

31 JANUARY 2011

## DECEMBER 2010 QUARTERLY SECURITIES EXCHANGE REPORT

### Summary

- An additional 8km seismic line was recorded in West Mailisu to better define the East prospect. Processing of this line is nearing completion.
- The Parta Block concession agreement in the Pannonian Basin, Romania was signed on January 28<sup>th</sup> 2011. Following finalization of the Joint Venture Agreement Caspian will hold a 20% interest in the Block with ADX Energy Ltd (ADX) 60%, the operator and Sibinga Petroleum holding the remaining 20%. Activity to commence with seismic reprocessing and 2D seismic acquisition in 2011.
- Seismic reprocessing undertaken in the Akbura licence in Kyrgyz Republic prior to developing plans for seismic acquisition in 2011.
- Sulukta, Katran, Akbura, East Mailisu Licences have been renewed. Still awaiting approval of Charvak and Mailisu III licence extensions.
- Two groups are reviewing the farm-in of the Kyrgyz Republic licences.

### March Quarter Plans

- Possible drilling of West Mailisu East prospect (awaiting final seismic results).
- 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 Limited (ASX: CIG), through its subsidiaries, holds interests in a number of oil exploration licences in the Fergana Basin in the Kyrgyz Republic (Fig 1).



Figure 1 – Location Map

### Licence Activity

Two-year extensions to the term of the East Mailisu, Akbura, Katran and Sulukta exploration licences have been obtained. Caspian is awaiting approval for Charvak and the small area at Mailisu III which lies outside the Mailisu III production licence, (70% Caspian), and while those extension applications are pending, the Minister has placed a moratorium on re-issuing licences or issuing new licences.

### Farm-out Activity

Two groups are undertaking a detailed study of the Caspian Kyrgyz acreage. These companies (one from Iran and one from China) are expected to make a decision within the next month.

## Quarterly Activity

A further 8km of seismic was recorded and processed in the West Mailisu licence (Figure 2). The seismic was recorded to add more control to the West Mailisu East prospect to assist in selecting a possible drilling location.

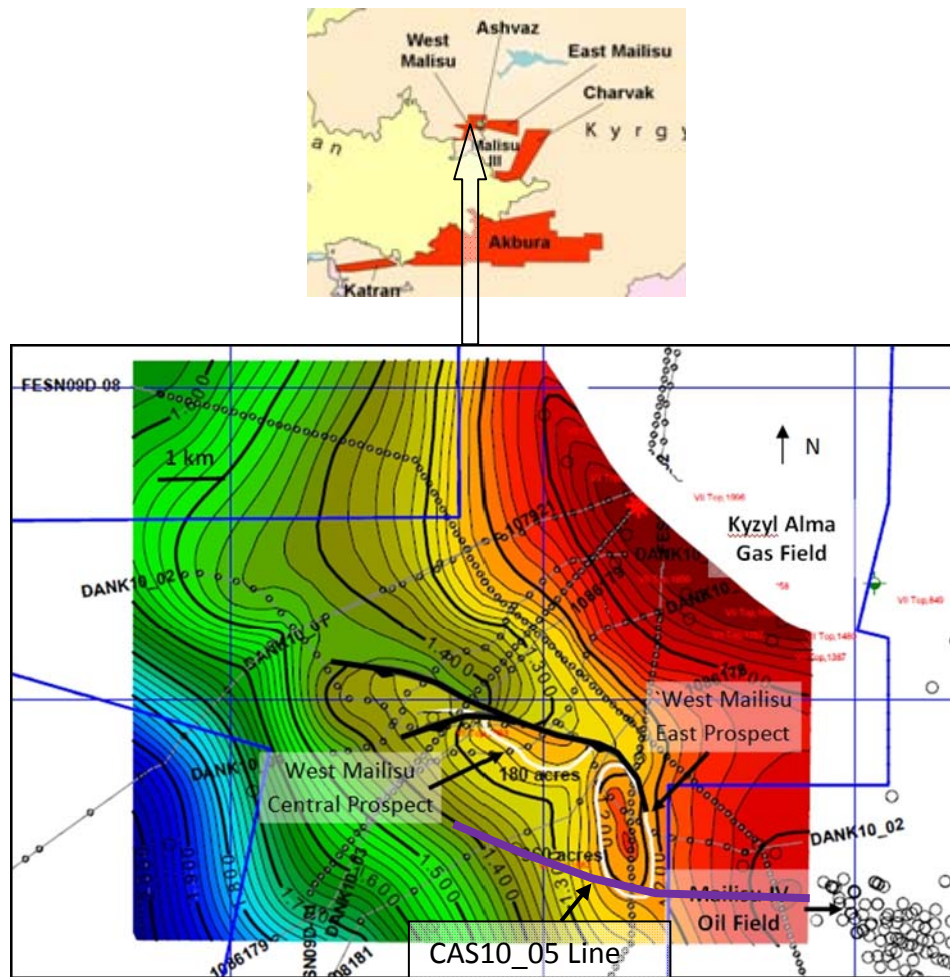


Figure 2 – West Mailisu Licence showing new seismic line

Preliminary processing of Line CAS10-05 (Figure 3) indicates the extension of the West Mailisu East rollover to the south. It is anticipated that the processing and interpretation will be completed in February and a decision on the drilling of the prospect made then. Drilling could be undertaken in May – June, 2011 using the Caspian drilling rig. The rig would test the section down to around 2,000m leaving the Jurassic section untested.

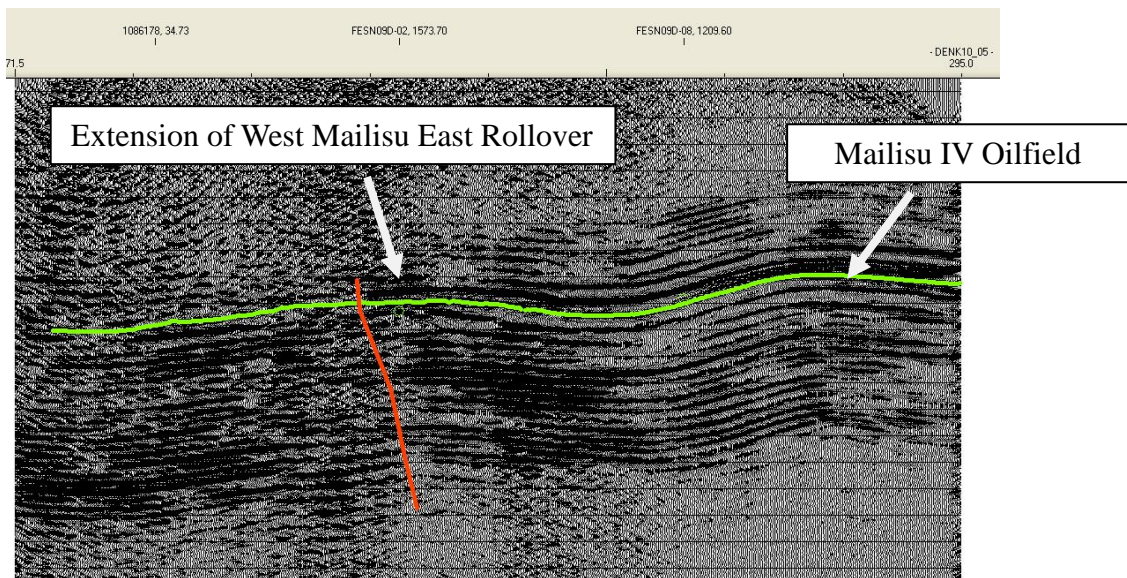


Figure 3 – Seismic Line CAS10-05 (preliminary processing)

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.

Should the well be successful there is potential to drill a follow up well on the nearby West Mailisu Central opportunity. Volumetric estimates for this are 10.5 mmbbls mean potential oil in place and 2 mmbbls potential mean reserves.

### **Kyrgyz Production Activity**

Hydrochloric acid is still unavailable under transitional government rules and the proposed acid treatment at COG Mailisu III # 6 has been further delayed.

A total of 304m<sup>3</sup> (1,912 bbls) of oil was produced during the three-month period ending December 31 bringing the total for the year to 890m<sup>3</sup> (5,600 bbls).

## **Other Petroleum Activities**

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

### **Romania**

ADX on behalf of the study group has signed the concession agreement with the National Agency for Minerals and Resources (“NAMR”) for the Parta block in the Pannonian Basin in western Romania. The concession agreement is expected to be ratified by the Romanian Government before May 2011.

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) oil and gas fields. Seismic operations are expected to commence in the second half of 2011.

### **Kazakhstan**

The Company is currently undertaking a due-diligence process on an opportunity in Kazakhstan. More information on this will be announced in the event of a decision to move forward.

## Mineral Projects

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

- shares in listed mineral explorers valued at approximately \$4.3 million;
- 0.5% royalties on Perseus Mining Limited'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") and 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 program targeting higher grade material for Q1 2011.



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")

31 December 2010

### 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	64	135
1.2 Payments for		
(a) exploration and evaluation	(264)	(509)
(b) development	-	-
(c) production	-	-
(d) administration	(531)	(990)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	14	32
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other –	-	-
<b>Net Operating Cash Flows</b>	<b>(717)</b>	<b>(1,332)</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	(1)	(8)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	936	1,020
(c) other fixed assets	34	34
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	5	26
1.12 Other –	-	-
<b>Net investing cash flows</b>	<b>974</b>	<b>1,072</b>
1.13 Total operating and investing cash flows (carried forward)	257	(260)

1.13	Total operating and investing cash flows (brought forward)	257	(260)
	<b>Cash flows related to financing activities</b>		
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	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	257	(260)
1.20	Cash at beginning of quarter/year to date	2,504	3,216
1.21	Exchange rate adjustments to item 1.20	(57)	(252)
1.22	<b>Cash at end of quarter</b>	2,704	2,704

**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	163
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	107
Accounting and secretarial services	56

**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.
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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.
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### 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	250
4.2 Development	-
4.3 Production	-
4.4 Administration	400
<b>Total</b>	<b>650</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	2,473	2,036
5.2 Deposits at call	231	468
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>2,704</b>	<b>2,504</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				
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>
	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>
	6,500,000	-	<i>3 cents</i>	<i>31/10/2013</i>
7.8 Issued during quarter	400,000	-	<i>3 cents</i>	<i>31/10/2013</i>
7.9 Exercised during quarter	-	-	-	-
7.10 Cancelled/Expired during quarter	(850,000) (8,100,000)	-	<i>10 cents</i> <i>3 cents</i>	<i>31/12/2010</i> <i>31/12/2010</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:

Date: 31 January 2011

Director

Print name: COLIN JOHN CARSON