

CalStar Oil & Gas Ltd.
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CalStar Oil & Gas Ltd. Signs Engagement Letter with New York Merchant Banking Group, Announces Exemption for extension of Warrants, and Private Placement

August 27, 2007

Calgary Alberta August 27, 2007 – CalStar Oil & Gas Ltd. (“CalStar”) trading on the CNQ – Canada’s New Stock Exchange under the symbol “CAL5”

Ted K. Cantlon, President & CEO of CalStar is pleased to report that CAL5 has signed an Engagement Letter with Able Global Partners, of New York, a merchant banking firm with experience in world-wide financings, to raise \$10 MM USD, on a Best-Efforts basis, from U.S. Private Investors in order that CAL5 may execute its Capital Expenditure Programs in California and in the Fenn Big Valley Project later this fall. The capital raised will be in two tranches, the first \$5.5 MM USD is expected to close mid-September, with the second closing mid-October.

CalStar Oil & Gas Ltd. (CalStar Canada) will vend all its holdings (i.e. ownership of the San Joaquin Basin California assets and its 50% participation rights to the Fenn Big Valley Project) to its U.S. Delaware subsidiary, CalStar Oil & Gas Inc., (CalStar USA) for consideration of 16,500,000 common shares of CalStar USA at \$0.50 per common share. This sale will be partially offset by the tax pools held by CalStar Canada.

The capital raise of \$10 MM USD in CalStar USA is contemplated at \$1.00 USD per common share, or other terms as the Financiers may agree to, prior to closing. At the conclusion of the proposed financing, there will be 26,500,000 common shares outstanding, of which 62% will be held by CalStar Canada.

Mr. Peter O’Neill, the Chairman of Able Global Partners, has been seeking oil projects to finance and is convinced our project has the qualities that his institutional clientele is looking for, to gain exposure in the ever increasing oil price scenario.

Additionally, the Company has received an exemption from the CNQ relating to the Class B Warrants that were scheduled to expire on September 28, 2007. Previously, each Class B Warrant entitled the warrant holder to purchase one additional common share at a price of \$0.25 per common share until close of business September 28, 2007.

The CNQ has granted an extension to the expiry date whereby each warrant holder may now exercise the warrants held up to close of business on November 28, 2007. There is no change in the exercise price of the common shares.

Also, the Company is issuing 4,000,000 common shares, by way of a non-brokered Private Placement, at \$0.10 per common share, to accredited Investors. The capital raised will be used for general working capital purposes.

Forward-looking statements - statements included in this press release that are not historical facts may be considered "forward-looking statements." All estimates and statements that describe the Company's objectives, goals or future plans are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties where actual results could differ materially from those currently anticipated.

For further information, contact Ted K. Cantlon, FCSI at (403) 390-4911

**The CNQ Exchange has not reviewed and does not accept responsibility
for the accuracy and adequacy of this release.**

(Not for dissemination in the United States of America)