an associated company, at an interest rate of 10 per cent. and is repayable on demand.

The advance received was made by Almaz International Trading CJSC and is to be set off against amounts due for future oil shipments.

Other creditors were repaid in the following period. The creditors for royalty relate to the oil production contract.

7. Creditors: Amount falling due after one year

	2001 KZT'000	2002 KZT'000	2003 KZT'000
Amount due			
1 to 4 years	13,107	13,578	12,585
4 to 9 years	21,845	22,630	20,975
More than 9 years	39,321	36,209	29,366
	74,273	72,417	62,926

The above amounts are due under the oil production contract dated 14 December 1999 which requires a payment in US dollars to be made every quarter up to 25 January 2020 on a straight line basis.

8. Called up share capital

The charter capital is fully paid up.

The capital stock of Taraz is 700,000 KZT divided into 700,000 shares with a nominal value of 1 KZT.

The ownership of Taraz shares is listed below:

	2001 Shares		*2002 Shares*		*2003 Shares*	
	No.	*Percentage*	*No.*	*Percentage*	*No.*	*Percentage*
T Dzhumadilov	140,000	20.0	140,000	20.0	140,000	20.0
B B Akmetov	137,900	19.7	140,000	20.0	140,000	20.0
S Uskembayev	—	—	420,000	60.0	—	—
Malgray Enterprises Ltd	—	—	—	—	420,000	60.0
Other	462,100	60.3	—	—	—	—
	700,000		700,000		700,000	

9. Other reserves

This represents the revaluation reserve arising from exchange differences on Licences held at cost.

Movement on reserves in the three years to 31 December 2003 is shown below:

	2001 KZT'000	*2002 KZT'000*	*2003 KZT'000*
Balance at the commencement of the year	3,245	5,933	8,185
Re-assessment of assets historical costs	3,333	3,157	(6,656)
Re-assessment of assets accrued depreciation	(333)	(474)	1,331
Charged to financial result	(312)	(431)	(143)
Balance at the year end	5,933	8,185	2,719

Sundry reserves

Under the Contract for production of oil No. 385 of 14 December 1999 (amended), the Company has to create a reserve of 0.5 per cent. of annual costs for production to cover in the future expenses for liquidation of its activity's consequences under the Contract when its term is expired.

The Company has also to use at least 1 per cent. of total investment activity in accordance with the Contract for professional training of Kazakhstani personnel with reference to operations under the Contract.

The combined charges are shown below:

	2001 KZT'000	*2002 KZT'000*	*2003 KZT'000*
Liquidation consequences	10	35	81
Professional training	97	147	239
Rounding	(1)	—	(1)
Net total	106	182	319
Total other reserves	6,039	8,367	3,038

10. Profit and Loss Account

	2001 KZT'000	2002 KZT'000	2003 KZT'000
Balance brought forward 1 January	(3,477)	(6,376)	(9,407)
Loss for the year	(2,899)	(3,031)	(22,889)
Balance carried forward 31 December	(6,376)	(9,407)	(32,296)

Yours faithfully

Chapman Davis LLP
Chartered Accountants
Registered Auditors

PART V

Unaudited pro forma statement of net assets of the Group

Unaudited *pro forma* statement of net assets based on the minimum net proceeds

The unaudited *pro forma* statement of net assets set out below is based on the audited balance sheet of the Caspian Holdings Group as at 30 June 2004, as set out in the Accountants' Report in Part IV of this document after making the adjustments set out below as if they had taken place on 30 June 2004. The table has been prepared by the Company for illustrative purposes only and, because of its nature, it cannot give a complete picture of the financial position of the Group.

	Caspian Holdings Group per Accountants' Report as at 30 June 2004	*Net proceeds of the August 2004 Share issues (Note 2)*	*Net proceeds of the Placing (note 3)*	*Pro forma*
	£'000	*£'000*	*£'000*	*£'000*
Fixed assets				
Intangible assets	799	—	—	799
Tangible assets	42	—	—	42
Financial assets	841	—	—	841
Current assets				
Stock	48	—	—	48
Debtors	68	—	—	68
Cash at bank and in hand	277	776	3,660	4,713
	393	776	3,660	4,829
Creditors				
Amounts falling due within one year	(169)	—	—	(169)
Net current assets	224	776	3,660	4,660
Amounts falling due after more than one year	(243)	—	—	(243)
Net assets	822	776	3,660	5,258

Notes:

1. The *pro forma* net assets statement has been prepared by the Company to illustrate the combination of the effect of the minimum proceeds of the Placing. Save for the adjustments outlined in notes 2 and 3 no account has been taken of any trading or transactions since June 2004 for Caspian Holdings Plc or its subsidiary Taraz LLP.
2. The net proceeds are based on the gross proceeds of the issue of 721 £1 Ordinary Shares at £1,000 each (£721,000) and a 9 for 1 rights issue at £1 per share (£54,900). There were no expenses.
3. The net proceeds of the Placing are based on the minimum gross proceeds of approximately £4,040,000 less estimated expenses payable by the Company for the Acquisition and Admission of approximately £380,000.

Chapman
Davis LLP

CHARTERED ACCOUNTANTS

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40 Marsh Wall
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29 October 2004

Dear Sirs,

PRO FORMA STATEMENT OF NET ASSETS

We report on the *pro forma* statement of net assets as set out in this Part V of the Prospectus dated 29 October 2004, which has been prepared, for illustrative purposes only, to provide information about how the proposed placing might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the Directors of Caspian Holdings Plc to prepare the *pro forma* statement of net assets.

It is our responsibility to form an opinion on the *pro forma* statement of net assets and to report our opinion to you. We do not accept any responsbility for any reports previously given by us on any financial information used in the compilation of the *pro forma* statement of net assets beyond that owed to those to whom the reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on *pro forma* financial information pursuant to the Listing Rules” issued by the Auditing Practices Board. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the *pro forma* statement of net assets with the Directors of Caspian Holdings Plc.

Opinion

In our opinion:

(i) the *pro forma* statement of net assets has been properly compiled on the basis stated;

(ii) such basis is consistent with the accounting policies of Caspian Holdings Plc; and

(iii) the adjustments are appropriate for the purposes of the *pro forma* statement of net assets as disclosed.

Yours faithfully

Chapman Davis LLP
Chartered Accountants
Registered Auditors

PART VI

Licence and resource contracts

1. General

1.1 The licence and resource contract held and entered into by Taraz contain provisions for minimum expenditure requirements during exploration periods and compliance with specified work commitments and for reinvestment to the Government of the Republic of Kazakhstan of historical costs incurred by the Government of the Republic of Kazakhstan prior to the granting of licence and the entering into of the resource contract.

1.2 The Directors are of the view that the breach of minimum expenditure of other work requirements is not unusual in the context of licences in the Republic of Kazakhstan and that as a matter of practice this should not necessarily be regarded as meaning there is any material risk of any licence being suspended, terminated or resulting in any penalty.

1.3 The historical costs reinvestments in respect of any licence or resource contract will as a matter of practice in the Republic of Kazakhstan be renegotiated before any decision is taken to an extraction programme.

2. Zhengeldy contract for hydrocarbons production

2.1 Taraz is the current holder of subsoil use licence number 1533 (oil) (“the Licence”) which was issued on 27 May 1999 and an associated contract for hydrocarbons production in respect of the Zhengeldy Oil Field Block XXIV-13-F, Atyrau Oblast which was entered into on 14 December 1999 between the Agency of the Republic of Kazakhstan on investments and Taraz (“the Contract”). On 14 December 1999 the Agency of the Republic of Kazakhstan on investments completed the State registration of the Contract and assigned to it registration number 385 which act of registration gave Taraz the authority to commence development of the Zhengeldy Oil Field. The Contract was amended by an agreement dated 8 January 2002. The key terms and conditions of the Licence and Contract (as amended) are as follows:

2.1.1 the Licence and the Contract expire on 27 May 2024;

2.1.2 under the terms of the minimum works programme and feasibility study Taraz undertook to invest approximately US$628,000 in developing infrastructure and production and to produce 134,000 tonnes of oil by 2004;

2.1.3 Taraz is responsible for financing its operations in accordance with the work programme;

2.1.4 performance of its operations must be in compliance with the legislation of Kazakhstan;

2.1.5 to give preference to purchasing equipment produced in Kazakhstan;

2.1.6 to give preference to the hiring of Kazakhstani personnel;

2.1.7 to preserve any archaeological objects discovered at the contractual territory;

2.1.8 to invest not less than 1 per cent. of total investments in the training of the Kazakhstani personnel employed by Taraz;

2.1.9 to monitor the wells previously drilled at the contractual territory;

2.1.10 Taraz is required to pay the taxes and duties generally payable by legal entities in Kazakhstan including, without limitation corporate income tax, value added tax, excise tax on certain goods, payment for registration of the share issues, social tax, land tax, property tax, transport tax, duties for registration of the legal entities, licencing dues, customs duties, payment for water resources use, payment for forest use, payment for environmental pollution, pension payments and State duties;

2.1.11 Taraz is required to comply with the environmental legislation of the Republic of Kazakhstan;

2.1.12 the Contract and Licence are governed by the Law of Kazakhstan and all disputes arising in connection with the Contract are required to be settled through negotiation and if such negotiations are not successful then by the Kazakhstani Courts; and

2.1.13 the competent State authority may automatically suspend the Contract or Licence if any threat to health or lives of individuals employed or inhabiting the territory influenced by the works performed in accordance with the Contract exists.

2.2 Under the Licence and the Contract the following amounts are payable by Taraz to the Government of the Republic of Kazakhstan:

2.2.1 a signature bonus of US$8,203 was payable within 30 days as of 14 December 1999. This was paid in 2000;

2.2.2 a commercial discovery bonus of 0.05 per cent. of total reserves actually extracted in excess of the proven reserves as at the date of the Contract;

2.2.3 a variable royalty at rates between 2 per cent. and 6.5 per cent. depending on the total oil production;

2.2.4 historic costs of $584,720 of which US$581,799 is payable in equal instalments of US$7,272 with the first payment having fallen due on 1 January 2000 and the final payment being due on 31 December 2019 with the balance of US$2,921 having been paid on 18 October 1999 on receipt of geological data from the Government of the Republic of Kazakhstan;

2.2.5 an excess profit tax at variable rates between nil and 30 per cent. on the net annual income; and

2.2.6 payments of 0.1 per cent. of annual development costs must be made towards a liquidation reserve fund to be used for conservation of wells upon expiration of the Contract and training of personnel.

2.3 With regard to the minimum work programme between the years 1999 to 2003 no investments were made as required by the work programme. However the Ministry of Energy and Mineral Resources has not taken any action to:

- notify Taraz of any violations of the Licence, Contract or the work programme;
- suspend or revoke the Licence; and
- suspend or terminate the Contract.

Additionally a work programme for 2004 was approved at a meeting of the commitment of Ministry of Energy and Mineral Resources. The Directors are of the view that as the Ministry of Energy and Mineral Resources have not issued any termination letters and that the works programme for 2004 has been approved there is no material risk of the Licence and Contract being terminated early.

Part VII

Additional information

1. Responsibility

The Directors, whose names appear on page 4 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and there is no omission likely to affect the import of such information.

2. Incorporation and status of the Company

2.1 The Company was incorporated and registered in England and Wales under the Act on 30 May 2003 as a limited company with the name Caspian Holdings Limited. Its registered number is 04782584.

2.2 The principal legislation under which the Company operates is the Act and regulations made thereunder. The liability of the members of the Company is limited.

2.3 The Company is the holding company of the following subsidiary undertaking which is at the date of this document owned as to 70 per cent. by the Company and subject to completion of the Minority Ownership Interests Acquisition Agreement will be wholly owned by the Company.

Name	*Registered office*	*Country of incorporation*	*Principal activity*
Taraz LLP	89 Karasay Batyr Street Almaty Republic of Kazakhstan	Republic of Kazakhstan	Operating company

2.4 The Company's registered office is at 22 Melton Street, London NW1 2BW.

2.5 The principal activity of the Company is that of general commercial company. There are no exceptional factors which have influenced the Group's activities.

3. Share capital

3.1 The Company was incorporated with an authorised share capital of £1,000 represented by 1,000 Ordinary Shares of £1 each of which one was issued (credited as fully paid) to the subscriber, Severnside Secretaries Limited. The following changes to the issued share capital of the Company have taken place since incorporation:

(a) On 30 May 2003, 999 Ordinary Shares of £1 each were issued to Michael George Masterman at par value;

(b) On 10 November 2003, 1,000 Ordinary Shares of £1 each were issued to Dietmar Greil at par value;

(c) On 1 March 2004, 2,120 Ordinary Shares of £1 each were issued at £278 each;

(d) On 30 April 2004, 638 Ordinary Shares of £1 each were issued at £278 each;

(e) On 18 May 2004, 621 Ordinary Shares of £1 each were issued at £555 each;

(f) On 12 August 2004, 371 Ordinary Shares of £1 each were issued at £1,000 each;

(g) On 28 August 2004, 51,750,000 Ordinary Shares were issued at par value pursuant to a 9 for 1 rights issue;

(h) On 28 August 2004, 3,500,000 Ordinary Shares were issued at 10p each;

(i) On 25 October 2004, 2,000,000 Ordinary Shares were issued to persons nominated by RCM Asia Limited at 23p per share in accordance with the terms of the agreement described at paragraph 8.7 of this Part VII;

(j) On 25 October 2004, 610,000 Ordinary Shares were issued to Bulat Akhmetov at 23p per share as part consideration for the purchase by the Company of his 15 per cent. interest in Taraz pursuant to the Minority Ownership Interests Acquisition Agreement described at paragraph 8.2(a) of this Part VII; and

(k) On 25 October 2004, 1,000,000 Ordinary Shares were issued to Igor Borissov, the Chief Executive Officer of Taraz, at 23p per share.

3.2 (a) By a written resolution dated 10 November 2003, the share capital of the Company was increased from £1,000 to £10,000.

(b) By the resolutions passed at an Extraordinary General Meeting of the Company held on 27 August 2004

(i) the Company was re-registered as a public limited company;

(ii) the name of the Company was changed to Caspian Holdings Plc by virtue of its re-registration as a public limited company;

(iii) the Memorandum of Association was amended to take account of public company status and the new Articles of Association were adopted;

(iv) each of the 10,000 Ordinary Shares of £1 each in the capital of the Company was subdivided into 1,000 Ordinary Shares of 0.1p each, each to rank *pari passu* in all respects;

(v) the authorised share capital of the Company was increased from £10,000 to £150,000 by the creation of 140,000,000 New Ordinary Shares of 0.1p each ranking *pari passu* in all respects with the Ordinary Shares of 0.1p each in the capital of the Company resulting from the sub-division in paragraph (iv) above;

(vi) the Directors were authorised generally and unconditionally for the purposes of section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £100,000, such authority shall expire at the commencement of the Annual General Meeting next held after the passing of the resolution and that the Company may pursuant to the authority make offers or agreements before such expiry of the authority which would or might require relevant securities to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of such offers or agreements as if the power conferred thereby had not expired;

(vii) the Directors were empowered pursuant to and in accordance with section 95 of the Act to allot equity securities (as defined by section 94(2) of the Act) for cash, conditionally upon the passing of the resolution referred to in (vi) above, as if section 89(1) of the Act did not apply to such allotment. This authority was limited to:

(a) the allotment of equity securities in connection with an offer of such securities by way of rights (including without limitation, under a rights issue, open offer or similar arrangement) to holders of equity securities in proportion (as nearly as may be practicable) to their respective holdings of such securities, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, record dates or any other legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange;

(b) the allotment of equity securities in connection with an issue of equity securities up to an aggregate nominal amount of £45,500; and

(c) otherwise than pursuant, and in addition, to the authorities conferred by paragraphs (a) and (b) above, up to an aggregate nominal amount equal to 20 per cent. of the aggregate of (i) the issued ordinary share capital of the Company at the date of the passing of the resolution and (ii) any equity securities issued pursuant to paragraph (a) above.

This authority was passed for the purpose of authorising the issues of Ordinary Shares referred to in paragraph (b)(vi) above and will expire on the earlier to occur of 28 February 2005 and Admission. The Company may pursuant to the authority make offers or agreements before the expiry of the authority which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of such offers or agreements as if the power conferred thereby had not expired

3.3 Save in connection with the Placing (including the option to be granted to Hoodless Brennan) or options to be issued pursuant to the share option schemes referred to under the heading "Option Scheme" in Part 1 of this document, no share or loan capital is proposed to be issued or is under option or agreed, conditionally or unconditionally to be put under option.

3.4 The authorised and issued share capital of the Company at the date of this document and following completion of the Placing and the Minority Ownership Interest Acquisition Agreements, are set out below:

(i) number of Ordinary Shares authorised and issued at the date of this document

	Authorised		*Issued and fully paid*	
Current	£	Number	£	Number
Ordinary Shares	150,000	150,000,000	64,610	64,610,000
As at Admission				
Ordinary Shares	150,000	150,000,000	82,182	82,181,685

4. Memorandum of Association

4.1 The principal objects of the Company, which are set out in clause (A) of its Memorandum of Association, are to carry on business as a general commercial company. The liability of the members of the Company is limited.

4.2 The Articles of Association of the Company contain, *inter alia*, provisions to the following effect:

(a) *Voting rights*

Subject to any special terms as to voting subject to which any shares may be held, every holder of an Ordinary Share present in person or by proxy shall on a show of hands have one vote, so however that no individual shall have more than one vote, and every holder of an Ordinary Share present in person or by proxy shall on a poll have one vote for every share carrying voting rights of which he is the holder.

(b) *Dividends*

The Company may by ordinary resolution declare dividends but no such dividends shall exceed the sum recommended by the Board. The Board may declare and pay interim dividends if they are justified by the financial position of the Company. The Board may deduct from any dividend all sums of money (if any) payable by the member to the Company on account of calls or otherwise in respects of the share.

(c) *Variation of rights*

If at any time the share capital is divided into different classes of shares the rights attached to any class of shares may be varied or abrogated with the consent in writing of the holders of three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the issued shares of that class, but not otherwise. The special rights attaching to any class of shares will not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(d) *Return of capital*

On a winding up of the Company the liquidator may, with the sanction of a special resolution of the Company divide among the members in kind the whole or part of the assets, in trustees upon trust for the benefit of such members as the liquidator shall think fit, but so that no member shall be compelled to accept any such assets on which there is a liability.

(e) *Transfer of shares*

Shares in the Company may be transferred by instrument of transfer in any usual or common form, or in such other form as shall be approved by the Board. The instrument of transfer will be signed by or on behalf of the transferor who is deemed to remain holder of the share until the name of the transferee is entered in the Register provided that if the share is not fully paid the instrument of transfer shall also be executed by or on behalf of the transferee. The Board may, in its absolute discretion and without giving any reason, refuse to register a transfer of any share that: is not fully paid (provided that where any such shares are admitted to the Official List such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis), relates to more than one class of share, is in favour of more than four joint holders as transferees or is subject to restriction, is in favour of a minor, bankrupt or person of mental ill health, in the case of shares held in certificated form if it is not lodged duly stamped (if necessary) at the Registered Office or at such other place as the Board may appoint and accompanied by the certificate for the shares to which it relates (where a certificate has been issued in respect of the shares) and such other evidence as the Board may require to show the right of the transferor to make the transfer, in the case of shares held in uncertificated form, in any other circumstances permitted by the Regulations or where the Board is obliged or entitled to refuse to do so as a result of any failure to comply with a notice under section 212 of the Companies Act 1985 (as amended). There is no fee for registration of a transfer. If the Board refuses to register a transfer it shall, in the case of shares held in certificated form, within two months after the date on which the transfer was lodged and in the case of shares held in uncertificated form, within two months after the date on which the relevant operator instruction was received by or on behalf of the Company. Notwithstanding the provisions of the Articles, title to any shares in the Company may also be evidenced and transferred without a written instrument in accordance with statutory regulations made from time to time under section 207 of the Companies Act, 1989 or under any regulations having similar effect.

(f) *Failure to disclose interests in shares*

If any person interested in shares of the Company fails to comply with any notice given by the Company ("Information Notice") requiring him to indicate his interest in shares that person may be served with a "Disenfranchisement Notice" meaning that he will have no right to attend or vote at general meetings or separate meetings of a class of shares of the Company. The Disenfranchisement Notice may be withdrawn on compliance with the Information Notice.

(g) *Borrowing powers*

The Directors may exercise all the powers of the Company including the power as set out in the memorandum of association of the Company to borrow or raise money and to mortgage or charge its undertaking, property, assets, and uncalled capital or any part thereof subject to the provisions of the Statutes (as defined therein) and to create or issue debentures, and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party, without any limitation as to the amount.

(h) *Alteration of share capital*

The Company may, by ordinary resolution, increase its share capital, consolidate and divide all or any of its share capital into shares of a larger nominal amount than its existing shares, sub-divide (subject to the Act) its shares (or any of them) into shares of smaller amounts, determine that, as between the shares resulting from such a sub-division, any of them may have any preference or advantage as compared with the others, cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled. Subject to the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve, share premium account or other distribution reserve in any manner.

Subject to the Act and and any rights conferred on the holders of any class of shares, the Company may purchase its own shares (including redeemable shares).

(i) *Issue of shares*

The Directors may, subject to the provisions of the Articles of Association, pre-emption rights and otherwise and of any relevant resolution of the Company, allot, grant options over or otherwise dispose of the un-issued shares in the capital of the Company to such persons, on such terms and conditions and at such times as they may determine.

(j) *Directors*

(i) A Director shall not vote at a meeting of the Directors or a committee of Directors in respect of any transaction in which he has an interest which is material. A Director shall not be counted in the quorum present at a meeting in relation to any such transaction. A Director shall be entitled (in the absence of some other material interest than is indicated below) to vote (and be counted in the quorum) in respect of any resolutions concerning any of the following matters, namely:

(a) the giving of any security or indemnity to him in respect of money lent by him to the Company or any of its subsidiaries or obligations undertaken by him for the benefit of the Company or any of its subsidiaries;

(b) the giving of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;

(c) any contract by him to underwrite shares or debentures or other obligations of the Company or any other company in which the Company may be interested or may promote;

(d) any transaction concerning any other corporation in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever provided that he (together with persons connected with him within the meaning of Section 26 of the Companies Act, 1990) is not the holder of or beneficially interested in 1 per cent. or more of the issued shares of any class of such corporation or of the voting rights available to members of such corporation (or of a third corporation through which his interest is derived any such interest being deemed for the purposes of this Article to be a material interest in all circumstances);

(e) any act or thing done or to be done in respect of any scheme or arrangement to provide retirement or death benefits which has been approved by or is subject to and conditional upon approval for taxation purposes by the appropriate Revenue Authorities;

(f) any matter connected with an employee's share scheme or any share incentive or share option scheme, other than the allocation to him of any share or the grant to him of any option over any share or any other matter concerning his individual participation in any such scheme; or

(g) any matter connected with the purchase or maintenance for him of insurance against any liability. The Company by ordinary resolution may at any time suspend or relax the above provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of the relevant Articles.

(ii) The Directors shall be paid out of the funds of the Company for their services as Directors such aggregate fees per annum as shall be determined from time to time by an ordinary resolution of the Company for their services as Directors such aggregate fees per annum shall be divisible unless such resolution shall provide otherwise) among the Directors as they agree or, failing agreement, equally.

(iii) Any Director (being willing and having been called upon to do so) who renders or performs extra or special services of any kind, including services on any committee, or who travels or resides abroad for any business or purposes of the Company, shall be entitled to receive such sum as the Directors may think fit for expenses and for remuneration, either by way of salary, commission, participation in profits or otherwise, and such remuneration may, as the Directors shall determine, be either in addition to or in substitution for any other remuneration he may be entitled to receive.

(iv) The Directors may be paid all expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

(v) Save as provided below at each annual general meeting of the Company one-third of the Directors or, if their number is not three or a multiple of three then the number nearest one third, but not exceeding one third shall retire from office. Subject to the Statutes (as defined in the Articles) and the other provisions of the Articles the Directors to retire by rotation on each occasion (both as to identity and number) are determined by the composition of the Board at the start of business on the date of the notice convening the annual general meeting and shall comprise: first, any Director who wishes to retire and not offer himself for re-election; and secondly, those who have been longest in office since their last appointment or re-appointment provided that any Director not otherwise required to retire at an annual general meeting shall do so unless he was appointed or re-appointed as a Director at either of the last two annual general meetings before that meeting.

(vi) The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed shall be two.

(vii) A Director shall not require a share qualification.

(viii) The Directors are not required to retire under any age limit.

(ix) The number of Directors shall not be less than two

(k) *Notices*

A member whose registered address is not within the United Kingdom and who has not provided the Company with an address within the United Kingdom to which notices may be sent shall not be entitled to receive any notice from the Company.

5. Directors' and other interests

5.1 As at 28 October 2004 (the latest practicable date prior to the publication of this document), the interest (all of which are beneficial) of the Directors (including any interests of their spouses and minor children or any connected person of a Director) in the issued share capital of the Company (but excluding any options over, or warrants to subscribe for Ordinary Shares), the existence of which is known to, or could with reasonable diligence be ascertained by, the Directors whether or not held through another party which is notifiable, as required to be disclosed pursuant to section 324 to 328 of the Act to be entered in the register referred to therein, or are interests of a connected person of a Director which would, if the connected person were a Director, be required to be disclosed and the existence of which is known to or could with reasonable diligence be ascertained by that Director were, and will following Admission be as follows:

	At date of this document		*At admission*	
	Number of Ordinary Shares	*Percentage of the issued share capital*	*Number of Ordinary Shares*	*Percentage of the issued share capital*
Michael Masterman	10,000,000	15.48	10,000,000	12.2
Dietmar Greil	10,000,000	15.48	10,000,000	12.2
Michael Garland	Nil	Nil	Nil	Nil
Malcolm James	Nil	Nil	Nil	Nil

5.2 Save as set out below, or as disclosed elsewhere in this document, no directorships of any company, other than the Company, have been held or occupied over the previous five years by any of the Directors, nor over that period has any of the Directors been a partner in a partnership:

Director	*Current directorships*	*Former directorships*
Michael Masterman	Access Devices Digital Limited Signifo Limited Masterman Investments Limited Northsun Italia SpA Po Valley Energy Limited	Minara Resources Limited (previously Anaconda Nickel Limited) Caspian Oil Limited Access Devices Limited
Dietmar Greil	Northsun Italia SpA Northsun Energy Ltd	Caspian Oil Limited
Michael Garland	Maverick Oil & Gas Inc	Britvision Limited Tullow Oil plc Star Energy Group PLC Star Energy UK Onshore Limited Star Energy Limited Star Energy (East Midlands) Limited Star Energy HG Gas Storage Limited
Malcolm James	Tianshan Goldfields Limited Peninsula Minerals Limited Lefroy Resources Limited Siberia Mining Corporation Limited Hibernia Gold Limited Eureka Mining PLC Resource & Capital Management Pty Ltd Cordillera Resources Plc	Minara Resources Limited – Alternate director (previously Anaconda Nickel Limited)

5.3 None of the Directors has any unspent convictions nor, save as disclosed below, has any been a director of a company (wherever incorporated) or a partner in a partnership at any time which has gone into administration, company or partnership voluntary arrangements, or any composition or arrangement with creditors generally or any class of creditors, receiverships, compulsory liquidations or creditors' voluntary liquidations, where he was a partner or director at the time or in the preceding 12 months, nor has any of them ever been personally bankrupt, in an individual voluntary arrangement with creditors or been publicly criticised by any statutory or regulatory authority or professional body.

5.4 None of the Directors has been disqualified by a Court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

6. 3 per cent. shareholders, and controllers

In so far as is known to the Company, no person or persons, other than set out below or as set out in paragraph 5.1 above is interested (within the meaning given to that term in Part VII of the Act), directly or indirectly, in three per cent. or more of the share capital (as defined in section 198 (20 of the Act) of the Company, or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company at the date of this document or at Admission.

	At Admission	
Name	*Number of Ordinary Shares*	*Percentage of issued ordinary share capital*
Beronia Investments Pty Ltd	7,402,000	9.01
John Kahlbetzer	7,355,000	8.95
Laurie Macri	5,802,000	7.06
John Dieter Kahlbetzer	5,540,000	6.74

7. Directors' service contracts and emoluments

(a) Mr Masterman and Mr Greil have each entered into a service contract with the Company dated 25 October 2004 relating to the provision of their services outside of the United Kingdom and into a letter of appointment as a Director of the Company relating to the performance of their duties as Directors of the Company within the United Kingdom. The principal terms of these agreements, which are the same for both save as specified below, are as follows:

(i) Under the terms of the service contract:

- The agreement is for a minimum term of 18 months and is subject to termination by either party by the giving of 6 months' prior written notice which may be given at any time after the expiry of 12 months from the commencement of the agreement;
- Mr Masterman is appointed as Executive Chairman of the Company. Mr Greil is appointed Chief Operating Officer;
- The annual salary is €130,000. The Director is also entitled to discretionary participation in such share option or incentive scheme or schemes as may be set up by the Company, to participate at the Company's expense in such permanent health insurance scheme as may be set up by the Company, to life insurance cover of four times his annual basic salary and to a contribution to a pension scheme of 10 per cent. of his basic salary. The Director's basic salary is based upon the Director providing his services to the Company for an average of, in the case of Mr Masterman, 3 days per week and, in the case of Mr Greil, 4 days per week, and if the Director provides his services for a greater amount of time than this his basic salary and contribution to the pension scheme shall be increased by such amount as may be appropriate;
- The Director is required to devote such of his time to the performance of his duties as is resonably required;
- The Director is subject to certain restrictive covenants including 12 months post termination against (i) competing with the business of the Company (ii) solicitation of customers, clients and agents and (iii) solicitation of employees; and

(ii) The terms of the letters of appointment are substantially the same as for the Non-Executive Directors as described in paragraph (b) below save that the term of the appointment is the same as for the service contracts.

(b) Each of the Non-Executive Directors has a letter of appointment the terms of which are as follows:

(i) the term of the appointment is for 12 months from the date of Admission and is subject to termination on six months' notice thereafter;

(ii) continuation of the appointment is contingent on satisfactory performance and re-election at annual general meetings of the Company in accordance with the Memorandum and Articles of Association;

(iii) the annual fee is £24,000;

(iv) the Non-Executive Director is entitled to be reimbursed on a monthly basis, reasonable expenses normally incurred in connection with his duties and where appropriate this includes the cost of independent legal advice; and

(v) the Non-Executive Director is expected to attend all Board meetings and to participate if required, as a member of the Remuneration and Audit Committees.

(c) The aggregate remuneration paid and benefits in kind to be granted to the Directors for the current financial year under the arrangements proposed to be put in place following Admission is estimated to be £224,000.

8. Material contracts

8.1 The following agreements dated 17 February 2004 were entered into by the Company, resulting in the acquisition of 70 per cent. of the ownership interests of Taraz LLP:

(a) A sale and purchase agreement dated 17 February 2004 between (1) Turarbai SH. Jumaldilov ("Jumaldilov") and (2) the Company pursuant to which the Company agreed to purchase from Jumaldilov a 5 per cent. ownership interest (the "Ownership Interest" (for the purposes of this sub-paragraph 8.1(a))) in Taraz LLP. Representations and warranties were given by Jumaldilov regarding the Ownership Interest including warranties in respect of his capacity and authority to enter into and perform the acquisition agreement. The conditions precedent for completion of the acquisition of the Ownership Interest have been satisfied, the agreed consideration for the Ownership Interest paid and the Company was registered as the owner of the Ownership Interest on 8 April 2004.

(b) A sale and purchase agreement dated 17 February 2004 between (1) Bulat B. Akhmetov ("Akhmetov") and (2) the Company pursuant to which the Company agreed to purchase from Akhmetov, a 5 per cent. ownership interest (the "Ownership Interest" (for the purposes of this sub-paragraph 8.1(b))) in Taraz LLP. Representations and warranties were given by Akhmetov regarding the Ownership Interest including warranties in respect of his capacity and authority to enter into and perform the acquisition agreement. The conditions precedent for completion of the acquisition of the Ownership Interest have been satisfied, the agreed consideration for the Ownership Interest paid and the Company was registered as the owner of the Ownership Interest on 8 April 2004.

(c) A sale and purchase agreement dated 17 February 2004 between (1) Malgray Enterprises Limited ("Malgray") and (2) the Company pursuant to which the Company agreed to purchase from Malgray a 60 per cent. ownership interest (the "Ownership Interest" (for the purposes of this sub-paragraph 8.1(c))) in Taraz LLP and to settle certain loans due to Malgray by Taraz LLP in an aggregate amount of KZT30,933,747.06. Representations and warranties were given by Malgray regarding the ownership interest including warranties in respect of its capacity and authority to enter into and perform the acquisition agreement. The conditions precedent for completion of the acquisition of the Ownership Interest have been satisfied, the agreed consideration for the Ownership Interest paid, the loans settled and the Company was registered as the owner of the Ownership Interest on 8 April 2004.

8.2 The Company entered into the following Minority Ownership Interest Acquisition Agreements, to acquire the minority interests in Taraz LLP:

(a) A sale and purchase agreement dated 1 September 2004 between (1) Bulat B. Akhmetov ("Akhmetov") and (2) the Company pursuant to which the Company agreed to purchase from Akhmetov a 15 per cent. of the ownership interest (the "Ownership Interest") in Taraz LLP. The consideration for the Ownership Interest is to be satisfied by the payment of US$310,500 and the issue of 610,000 New Ordinary Shares to Akhmetov. Under the terms of the agreement the Company will pay the consideration to Akhmetov subject to receiving certain constitutional documents of Taraz LLP and evidence that the Ownership Interest has been re-registered in the name of the Company. These conditions have been satisfied or waived and the Consideration Shares were issued to Akhmetov on 25 October 2004 and payment of the sum of US$310,500 was made on 1 October 2004. Representations and warranties were given by Akhmetov in respect of his capacity and authority to enter into and perform the agreement.

(b) A sale and purchase agreement dated 1 September 2004 between (1) Turarbai SH. Jumaldilov ("Jumaldilov") and (2) the Company pursuant to which the Company agreed to purchase from Jumaldilov a 15 per cent. of the ownership interest (the "Ownership Interest") in Taraz LLP. The consideration for the Ownership Interest is to be satisfied by the payment of US$310,500 on 1 November 2004 and the issue of the Consideration Shares to Jumaldilov. Under the terms of the agreement the Company will pay the consideration to Jumaldilov subject to receiving certain constitutional documents of Taraz LLP and evidence that the Ownership Interest has been re-registered in the name of the Company. Certain representations and warranties were given by Jumaldilov in respect of his capacity and authority to enter into and perform the agreement.

8.3 An agreement dated 27 July 2004 made between the Company (1) and Grant Thornton Corporate Finance (2) ("the Nominated Adviser Agreement") under which the Company has appointed Grant Thornton Corporate Finance as nominated adviser to the Company. The Company has given certain representations, warranties and indemnities as to the accuracy of the information given in this Admission Document and other matters in relation to the Company and its business. This agreement is terminable on seven days' notice in writing by either party.

8.4 An agreement dated 28 October 2004 made between the Company (1) and Hoodless Brennan (2) ("the Broker Agreement") under which the Company has appointed Hoodless Brennan as broker to the Company. This agreement is for an initial period of 12 months and is then terminable thereafter on 90 days' notice in writing by either party. Hoodless Brennan will receive a fee of £15,000 per annum plus VAT for its services under this agreement.

8.5 An agreement dated 29 October 2004 between Hoodless Brennan (1), the Company (2) and the Directors (3) (the "Placing Agreement") pursuant to which Hoodless Brennan has agreed to act as agent of the Company and to use reasonable endeavours to procure placees for the Placing Shares at the Placing Price. The Placing Agreement is not underwritten. The obligations of Hoodless Brennan are conditional, *inter alia*, on Admission occurring by 8.00 a.m. on 4 November 2004 or such later time and date as the Company and Hoodless Brennan may agree (but in any event not later than 8.00 a.m. on 18 November 2004).

The Placing Agreement contains indemnities and warranties from the Company and the Directors. The Placing Agreement contains termination provisions for the period prior to Admission if, *inter alia*, there has been a material breach of the warranties given by the Directors and the Company to Hoodless Brennan which Hoodless Brennan considers to be material in the context of the Placing or if an event of *force majeure* occurs.

The Company has agreed to pay to Hoodless Brennan a corporate finance fee of £25,000 (plus VAT if applicable), a commission of 3 per cent. on the aggregate value at the Placing Price of the Placing Shares. In addition the Company will grant Hoodless Brennan an option over 2 per cent. of the issued share capital of the Company as at Admission, as described in paragraph 8.7 below.

8.6 By an agreement dated 29 October 2004 between (1) Hoodless Brennan (2) the Company, and (3) the Relevant Shareholders, the Directors and Mr Borissov have undertaken not to dispose of any Ordinary Shares or interests in Ordinary Shares held by them for a period of twelve months from the date of Admission except in limited circumstances permitted by the AIM Rules including in the event of an intervening Court order, the death of a Director, or in respect of an acceptance of a takeover offer for the Company, which is open to all Shareholders of the Company. In addition, the Directors, and Mr Borissov, have agreed to certain orderly market provisions for a further 12 months from the first anniversary of Admission.

The Relevant Shareholders (other than the Directors and Mr Borissov) have undertaken not to dispose of any of their Ordinary Shares or interests in Ordinary Shares held by them for the period commencing on Admission and ending at the later of (1) the publication of the Company's next annual results and (2) 6 months after Admission (the "Absolute Lock-In Period"). These persons have also agreed to orderly market provisions for a further period of 6 months from the Absolute Lock-In Period.

8.7 An agreement dated 29 October 2004 made between the Company (1) and Hoodless Brennan (2) pursuant to which, conditional on Admission, the Company has granted to Hoodless Brennan an option to subscribe for up to 1,643,634 Ordinary Shares exercisable in whole or in part at the Placing Price. The option is exercisable in whole or in part by notice in writing to the Company given at any time, and from time to time, up to the fifth anniversary of Admission. The number of Ordinary Shares that are the subject of the option and/or the exercise price is in each case subject to adjustment in the event of any capitalisation issue, sub-division, consolidation or reduction of capital and any further issue of Ordinary Shares made *pro rata* to the holders of Ordinary Shares on such terms, in the absence of agreement between the Company and Hoodless Brennan, as the auditors of the Company shall determine as being fair and reasonable.

8.8 An agreement dated 25 October 2004 made between the Company (1) and RCM Asia Limited ("RCM") with an effective date of 15 April 2004 which provides for the provision by RCM to the Company of advisory, management and consulting services in relation to Taraz and its assets ("the Consultancy Services") and corporate advisory services in relation to the Company's application for Admission ("the Corporate Advisory Services"). Under the terms of this agreement RCM (i) has been paid an aggregate fee of £460,000 for its Advisory Services to the date of Admission ("the Consultancy Fees") and is entitled to be paid a fee of £50,000 for the Corporate Advisory Services conditionally upon Admission, and (ii) has used the Consultancy Fees to procure the subscription for 2,000,000 Ordinary Shares at 23p per share.

9. Litigation

No member of the Group is engaged in, or has pending or threatened either by it or against it, any legal or arbitration proceedings which are having or may have a significant effect on the financial position of the Group.

10. Working capital

The Directors are of the opinion, having made due and careful enquiry, that following Admission and taking account of the net proceeds of the Placing, the Company and the Group will have sufficient working capital for its present requirements, that is for at least twelve months following Admission.

11. UK Taxation

General

The statements set out below are intended only as a general guide to the tax position under current UK taxation law and practice and apply only to certain categories of UK persons. The summary does not purport to be a complete analysis or listing of all the potential tax consequences of holding Ordinary Shares.

Prospective purchasers of Ordinary Shares are advised to consult their own tax advisers concerning the consequences under any tax laws of the acquisition, ownership and disposition of Ordinary Shares in the Company. Shareholders who may be subject to tax in any jurisdiction other than the UK should consult their professional advisers without delay.

The statements do not cover all aspects of UK taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on the acquisition, ownership or disposition of Ordinary Shares in the Company by particular investors. The statements are not applicable to all categories of Shareholders, and in particular are not addressed to

(i) Shareholders who do not hold their Shares as capital assets;

(ii) Shareholders who own (directly or indirectly) 10 per cent. or more of the Company;

(iii) special classes of Shareholders such as dealers in securities or currencies, broker-dealers, or investment companies;

(iv) Shareholders who hold Ordinary Shares as part of straddles, hedging or conversion transactions; or

(v) Shareholders who hold Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or otherwise).

Taxation of dividends and distributions

(a) Under current UK legislation, no UK tax will be withheld from any dividend paid by the Company.

(b) An individual Shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company will be entitled to a tax credit which such Shareholder may set off against his total income tax liability on the dividend. The tax credit will be equal to 10 per cent. of the aggregate of the dividend and the tax credit (the "gross dividend"), which is also equal to one-ninth of the cash dividend received. A UK resident individual Shareholder who is liable to income tax at the starting or basic rate will be subject to tax on the dividend at the rate of 10 per cent. of the gross dividend, so that the tax credit will satisfy in full such Shareholder's liability to income tax on the dividend. However, to the extent that the gross dividend falls above the threshold for the higher rate of income tax the UK resident individual Shareholder will have further tax to pay. The tax credit will be set against but not fully match his or her tax liability on the gross dividend and the Shareholder will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which is also equal to 25 per cent. of the cash dividend received).

(c) UK resident Shareholders who are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to dividends paid by the Company.

(d) Subject to certain exceptions for traders in securities, a Shareholder that is a company resident for tax purposes in the United Kingdom and which receives a dividend paid by another company resident for tax purposes in the UK will not generally have to pay corporation tax in respect of it. Such Shareholders will not be able to claim repayment of tax credits attaching to dividends.

(e) Non UK resident individual Shareholders will be taxed on dividends paid by the Company on an arising basis. Broadly, the UK tax liability for non-UK residents will be restricted to the amount of the tax credit. However, this is subject to the Shareholder's personal circumstances and further advice should be obtained if the Shareholder has other UK source income or is claiming relief for tax allowances in the UK.

(f) Non-UK resident Shareholders will not generally be able to claim repayment from the Inland Revenue of any part of the tax credit attaching to dividends paid by the Company.

(g) A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. Shareholders who are not resident in the UK for tax purposes should consult their own tax advisers concerning tax liabilities on dividends received from the Company.

Taxation of chargeable gains

(h) A disposal of Ordinary Shares in the Company by a Shareholder who is either resident or ordinarily resident for tax purposes in the UK will, depending on the Shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for the purposes of the taxation of chargeable gains in the UK.

(i) Broadly, Shareholders who are not resident or ordinarily resident for tax purposes in the UK will not be liable for UK tax on capital gains realised on the disposal of their Ordinary Shares unless such Ordinary Shares are used, held or acquired for the purposes of a trade, profession or vocation carried on in the UK through a branch or agency or for the purpose of such branch or agency. Such Shareholders may be subject to foreign taxation on any gain under local law.

Stamp duty

No UK stamp duty will be payable on the issue by the Company of Ordinary Shares. Transfers of Ordinary Shares for value will give rise to a liability to United Kingdom *ad valorem* stamp duty, or stamp duty reserve tax, at the rate in each case of 0.5 per centum of the amount or value of the consideration (rounded up in the case of stamp duty to the nearest £5). Transfers under the CREST system for paperless transfers of shares will generally be liable to stamp duty reserve tax.

Any person who is in any doubt as to his or her tax position or who may be subject to tax in any jurisdiction other than the UK should consult their own professional adviser.

12. General

12.1 No intellectual property rights are registered by the Group and the Group does not have any material intellectual property rights.

12.2 The gross proceeds of the Placing are expected to be approximately £4 million. The totals costs and expenses relating to the Admission and Placing are payable by the Company and are estimated to amount to approximately £0.4 million (excluding Value Added Tax).

12.3 The minimum amount of £1,600,000 must, in the opinion of the Directors, be raised under the Placing, pursuant to paragraph 21 of Schedule 1 to the POS Regulations, in order to provide the sums required to be provided in respect of each of the following:

Preliminary expenses, commissions and other costs	£350,000
Working capital	£1,250,000

There are no amounts to be provided in respect of the matters referred to above otherwise than out of the proceeds of the Placing.

12.4 Except for fees payable to the professional advisers whose names are set out on page 4 of this document, payments to trade suppliers, and save as disclosed in this document, no person has received any fees, securities in the Company or other benefit to a value of £10,000 or more, whether directly or indirectly, from the Company within the 12 months preceding the application for Admission, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission.

12.5 Save as otherwise disclosed, there has been no significant change in the trading or financial position of the Company since 31 December 2003.

12.6 The financial information set out in this document does not constitute statutory accounts within the meaning of section 240 of the Act.

12.7 Grant Thornton Corporate Finance has been appointed nominated adviser to the Company. Under the AIM Rules the nominated adviser owes certain responsibilities to the London Stock Exchange. In accordance with these rules, Grant Thornton has confirmed to the London Stock Exchange that it has satisfied itself that the Directors of the Company have received independent advice and guidance as to the nature of their responsibilities and obligations under the AIM Rules and that, to the best of its knowledge and belief, all relevant requirements of the AIM Rules (save for compliance with Regulation 9 of the POS Regulations in respect of which the nominated adviser is not required to satisfy itself) have been complied with. Grant Thornton has also satisfied itself that the contents of this document have been appropriately verified. In giving its confirmation to the London Stock Exchange, Grant Thornton has not made its own enquiries except as to matters which have come to its attention and on which it considered it necessary to satisfy itself. No liability whatsoever is accepted by Grant Thornton for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which the Company and its Directors are solely responsible. Grant Thornton does not regard itself as being, and is not, a "responsible person" (as that term is used in the POS Regulations) in relation to this document.

12.8 Grant Thornton Corporate Finance has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context in which it appears.

12.9 Hoodless Brennan has given and not withdrawn its written consent to the inclusion of references to its name in the form and context in which it appears.

12.10 Chapman Davis LLP have given and have not withdrawn their written consent to the inclusion of their reports in Part IV of this document and have accepted responsibility for their reports for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the POS Regulations and have stated that they have not become aware, since the date of any report, of any matter affecting the validity of that report at that time.

12.11 Ecopetrol S.r.L have given and not withdrawn their written consent to the inclusion of references to their name in the form and context in which they appear and to the inclusion of their report set out in Part III.

12.12 Other than disclosed in the document the Directors are not aware of any exceptional factors or significant trends concerning the Company's business since 30 May 2003, being the date of incorporation of the Company. The accounting reference date of the Company is 31 December.

12.13 The Placing Price represents a premium of 22.9 pence over the nominal value of 0.1p per Ordinary Share.

12.14 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for dealings in the Ordinary Shares.

12.15 No other significant investments by the Company are currently being negotiated.

12.16 The Ordinary Shares will be in registered form. It is expected that share certificates will be posted to Shareholders at their own risk on 11 November 2004. No temporary documents of title will be issued.

12.17 There are no specified dates on which entitlement to dividends or interest thereon on Ordinary Shares arises.

12.18 The following details are set out in the placing letters sent to investors by Hoodless Brennan in connection with this document: the arrangements for payment for the Placing Shares and the period for the despatch of share certificates to the placees. In respect of uncertified shares it is expected that the relevant CREST stock accounts will be credited on 4 November 2004.

13. Documents available for inspection

Copies of the following documents will be available for inspection by the public at the offices of Grant Thornton Corporate Finance, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP, during normal business hours on any week day (excluding Saturdays and public holidays) from the date of this document for the period of one month from Admission.

(a) the Memorandum and Articles of Association of the Company;

(b) the Accountants' Reports set out in Part IV of this document;

(c) the Competent Persons' Report by Ecopetrol S.r.L set out in Part III of this document;

(d) the material contracts referred to in paragraph 8 of this Part VII;

(e) the Directors' service contracts and the letters of appointment as referred to in paragraph 7 of this Part VII;

(f) the written consents and letters of engagement referred to in paragraph 12 of this Part VII; and

(g) this Document.

Copies of this Document will be available to the public free of charge at the offices of Grant Thornton Corporate Finance, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP, during normal business hours on any week day (excluding Saturdays and public holidays) from the date of this document for the period of one month from Admission.

29 October 2004

Produced by Portman Lodge Limited