

27 OCTOBER 2010

SEPTEMBER 2010 QUARTERLY SECURITIES EXCHANGE REPORT

Summary

- Two prospects outlined in West Mailisu following interpretation of seismic; both opportunities require additional seismic before committing to drilling.
- Negotiations finalised with Romanian Government (NAMR) regarding licence terms and conditions for the Parta Block in the Pannonian Basin - Caspian (20%), ADX Energy Ltd (ADX, 60%, operator) and Sibinga Petroleum (20%). Activity to commence with seismic reprocessing and 2D seismic acquisition in 2011.
- Ongoing seismic interpretation of the Kyrgyz acreage has identified additional leads and a programme of up to 150km of 2D seismic acquisition is proposed for 2011.
- Farm-out activity for Kyrgyz Republic licences continued.

December Quarter Plans

- Finalise Kyrgyz licence renewals.
- Reprocess seismic over Akbura and plan 2011 seismic acquisition.
- Acidising of Mailisu III Well #6 and commence production.
- Ongoing promotion to farm out the Kyrgyz Republic licences.

Kyrgyz Republic Oil Projects

Background

Caspian Oil & Gas, through its subsidiaries, holds interests in eight oil exploration licences in the Fergana Basin in the Kyrgyz Republic (Fig 1).



Figure 1 – Location Map

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Kyrgyz Republic Political Update

Parliamentary elections were held in the Kyrgyz Republic on October 10, 2010. A total of five political parties received sufficient votes to enter parliament and those parties are negotiating to form a coalition government.

Licence Activity

Submissions have been made to the Kyrgyz Ministry for a two-year extension to the terms of the East Mailisu, Charvak, Akbura, Katran and Sulukta exploration licences.

Farm-out Activity

With a more stable political environment, several previously-interested companies have re-approached the Company seeking further information about a possible farm-in.

Quarterly Activity

Processing and interpretation of the West Mailisu 2D seismic programme was completed in August. Two strong leads have been firmed up from the seismic. These are titled West Mailisu East and Central.

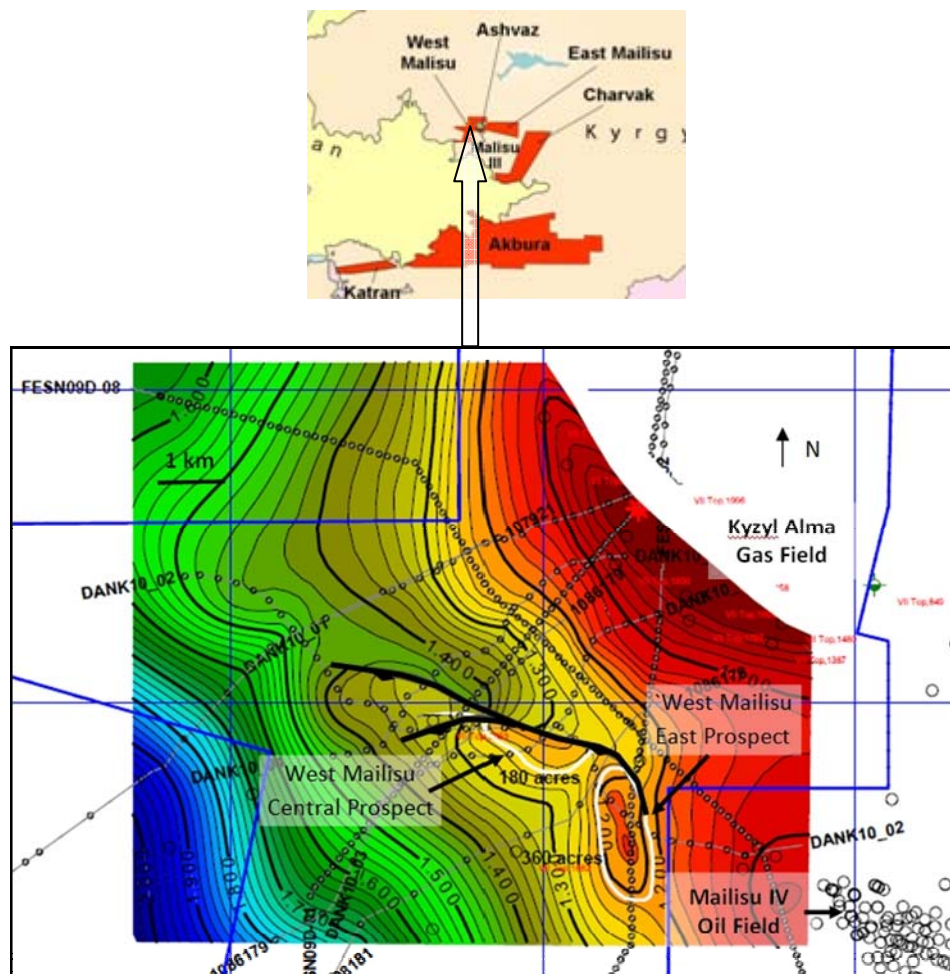


Figure 2 – West Mailisu Licence

Of the two leads, West Mailisu East appears the largest and most prospective. While the lead is reasonably robust, it is controlled by only three seismic lines. The West Mailisu East lead is located about 4.5km south of the Kyzyl Alma Gas field which produced approximately 12bcf at a rate of over 12mmscfd from early Jurassic sands. Oil was also produced from the basal Jurassic with an initial rate of around 350bopd. About 3km to the east is the Mailisu IV oilfield which has produced over 42mmbbls from a series of stacked Eocene Sandstones (Sumsar Bed III), Palaeogene Carbonates (Bed V & VII) and Cretaceous and Jurassic Sandstones.

The main risk is considered to be closure and additional seismic is required before finalising any drilling location. The seismic work is planned for early 2011, subject to equipment availability. Figures 3, 4 & 5 show details of the mapping and main seismic control.

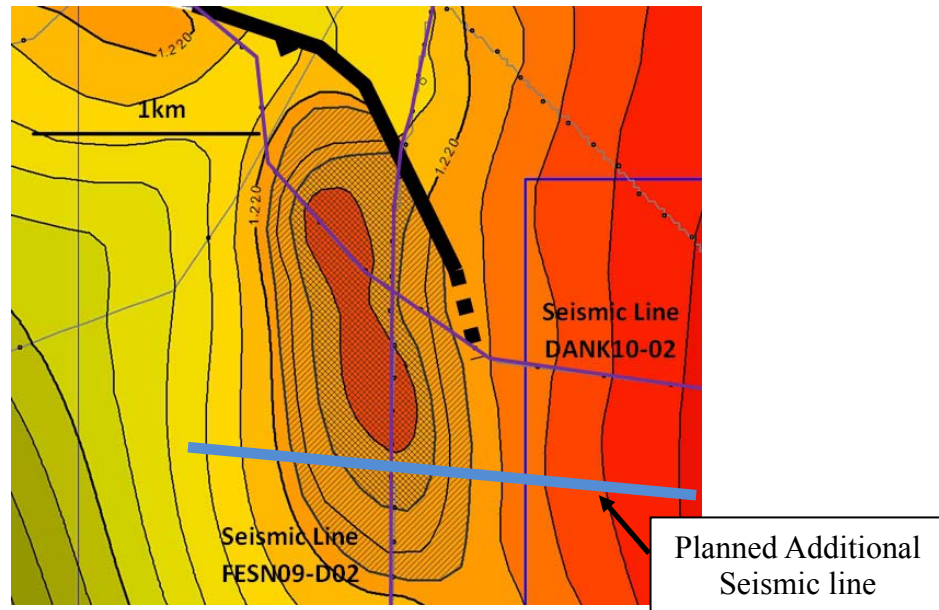


Figure 3 – Time structure Map – top Palaeogene

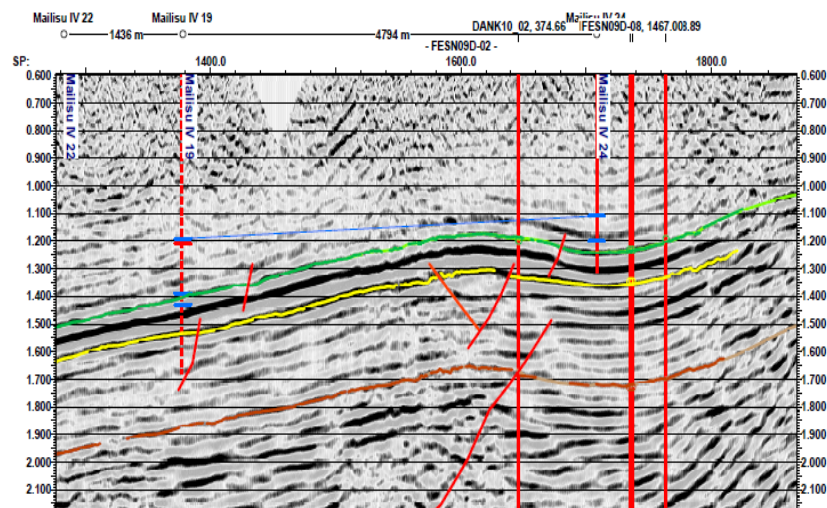


Figure 4 - Seismic Line FENS09-D02

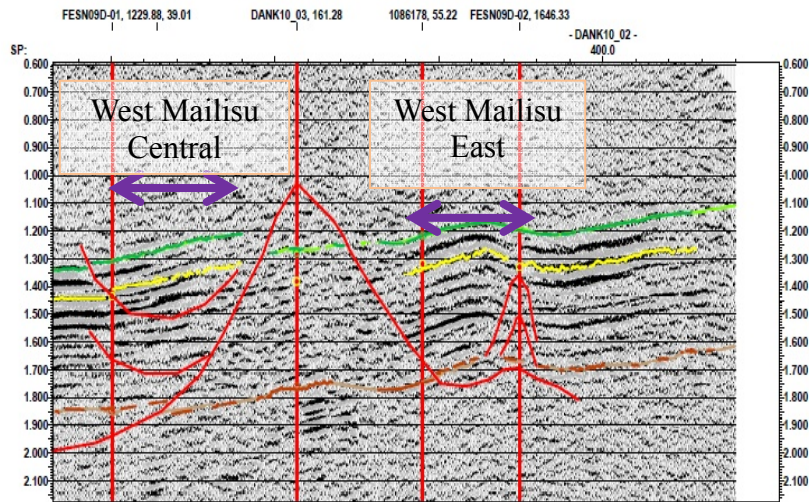


Figure 5 - Seismic Line Dank10-02

In the event of successful drilling at West Mailisu East, a mean potential oil in place of 13.8 million barrels (mmbbls) and mean potential reserves of 2.6 mmbbls have been calculated for the Palaeogene Bed III and Beds V & VII. There is also potential for mean gas reserves of 9.7 bcf from the Jurassic section of this prospect. For the West Mailisu Central opportunity, the estimates are 10.5 mmbbls mean potential oil in place and 2 mmbbls potential mean reserves.

Kyrgyz Production Activity

With the supply of hydrochloric acid being unavailable under the transitional government the proposed acid treatment at COG Mailisu III #6 has been delayed. This work is expected to be undertaken in the fourth quarter of 2010.

A total of 275 tonnes of oil was produced during the three-month period ending September 30.

Other Petroleum Activities

Caspian continues to assess new opportunities in Central Asia and Romania.

Romania

ADX on behalf of the study group has finalised the royalty-based exploration agreement with the National Agency for Minerals and Resources ("NAMR") for the Parta block in the Pannonian Basin in western Romania. The licence will become valid once ministerial signatures are obtained.

Caspian will hold a 20% interest in the block with ADX managing the operations. The Parta block covers an area of 1,221sq km. Located within the block are seven (excised) producing oil and gas fields. Following finalisation of the licence agreement, a programme of reprocessing and 2D seismic acquisition is scheduled for early 2011.

Kazakhstan

Following a recent visit to Almaty, Kazakhstan, Caspian has identified several interesting opportunities in the country. In addition, a third party (CH+ Resources) has joined Caspian and Sibinga Petroleum in the Kazakhstan study group. Caspian now has a 33% holding and operatorship in the group.

Mineral Projects

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

- shares in listed mineral explorers valued at approximately \$4.9 million;
- 0.5% royalties on Perseus Mining's Tengrela Gold Project in Ivory Coast and Grumesa Gold Project in Ghana;
- the Mansounia gold joint venture with Burey Gold Limited in Guinea; and
- two diamond joint ventures, one in the Democratic Republic of Congo ("DRC"), the other in Ghana.

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



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

ABN

44 065 212 679

Quarter ended ("current quarter")

30 September 2010

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from contract drilling and product sales	71	71
1.2 Payments for		
(a) exploration and evaluation	(245)	(245)
(b) development	-	-
(c) production	-	-
(d) administration	(459)	(459)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	18	18
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other –	-	-
	(615)	(615)
Cash flows related to investing activities		
1.8 Payment for purchase or renewal of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(7)	(7)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	84	84
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	21	21
1.12 Other –	-	-
	98	98
1.13 Total operating and investing cash flows (carried forward)	(517)	(517)

1.13	Total operating and investing cash flows (brought forward)	(517)	(517)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(517)	(517)
1.20	Cash at beginning of quarter/year to date	3,216	3,216
1.21	Exchange rate adjustments to item 1.20	(195)	(195)
1.22	Cash at end of quarter	2,504	2,504

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	166
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	155
Accounting and secretarial services	11

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

N/A.

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	150
4.2 Development	-
4.3 Production	-
4.4 Administration	400
Total	550

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	2,036	2,390
5.2 Deposits at call	468	826
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,504	3,216

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 Preference securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter	-	-	-	-
7.3 +Ordinary securities	1,331,500,513	1,331,500,513		
7.4 Changes during quarter				
7.5 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter	-	-	-	-
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	850,000	-	<i>10 cents</i>	<i>31/12/2010</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>
	8,100,000	-	<i>3 cents</i>	<i>31/12/2010</i>
	6,100,000	-	<i>3 cents</i>	<i>31/10/2013</i>
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Cancelled/Expired during quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <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: 27 October 2010