

29 August 2011

NEWS RELEASE

West Mailisu #2 Update

Perth, Western Australia (ASX: CIG):

Caspian Oil & Gas Limited (ASX: CIG) reports that after perforating Bed III with a shot over the interval 1785-1795.5m progress on its West Mailisu #2 well has been slowed by the unavailability of equipment.

The West Mailisu #2 well is on Caspian's 100%-owned West Mailisu licence in the Kyrgyz Republic, Central Asia.

The perforating was completed with a water cushion of approximately 1450m as a safety measure. A small amount of movement in the fluid height in the well bore was observed on perforation and some oil was recovered on the drill pipe which had been run into the hole as a kill string.

Originally, it was planned to blow the fluid from the hole using compressed air but the service provider's compressor experienced mechanical problems. Pending resolution of the compressor issues it will be necessary to remove the fluid from the hole by swabbing. While delays occurred in obtaining suitable swabbing equipment, it is hoped this activity can be completed in the next few days.



Figure 1- West Mailisu # 2 well site

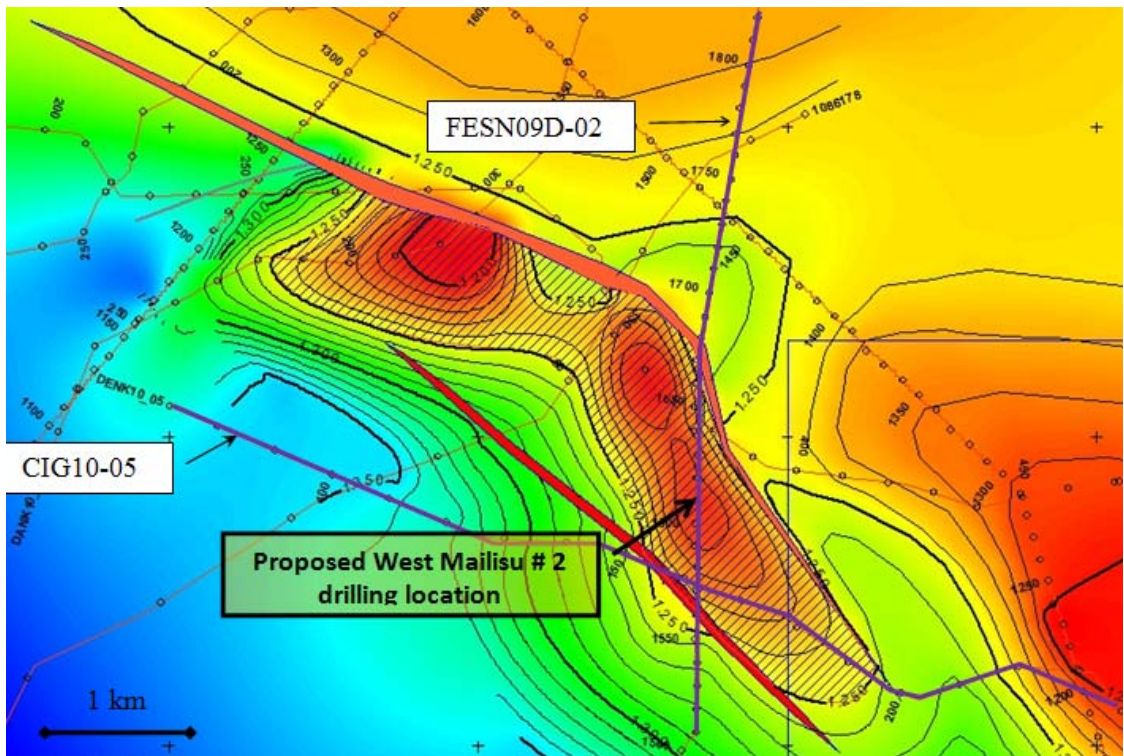


Figure 2 - Time structure Map top Eocene Carbonates

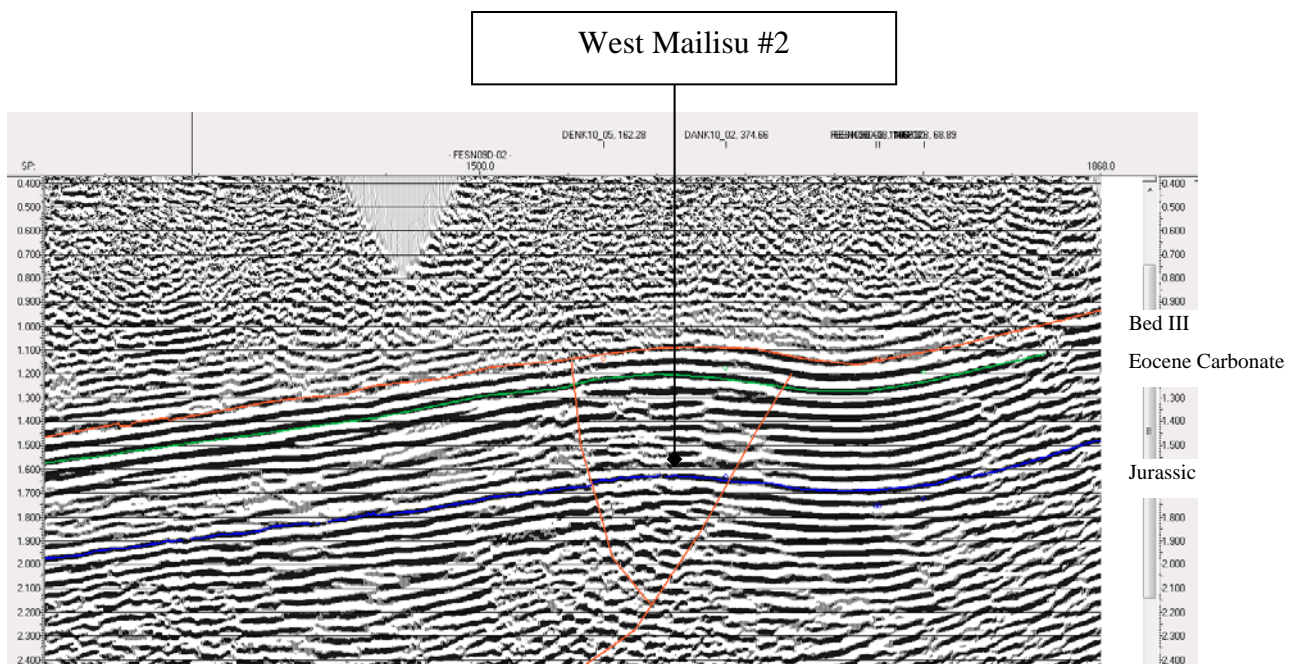


Figure 3 - Seismic Line FESN09-02

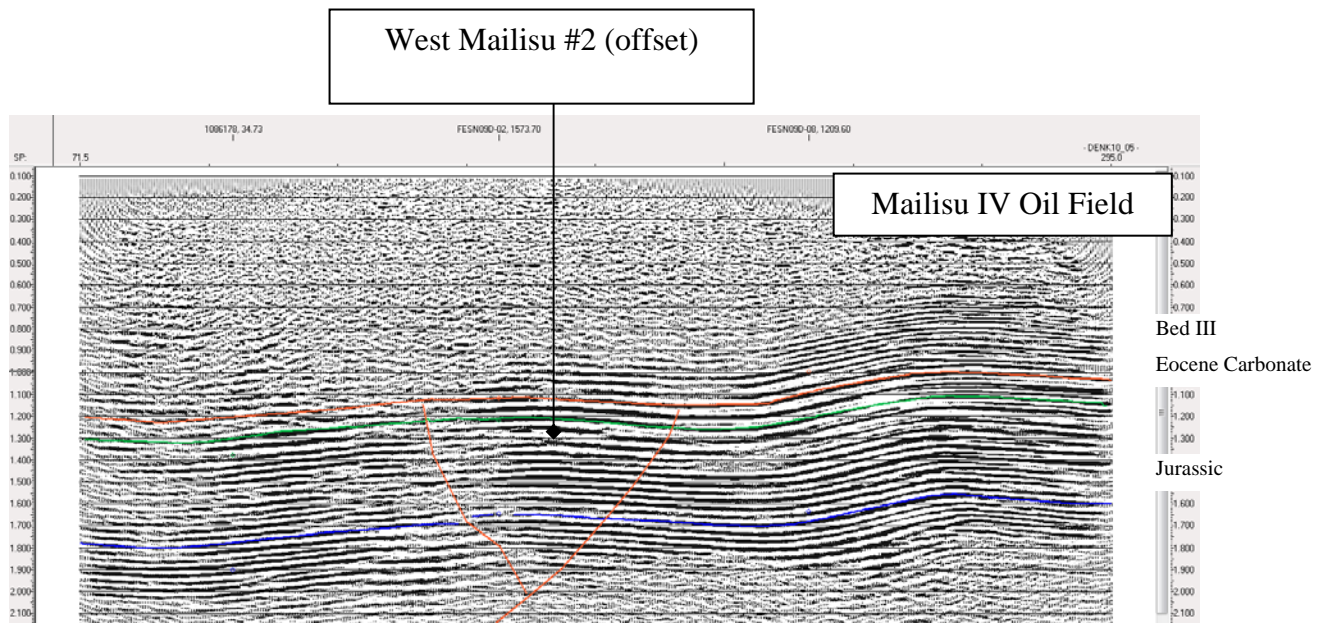


Figure 4 - Seismic Line CAS10-05

Graeme Parsons
Chief Executive Officer

For further information please contact;

Graeme Parsons

Colin Carson

Telephone: +61 448187149

Telephone: +61 8 9240 2405

Email: parsonsg@caspianogl.com

Email: carsonc@caspianogl.com

Background

Caspian Oil & Gas, through its subsidiaries JSC Textonic (Caspian equity 100%) and South Derrick LLC (70% equity), holds a number of licences in the Fergana Basin, giving it a significant exploration position within the Kyrgyz Republic (see location map below).

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



Location Map of Caspian Licences in the Kyrgyz Republic

More information is available on the Company's website www.caspianogl.com

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 30 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.