

ASX: CIG

31 January 2012

December Quarterly Activity Report

Perth-based exploration company Caspian Oil & Gas Limited (ASX: CIG) is pleased to report its activities for the December 2011 Quarter.

Activities

- West Mailisu #2 produced a minor amount of oil (~20bbls) on test, indicating a tight and/or damaged reservoir
- Recorded 20km of 2D seismic over four leads in the East Mailisu and Charvak licences in November 2011
- Appointment of Mr Avraham Ben-Natan as a Non-Executive Director of the Company

March Quarter Plans

- Undertake a workover of Mailisu III #6 to remove stuck perforation guns and production test the well
- Finalise interpretation of the 2011 East Mailisu and Charvak seismic acquisition
- Promote farm-out of Kyrgyz projects, subject to licence renewals
- Sale of Romanian oil interests



Figure 1 - Caspian's drill rig on site at West Mailisu #2

Kyrgyz Republic Projects

Background

Caspian Oil & Gas, through its subsidiaries, holds six exploration licences and two production licences in the Fergana Basin, giving it a significant exploration position in the Kyrgyz Republic in Central Asia.

Operations

The West Mailisu prospect in the Kyrgyz Republic lies adjacent to the Mailisu IV oil field in the Kyrgyz Republic. The West Mailisu #2 well, which Caspian spudded in June 2011, was pump tested in December. Some 10m³ of completion fluid and 3.2 m³ (~20bbls) of oil was recovered before the pump ran dry. Subsequent measurement of the fluid level in the hole confirmed that there was little further influx into the wellbore from the formation, indicating that the formation is either tight and/or damaged. When drilling Well #2, Bed III was encountered high to prognosis, while still using heavy mud designed to drill the top section of the well. This heavy mud could be expected to cause severe reservoir damage. The commercial potential of the reservoir can thus only be established by sidetracking, radial drilling or fracture stimulating ("fracking") to test beyond the potentially damaged zone. Given the cost of mobilising the required specialised equipment, the Company is assessing its options.

Work activity is now focussed on the completion and testing the previously drilled Mailisu III #6 well. This 1,501-metre well intercepted oil within the carbonates of beds V and VII. Drilled in November 2009, it has not been tested to date due to stuck perforation guns and restrictions on acid sales throughout 2010.

An attempt will be made to remove the stuck perforation guns using a recently acquired fishing tool to enable the pump and tubing to be set at the optimum level. Well #6 will then be pump tested before attempting an acid treatment.

Caspian is still waiting for the renewal of its exploration licences, which is considered an essential prerequisite to farming out the Kyrgyz acreage. A change of Government following the 30 October presidential elections and restructuring of the Mines Ministry to the Agency of Geology and Subsoil Usage have delayed consideration of Caspian's request.

Sale of Romanian Oil interest

In January 2012 Caspian agreed to sell its 20% interest in the Parta block application for 344,974 Euro (~A\$427,000), representing a reimbursement of contributions to date. This withdrawal from the Romanian joint venture will enable Caspian to focus its efforts on other projects and is part of its rationalisation of assets and operations within the group.

Minerals Assets

Caspian Oil & Gas retains a number of minerals related assets, which, given the lack of success in the Kyrgyz oil operations, are taking on greater significance to the Company. These assets include shares in listed gold producers and explorers, royalty interests and gold and diamond projects in Ghana, Guinea and the Democratic Republic of Congo (DRC).

The Company has continued to fund its activities by the sale of shares in listed minerals companies. At the date of this report the market value of Caspian's listed minerals company shares is \$2.1 million.

Results from a 60-hole, 5,880m reverse circulation (RC) and diamond core drilling program at Mansounia, Guinea, were announced by Caspian's JV partner, Burey Gold Ltd, in November 2011. The program, which achieved results including 18m at 3.0g/t, 13m at 3.4g/t, 2m at 9.1g/t and 13m at 1.8g/t Au, tested extensions and infill to the low grade Mansounia gold deposit. Caspian understands that Burey will update the resource estimate for Mansounia before assessing possible development options. The existing resource estimate at different cut-off grades is set out below.

Mansounia Gold Project Resource Estimate – 2009

Cut-off Grade Au g/t*	Indicated			Inferred			Total		
	Tonnes Mt	Grade Au/t	Contained Ounces Au	Tonnes Mt	Grade Au/t	Contained Ounces Au	Tonnes Mt	Grade Au/t	Contained Ounces Au
0.2	7.9	0.6	151,600	53.6	0.5	926,400	61.5	0.5	1,078,000
0.4	6.1	0.7	132,100	30.4	0.7	697,600	36.5	0.7	829,700
0.7	2.2	0.9	66,700	10.9	1.1	370,300	13.1	1.0	436,900
1.0	0.5	1.2	21,900	4.5	1.4	200,200	5.0	1.4	222,100

*gold in grams per tonne.

Caspian retains an 8% interest in the Mansounia project, carried to completion of a feasibility study, at which time it is also entitled to a US\$500,000 cash payment.

Caspian owns the Osenase, Pramkese and Asamankese licences in Ghana, which are prospective for alluvial and hard rock diamonds and gold. The Company is in discussion with potential farm-in partners for these projects.

Caspian holds 0.5% royalties on production from Perseus Mining Ltd's Tengrela Gold Project in Ivory Coast and Grumesa Gold Project in Ghana, both of which are moving towards possible development over the next two years and will be expected to provide an initial cash flow of around US\$1.3m per year from late 2013 if current gold prices are maintained. It also has a joint venture on two diamond exploration licences at Tshikapa in the Democratic Republic of Congo which is funded by its joint venture partner, Delrand Resources Limited.

Corporate

During the quarter, Caspian announced the appointment of Mr Avraham Ben-Natan as a Non-Executive Director of the Company.

Mr Ben-Natan is an experienced businessman and investor who resides in the Kyrgyz Republic. His local knowledge, analytical skills and enthusiasm will be of benefit to Caspian in its efforts to commercialise its Kyrgyz oil interests.

For further information please contact:

Graeme Parsons

Colin Carson

Telephone: +61 448 187 149

Telephone: +61 8 9240 2405

Email: parsonsg@caspianogil.com

Email: carsonc@caspianogil.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 in its Kyrgyz operations.



Location Map of Caspian Licences in the Kyrgyz Republic

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

Exploration results and mineral resources referred to at the Mansounia Project above are obtained from public records of Burey Gold Limited, the operator of the project.

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 2011

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales	53	100
1.2 Payments for		
(a) exploration and evaluation	(733)	(1,787)
(b) development	-	-
(c) production	-	-
(d) administration	(483)	(906)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	11
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other –	-	-
Net Operating Cash Flows	(1,159)	(2,582)
Cash flows related to investing activities		
1.8 Payment for purchase or renewal of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(53)	(54)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	467	999
(c) other fixed assets	93	93
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	10
1.12 Other –	-	-
Net investing cash flows	507	1,048
1.13 Total operating and investing cash flows (carried forward)	(652)	(1,534)

1.13	Total operating and investing cash flows (brought forward)	(652)	(1,534)
	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	(652)	(1,534)
1.20	Cash at beginning of quarter/year to date	990	1,852
1.21	Exchange rate adjustments to item 1.20	(11)	9
1.22	Cash at end of quarter	327	327

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	116
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	116

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	250
4.2 Development	-
4.3 Production	-
4.4 Administration	380
Total	630

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	327	990
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	327	990

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>
	5,000,000	-	<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	(900,000)	-	<i>10 cents</i>	<i>31/12/2011</i>
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: 31 January 2012