



29 January 2010

## DECEMBER 2009 QUARTERLY SECURITIES EXCHANGE REPORT

### Summary

- Mailisu III Well #6 spudded on November 5 and total depth of 1,501m was reached on November 21. Good shows were recorded in the main reservoirs (Beds V & VII) and the well was cased as a future oil producer. While an initial test of Bed VII failed, larger, deeper-penetrating charges were used to re-perforate the zone. The re-perforation was successful and an inflow into the wellbore was observed with oil being recovered on the perforating line. Tubing will now be run, the zone acidized and production testing undertaken in order to size appropriate facilities.
- Caspian's East Mailisu #1 well was plugged and abandoned at a depth of 1,120m on 29 October after wireline logs indicated oil shows encountered in Bed V and gas shows in Beds XIV were non-commercial.
- Santos is continuing its interpretation of the 2D seismic data acquired over the Textonic licences. Santos must notify Caspian whether it wishes to commit to completing Phase III of its farm-in arrangements by February 28, 2010.
- As part of Caspian's expansion strategy, the company has entered into a Area of Mutual Interest Agreement with Audax Petroleum and Sibinga Petroleum with respect to Romania and with Sibinga Petroleum with respect to Kazakhstan. These groups are currently reviewing opportunities for both exploration and existing production through licence bidding and farm-ins.

### March Quarter Plans

- Completion of Mailisu III Well #6 testing and put on production.
- Finalisation of Seismic interpretation on Kyrgyz blocks.
- Preparation of bids for Romanian tender round, closing May 2010.

## Kyrgyz Republic Oil Projects

### Background

Caspian through its subsidiary South Derrick LLC and its interest in the joint venture company JSC Textonic holds interests in eight licences in the Fergana Basin, giving it a significant exploration position within the Kyrgyz Republic (Fig 1).

Santos International Operations Limited ("Santos"), a subsidiary of one of Australia's largest oil and gas companies, is funding a seismic and exploration programme on JSC Textonic's seven Kyrgyz licences under a three phase farm-in, spending up to US\$24 million to earn an eighty percent (80%) equity interest in JSC Textonic. Caspian is carried for its twenty percent (20%) equity interest during the farm-in.

Under the farm-in Caspian retains the right to, and proceeds from the sale of, any petroleum discovered to a depth of 1,000m within the northern Fergana licences of Charvak, Ashvaz, East Mailisu and West Mailisu. Under a separate joint venture arrangement with the government oil company, Kyrgyzneftigas ("KNG"), Caspian has a 70% interest in the Mailisu III licence, with no depth restrictions on that block.

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Caspian operates its own 650hp drilling rig in its Kyrgyz operations.



Figure 1 – Location Map

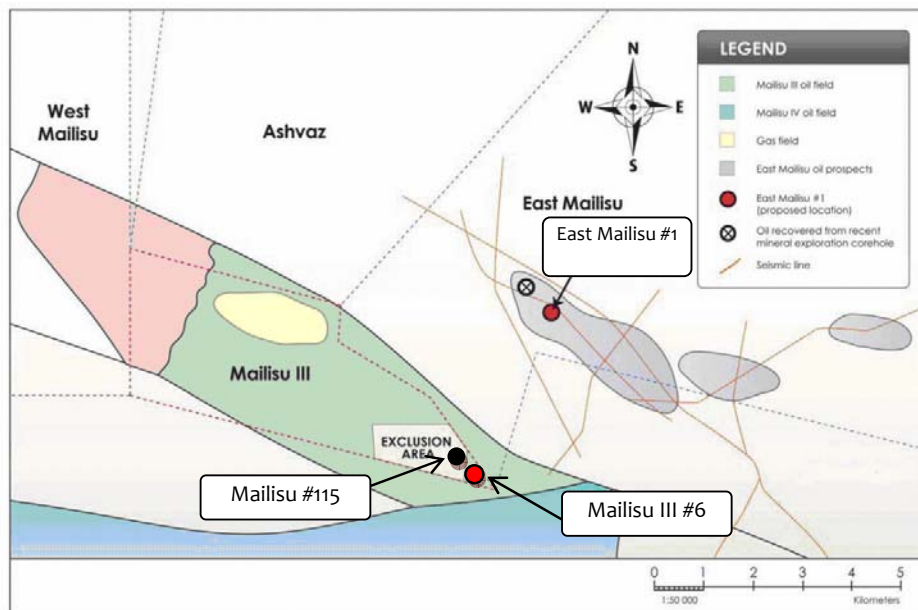
## Santos Farm-in

In July 2009, the seismic crews were released after completion of a seismic acquisition program undertaken pursuant to the farm-in. A total of 383.4km of 2D seismic data was acquired over the Textonic licences. Processing of the data is close to completion and interpretation will be completed by the end of February. Santos was granted an extension to 28 February 2010 to commit to completing Phase III of the farm-in which would entail the expenditure of the balance of their farm-in obligations (approx. \$7m). Caspian has submitted a tender to SPC (a Kyrgyz Republic subsidiary of Santos) for a shallow well programme.

## Quarterly Activity

### East Mailisu # 1

The East Mailisu #1 prospect, drilled in October, encountered fair-good live oil shows in Bed V and good gas shows in the Cretaceous aged Bed XIV over the interval 1,016-1,030m. However, wireline logs indicated that neither zone would flow at commercial rates and the well was plugged and abandoned.

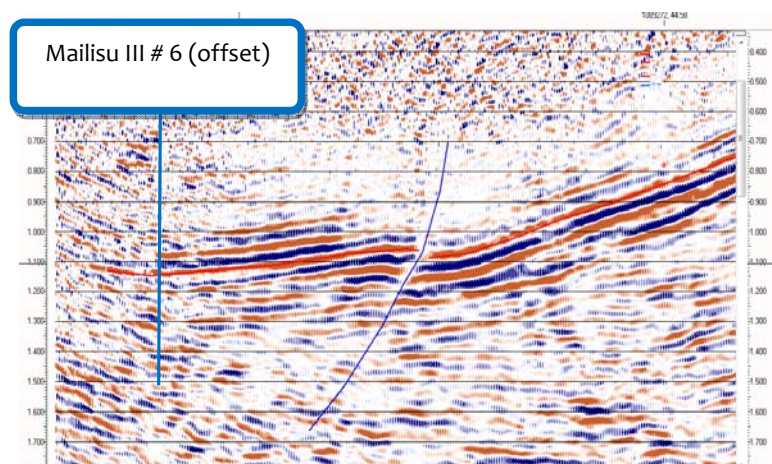


**Figure 2**  
Mailisu III field and East Mailisu structure

### Mailisu III # 6

Mailisu III #6 commenced drilling on November 5 and total depth reached on November 21. Good shows were recorded in the main reservoir (Beds V & VII) and the well was cased as a future oil producer. While an initial test of Bed VII failed, larger, deeper-penetrating charges were used to re-perforate the zone. The re-perforation was successful and an inflow into the wellbore was observed with oil being recovered on the perforating line. Tubing will now be run, the zone acidized and production testing undertaken in order to size appropriate facilities.

The well was an appraisal well located in the south-eastern corner of the Mailisu III licence just outside an exclusion area. Total production from the exclusion area is close to 700k bbls. The closest well, Mailisu # 115, some 400m distant, has produced close to 300,000 bbls with minimal water. The potential mean reserves for the well are 140,000 bbls with the main risk being depletion. There is however strong evidence that infill drilling in this area is commercial. A recent close offset well located some 4km to the south of Mailisu III saw good production (300-400bopd). In the event of reasonable production from Mailisu III #6 at least one further well is possible in the area.



**Figure 3**  
Seismic through the Mailisu III # 6 location

The Caspian rig is stacked at Mailisu during the winter period. The Company is active in pursuing further work for this asset.

## **Other Petroleum Activities**

Caspian has been actively pursuing further acreage in central Asia and also in Romania. To date the Company has signed two Area of Mutual Interest Agreements (AMIs) – one with Audax Petroleum and Sibinga Petroleum with respect to Romania and one with Sibinga Petroleum with respect to Kazakhstan.

### **Romania**

After entering the European Union (EU) in 2007 the Romanian Government released production and exploration licences for bid throughout 2007 and 2008. In Q2 2009 the largest petroleum licence relinquishment in Romania's history took place (approximately 40,000sqkm relinquished by Petrom & Romgaz). These blocks will become available through future bidding rounds. Bids for the first tranche (30 blocks in Pannonian, Danube Delta & Black Sea) are due in Q2 2010.

AuDAX (ADX), an ASX listed company, is operator of the AMI and throughout 2008 and 2009 has undertaken studies to identify the regions and key productive reservoirs with the greatest future hydrocarbon potential. Significant remaining undiscovered hydrocarbon potential has been identified in all four major hydrocarbon basins with the AMI group able to leverage off publicly available data and local in-country experience and networks.

The emerging eastern European economies are a ready market for both oil and gas, with currently regulated gas prices being in the order of 5 USD/mscf whilst the near term expectation is in the order of free market 10 USD/mscf due to the European accession treaty to which Romania is a signatory. Romania itself is an emerging hydrocarbon market (240,000bbls/d & 644BCF/year domestic consumption) with an extensive and interconnected pipeline network of high pressure and low pressure (40psia) grids. Romania has a large refining capacity of 517,000bbls/day from its 10 refineries.

Caspian has a 20% holding in the AMI group.

### **Kazakhstan**

Following discussions which identified a shared interest in Central Asia, Caspian (operator) has formed an AMI (50/50) with Sibinga Petroleum. Sibinga Petroleum is a private organisation actively pursuing producing asset opportunities in Central Asia and Eastern Europe.

During the last 6 months Caspian has been evaluating various opportunities in Kazakhstan which will allow Caspian's regional expertise and operating capacity in Central Asia to be fully utilized. During 2010 after technical and commercial evaluation it is planned to highgrade and bid on several opportunities.

Caspian has a 50% holding in the AMI group.

## **Mineral Projects**

Caspian retains mineral assets where exploration is funded by other companies. These are:

- shares in gold explorer Perseus Mining Limited,
- 0.5% royalties on the Tengrela gold project in Ivory Coast and the Grumesa gold project in Ghana,
- the Mansounia gold joint venture with Burey Gold Limited in Guinea,
- two diamond joint ventures, one in the Democratic Republic of Congo ("DRC"), the other in Ghana.

Caspian retains Perseus shares currently valued at around \$3 million at the date of this report.

Burey Gold Ltd (ASX: BYR) has reported an initial million ounce gold resource estimate for the Mansounia project in Guinea and is planning a follow-up drilling program targeting higher grade material when a rig is available.

Caspian holds two licences in the Tshikapa diamond field in the DRC, near Angola, which are farmed out to BRC DiamondCore Ltd.

A handwritten signature in black ink, appearing to read 'Graeme Parsons', with a stylized flourish at the end.

GRAEME PARSONS  
Chief Executive Officer

*The information in this report that relates to oil and gas exploration results and hydrocarbon reserves is based on information compiled by Mr Graeme Parsons, who is a petroleum geoscientist. Mr Parsons is a Director and full-time employee of the Company. Mr Parsons has more than thirty years experience in this discipline and he consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

# Appendix 5B

## Mining exploration entity quarterly report

Name of entity

CASPIAN OIL & GAS LIMITED
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ABN

44 065 212 679
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Quarter ended ("current quarter")

31 December 2009
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### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from contract drilling and product sales	2,400	5,620
1.2 Payments for		
(a) exploration and evaluation	(917)	(1,037)
(b) development	-	-
(c) production	-	-
(d) administration	(572)	(1,103)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	17	17
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(1)	(1)
1.7 Other – purchase of inventory (drilling consumables) / contractor expenses	(791)	(2,963)
<b>Net Operating Cash Flows</b>	<b>136</b>	<b>533</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchase or renewal of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(12)	(44)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	49	49
(c) other fixed assets	2	3
1.10 Loans to other entities	(300)	(3,939)
1.11 Loans repaid by other entities	333	3,376
1.12 Other –	-	-
<b>Net investing cash flows</b>	<b>72</b>	<b>(555)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>208</b>	<b>(22)</b>

1.13	Total operating and investing cash flows (brought forward)	208	(22)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	3,296	3,296
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Share issue expenses	(215)	(215)
	<b>Net financing cash flows</b>	<b>3,081</b>	<b>3,081</b>
	<b>Net increase (decrease) in cash held</b>	<b>3,289</b>	<b>3,059</b>
1.20	Cash at beginning of quarter/year to date	1,175	1,510
1.21	Exchange rate adjustments to item 1.20	(105)	(210)
1.22	<b>Cash at end of quarter</b>	<b>4,359</b>	<b>4,359</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	203
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

	A\$'000
Consultancy fees and Directors' remuneration	178
Accounting and secretarial services	25

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Santos International Operations Pty Ltd earning an interest in the Kyrgyz oil projects (deep prospects -  $\geq$  1,000 metres deep) – Information on expenditure during the quarter not available.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	500
4.2 Development	-
<b>Total</b>	<b>500</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,523	1,157
5.2 Deposits at call	2,836	18
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>4,359</b>	<b>1,175</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	N/A			
6.2 Interests in mining tenements acquired or increased	N/A			



**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.1 <b>Preference securities</b> <i>(description)</i>	-	-	-	-
7.2 Changes during quarter	-	-	-	-
7.3 <b>+Ordinary securities</b>	1,331,500,513	1,331,500,513		
7.4 Changes during quarter				
Placement	158,260,933	158,260,933	<i>1.5 cents</i>	<i>1.5 cents</i>
Share Purchase Plan	61,500,000	61,500,000	<i>1.5 cents</i>	<i>1.5 cents</i>
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	-	-	-	-
7.6 Changes during quarter	-	-	-	-
7.7 <b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	2,100,000	-	<i>8 cents</i>	<i>31/03/2010</i>
	6,950,000	-	<i>8 cents</i>	<i>30/06/2010</i>
	2,000,000	-	<i>9 cents</i>	<i>30/06/2010</i>
	850,000	-	<i>10 cents</i>	<i>31/12/2010</i>
	21,500,038	-	<i>10 cents</i>	<i>31/03/2010</i>
	1,300,000	-	<i>10 cents</i>	<i>31/12/2011</i>
	2,000,000	-	<i>10 cents</i>	<i>31/05/2011</i>
	2,000,000	-	<i>12 cents</i>	<i>31/05/2011</i>
	8,500,000	-	<i>3 cents</i>	<i>31/12/2010</i>
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Cancelled/Expired during quarter	(5,000,000) (5,000,000)	- -	<i>10 cents</i> <i>8 cents</i>	<i>30/11/2009</i> <i>31/12/2009</i>
7.11 <b>Debentures</b> <i>(totals only)</i>	-	-		
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	-	-		

## Compliance statement

- 1 This statement has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:   
Director  
Print name: COLIN JOHN CARSON

Date: 29 January 2010