



ASX: CIG

27 April 2012

March Quarterly Activity Report

Perth-based exploration company Caspian Oil & Gas Limited (ASX: CIG) reports its activities for the March 2012 quarter.

Summary of Activities

Kyrgyz Republic Oil

- Mailisu III # 6 has been re-entered and the stuck perforation guns were removed in April. The well is currently being tested and while oil has been recovered, acidisation will be required before a rate can be determined
- Re-perforation and pump testing of West Mailisu #2 failed to produce oil
- While a number of enquiries were received on the Kyrgyz farmout package, political instability and short licence tenure have been obstacles to prospective farmin partners
- A Kyrgyz Government decree requiring all new licences to be issued under an auction or tender process has thwarted plans to renew the licences expiring at the end of 2012
- Technical reviews were undertaken of several oil fields in Kazakhstan, with negotiations and due diligence continuing on one project

Minerals

- An upgrade to the Mansounia gold resource in Guinea scheduled to be released by Burey Gold Ltd in May is expected to enhance the quality and size of the resource
 - Current Indicated Resources 132,000 oz at 0.7g/t Au using a 0.4g/t Au cut-off
 - Inferred Resources 697,600 oz at 0.7g/t Au using a 0.4g/t Au cut-off
 - Caspian's interest is 8% carried to feasibility plus US\$500,000 on completion of a feasibility study
- Negotiations to sell the subsidiary holding Caspian's Ghana gold and diamond leases are progressing

June Quarter Plans

- Conclude due diligence and if appropriate negotiations on producing asset in Kazakhstan
- Work towards farmout or disposal of remaining Kyrgyz assets
- Seek new projects, either petroleum or minerals
- With additional work in the Kyrgyz Republic unlikely, the Company will seek to sell its drilling rig

1

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Kyrgyz Republic Oil Projects

Background

Caspian Oil & Gas, through its subsidiaries, holds six exploration licences and three production licences in the Kyrgyz Republic section of Fergana Basin in Central Asia.

Caspian maintains a 650hp drilling rig in the Kyrgyz Republic.



Location Map of Caspian Licences in the Kyrgyz Republic

Operations

During the winter season, only limited work was able to be undertaken on the Kyrgyz Republic oil projects. In late March a crew was able to re-access the Mailisu III #6 well site and recover the stuck perforation guns from the hole. A pump was connected and a small volume of oil returned. The well will need to be acidised before the flow rate can be determined. Excluding Mailisu III #6, monthly oil production from Caspian's Kyrgyz wells is approximately 390 barrels.

In January, re-perforation and pump testing Bed III in the Mailisu III #2 well failed to produce oil, notwithstanding the oil recovered when the well was first drilled. This indicates that either the Bed III reservoir is tight or the heavy mud used to drill through Bed III has damaged the formation.

While it may be possible to re-enter the West Mailisu #2 wellbore and sidetrack from immediately above the Bed III reservoir to test the reservoir zone (Beds III & V) without damaging the formation, this will be left for a potential farm-in partner to assess.

Caspian is reassessing its Kyrgyz interests in view of the effect of the new licensing requirements introduced in late April.

Licences

The West Mailisu exploration licence remains valid until December 2014. In 2011 the Katran and Ashvaz licences were dropped and Caspian requested new licences for its East Mailisu, Charvak, Ak-Bura and Sulukta exploration projects. Since those existing licences expire at the end of 2012 there is insufficient time for Caspian to complete more seismic, a drilling campaign, reserve assessment and production licence application by December. While the Subsoil Agency had initially indicated that it was amenable to considering the extension request, in late April a decree dictating that new licences can only be issued after tender or auction has precluded the reissue of those licences to Caspian's subsidiary.

Farmout

Caspian has actively pursued potential farminees' for the Kyrgyz acreage. Whilst there has been interest in the licences from some significant parties, to date none of these leads have progressed due to the perceived political risk in the Kyrgyz Republic and the short licence life remaining on most of Caspian's exploration licences.

Kazakhstan Opportunities

A number of opportunities in Kazakhstan have been reviewed and the Company is currently investigating and in negotiations for the purchase of one producing asset in the country.

Romanian interest

As reported last quarter, Caspian finalised the sale of its 20% interest in the Parta block application in Romania in January 2012 for \$429,000.

Mineral Assets

Caspian Oil & Gas retains a number of mainly African minerals related assets. 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 27 April 2012 the market value of Caspian's listed minerals company shares was \$1.87 million.

Caspian owns the Osenase, Pramkese and Asamankese exploration licences in Ghana, which are prospective for alluvial and hard rock diamonds and gold. The Company is in discussion with a party for the potential sale of its subsidiary company which owns these relatively grass roots but prospective exploration licences.

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 progressing towards possible development over the next few 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.

Burey Gold Ltd is farming into Caspian's Mansounia gold projects in Guinea. A resource upgrade incorporating the results of the 5,880m drilling program released by Burey Gold in November 2011 is expected in May.

Caspian 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.

The Company has broadened its search for new projects to include minerals in addition to oil.

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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.