

5 September 2006

CAITHNESS PETROLEUM LIMITED

Award of exploration permits and reconnaissance licences, on-shore Morocco

Caithness Petroleum Limited announces the award to its wholly-owned subsidiary, Cabre Maroc Limited, of two 8-year exploration permits and an exclusive reconnaissance licence in Morocco. On 10 July 2006, the Minister of Energy & Mines and the Minister of Finance and Privatisation ratified agreements governing the new exploration permits by joint Decree. Cabre Maroc has a 75% interest in these permits with the remaining 25% being held by ONHYM, the Moroccan state oil company.

Cabre Maroc has been an active operator in Morocco since 1997. The company views the Rharb basin, located in North West Morocco close to existing infrastructure and markets, as the country's most attractive onshore gas play. Morocco's foreign investment regime is one of the most favourable in the world and the Rharb basin holds attractive prospects for oil companies seeking low-risk exploration and development opportunities.

Since its initial involvement in the Rharb basin, Cabre Maroc has drilled and put into commercial production four gas fields, which are covered by three separate exploitation concessions. The new exploration permits (Rharb Centre and Rharb Sud) cover a combined area of some 3,900 square kilometres in the most attractive part of the basin and Cabre Maroc has already identified a number of additional undrilled prospects in the region.

On 15 June 2006, the Minister of Energy & Mines also awarded Cabre Maroc a one-year, exclusive reconnaissance licence over the Fès block. Despite being regarded as one of Morocco's most promising onshore oil exploration targets, Fès has been under-explored. The reconnaissance licence will run for one year. On successful conclusion of its minimum work programme, Cabre Maroc will have the option to apply for an eight-year exploration permit over the block, the main terms of which have already been agreed in principle.

Commenting on the award of the blocks, the Chief Executive Officer of Caithness, Robert Kennedy, said: "Cabre Maroc has already enjoyed considerable success in Morocco, with four commercial gas discoveries in the Rharb basin. The award of these new, eight-year exploration permits is consistent with Caithness' strategy of operating in countries with a track-record of low risk foreign involvement in the oil and gas sector, and will allow us to build on our established, profitable business in the region. We look forward to continuing our close working relationship with ONHYM, and to sharing many successes with them in the years to come."

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NOTES TO EDITORS

Caithness Petroleum Limited is a privately owned, independent petroleum exploration and production company. Caithness was established in 2005 and has high quality assets with proven reserves and exploration potential in Morocco and the North Sea.

The Caithness management team has significant upstream oil and gas industry experience and a successful track record of identifying and developing high quality assets.

Caithness' strategy is to operate only in countries where it has clear legal title to assets to minimise fiscal and ownership risk, and where there is existing infrastructure to minimise development and production costs. The Company explores only high quality acreage for potentially very large reserves and is currently seeking to expand its exploration portfolio.

Morocco

Caithness Petroleum has proven exploration and operational capabilities as demonstrated by its Moroccan operations. Its wholly-owned subsidiary, Cabre Maroc Limited, has discovered and successfully brought into production four onshore gas fields, and runs a profitable business selling gas to the local industrial market.

Cabre Maroc operates two exploration blocks in the Rharb basin in a joint venture with ONHYM, the Moroccan state oil company. Cabre Maroc has a 75% interest in the joint venture and ONHYM has the remaining 25% interest.

Cabre Maroc has identified many gas prospects in the Rharb basin through its extensive seismic reprocessing programme and it plans to develop these over the coming years. There is a ready and sizable market for gas nearby, which Cabre Maroc currently accesses through existing pipelines. Local prices for gas are benchmarked against international standards.

UK North Sea

Caithness has proven and probable reserves in the UK North Sea through licences, which were awarded in the 23rd Offshore Licensing Round. These licences are held through a joint venture with Reach Exploration (North Sea) Limited and cover six offshore blocks in the Inner Moray Firth and seven adjacent onshore blocks. The offshore fields and prospects can be drilled and developed from the onshore blocks.

Two fields with proven hydrocarbons have already been discovered (the Lybster and Knockinnon fields) with total estimated hydrocarbons in-place independently estimated at 73.4 million barrels of oil and 27.3 billion cubic feet of gas.

The joint venture has identified a further ten high potential structures in its offshore blocks, with combined prospective resources of 829 million barrels of recoverable oil. Caithness expects to conduct a 3D seismic survey in the North Sea in 2007 in order to develop a better understanding of these exploration prospects.

Development of the Lybster field will begin by drilling the first of two horizontal wells from onshore to the field. Oil produced from the field will be shipped by road tanker to a nearby export terminal. Knockinnon will be developed in a similar manner, commencing in 2008. Exploration wells are also planned for 2008 / 2009 for the best prospects identified as a result of the 3D seismic survey.