

22 August 2011

NEWS RELEASE

West Mailisu #2 Update

Perth, Western Australia (ASX: CIG):

Caspian Oil & Gas Limited (ASX: CIG) reports that it has recovered the stuck cement string on its West Mailisu #2 well. The string became stuck when problems were encountered setting a cement plug to isolate Bed V from water-bearing sands, as reported on August 8.

Caspian has perforated Bed III over a 10.5m interval (1785-1795.5m). As a safety measure the perforations were shot “over-balance” to avoid any free flow of liquids to the surface.

The well will now be unloaded of fluids using an air compressor and flow testing will be undertaken early this week. Depending on the results of the flow test, acidising of the well may be required.

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

The West Mailisu prospect lies adjacent to the Mailisu IV oil field, which has produced more than 42mmbbls of oil.



Figure 1- West Mailisu # 2 well site

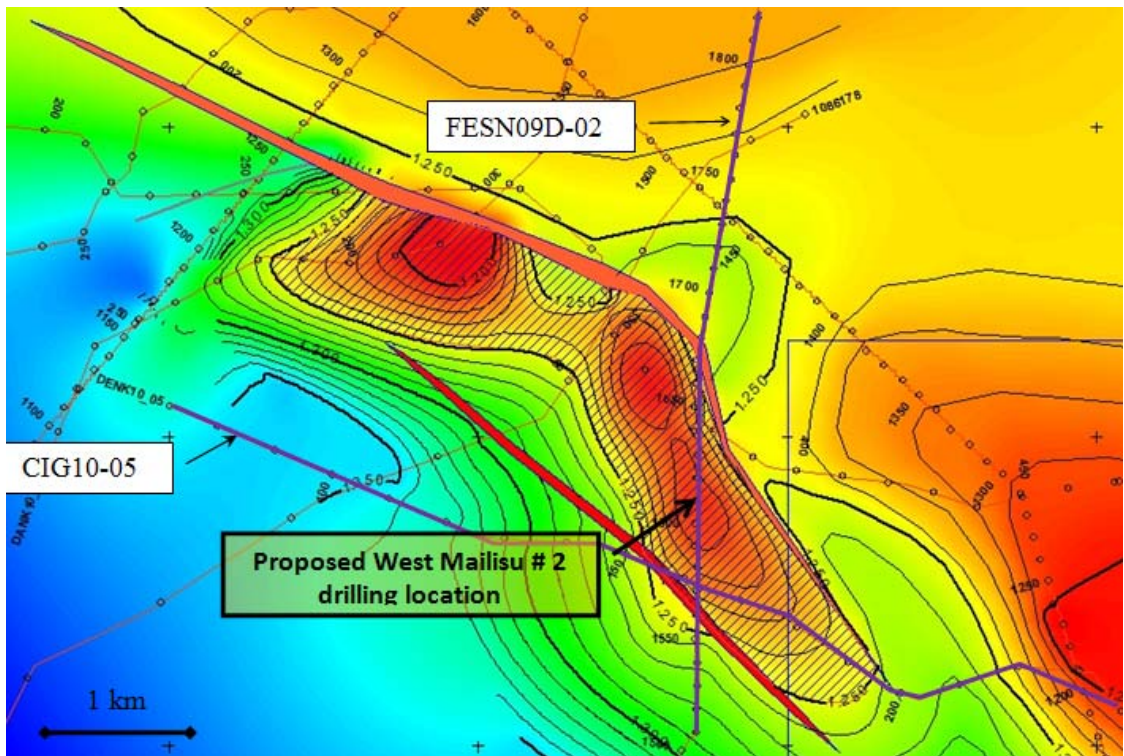


Figure 2 - Time structure Map top Eocene Carbonates

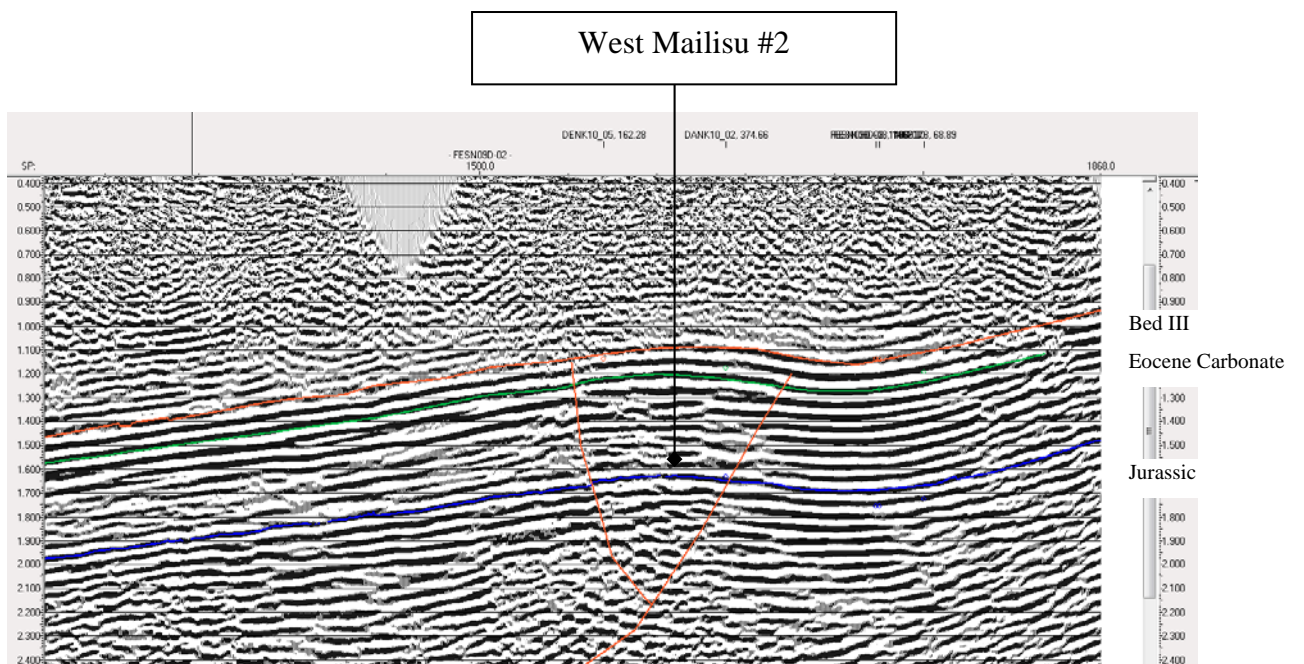


Figure 3 - Seismic Line FESN09-02

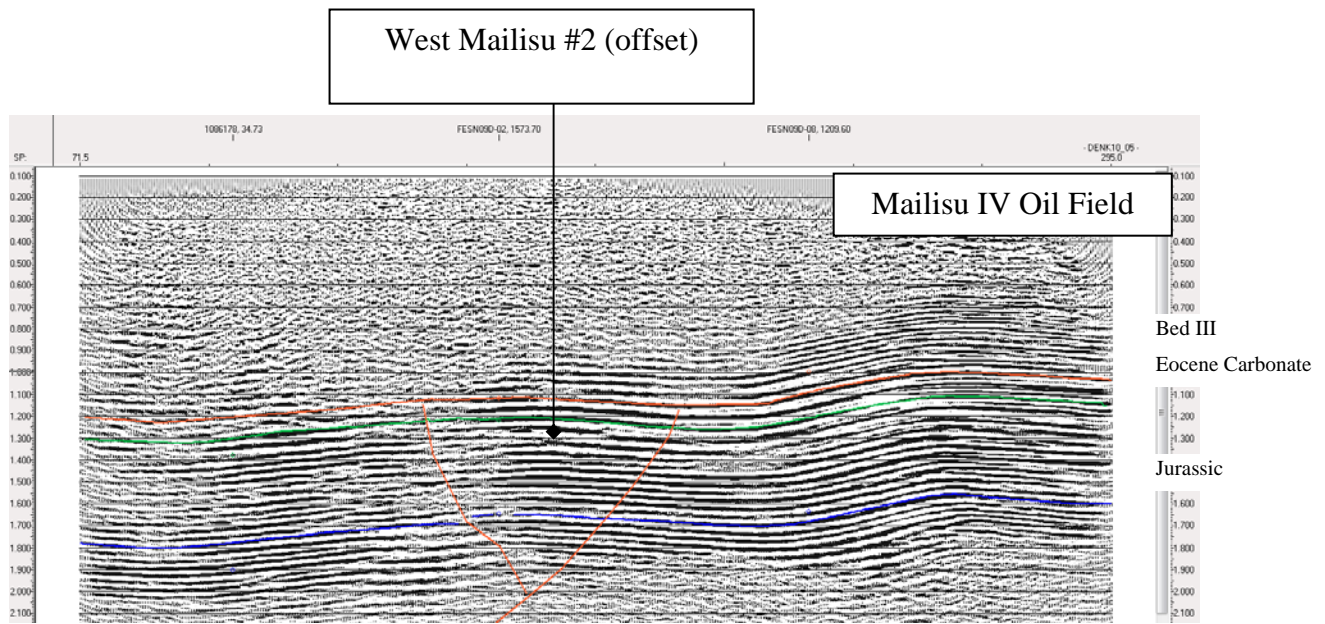


Figure 4 - Seismic Line CAS10-05

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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.