



1 August 2011

NEWS RELEASE

West Mailisu #2 Well Encounters Further Oil Shows

Perth, Western Australia (ASX: CIG):

Caspian Oil & Gas Limited (ASX: CIG) reports that the well has penetrated all of the primary targets in the West Mailisu #2 well.

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

Fluorescence and gas shows were encountered from the top of Bed V with continued higher gas reading throughout the section carbonate interval (1805-1825m) including Bed VII.

While the limestone is described as having low porosity, oil films appear in microfractures in the formation and oil shows were present with indication of yellow fluorescence over the upper section (1805-1808m). This suggests that fractures provide a conduit within the reservoir.

The top of Bed V was penetrated some 40m high to prognosis. In light of this, the zone previously called Bed II (see announcement 27/7/2011) is likely to be Bed III, which was also a primary target.

Caspian Chief Executive Officer Graeme Parsons said the clarification of the presence of oil in Bed III rather than Bed II is good news as Bed III is likely to be more extensive and have better reservoir characteristics.

"Bed III indicated strong oil shows with visible oil in cuttings with a smell of hydrocarbons and bright yellow bluish fluorescence over the interval 1691-1697m," Mr Parsons said.

The well is currently drilling ahead at 2015m with the aim of intersecting some of the secondary Cretaceous sandstone targets. At this time Beds XIII & XIV have been penetrated and in both cases proved to be thin and poorly developed with some minor gas associated with each zone. The gas however is solely methane and unlikely to contain commercial volumes.

Caspian plans to drill ahead to around 2050m to investigate whether any better Cretaceous sands are present and then undertake wireline logging operations. Once the logging has been conducted a plan for flow testing Beds III and V will be formulated.



Figure 1- West Mailisu # 2 well site

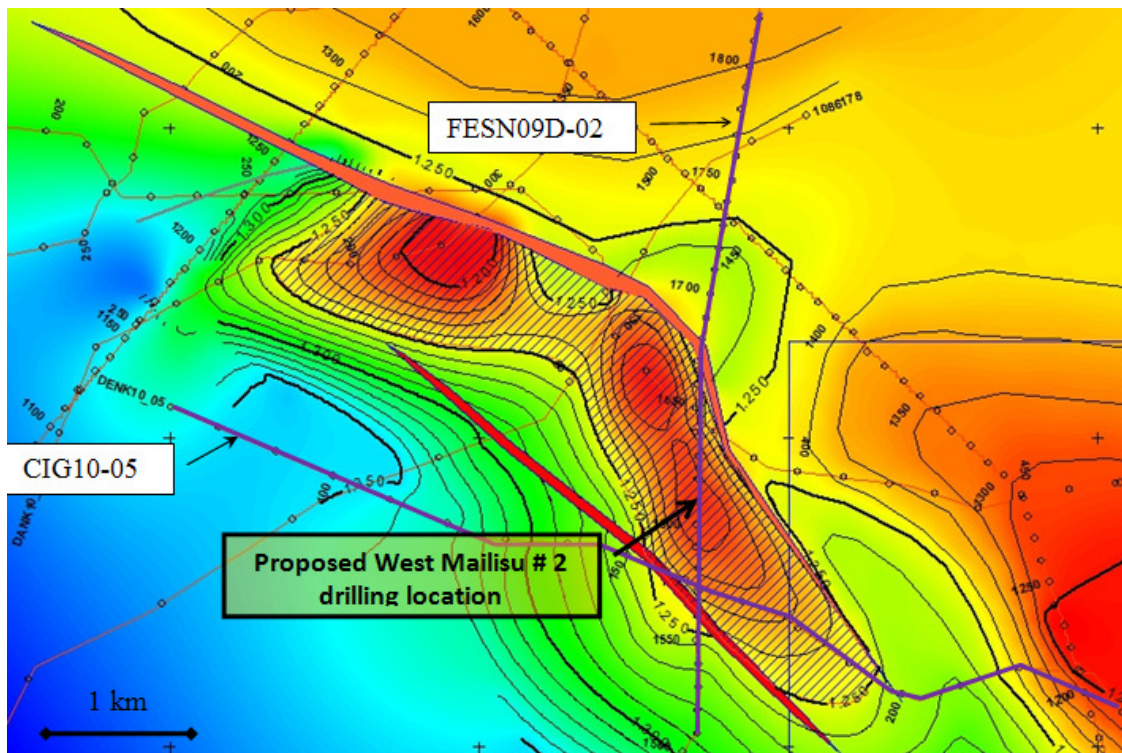


Figure 2 - Time structure Map top Eocene Carbonates

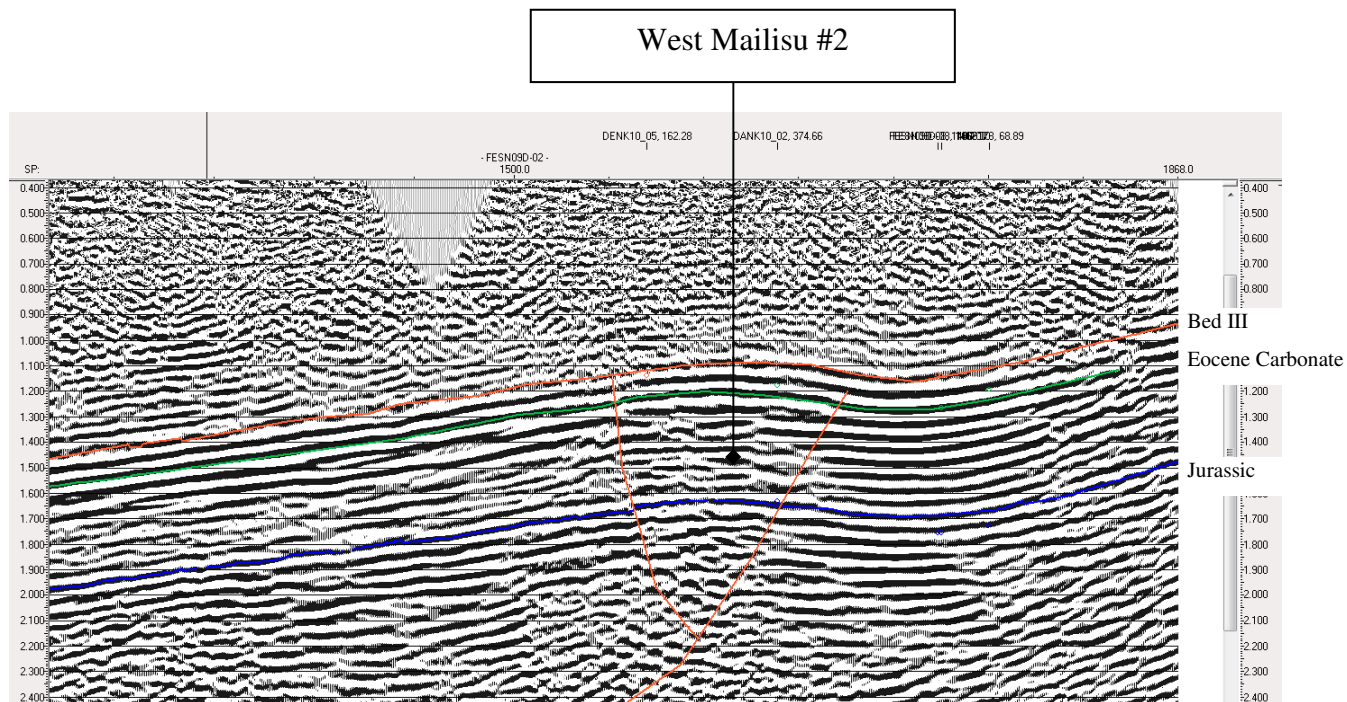


Figure 3 - Seismic Line FESN09-02

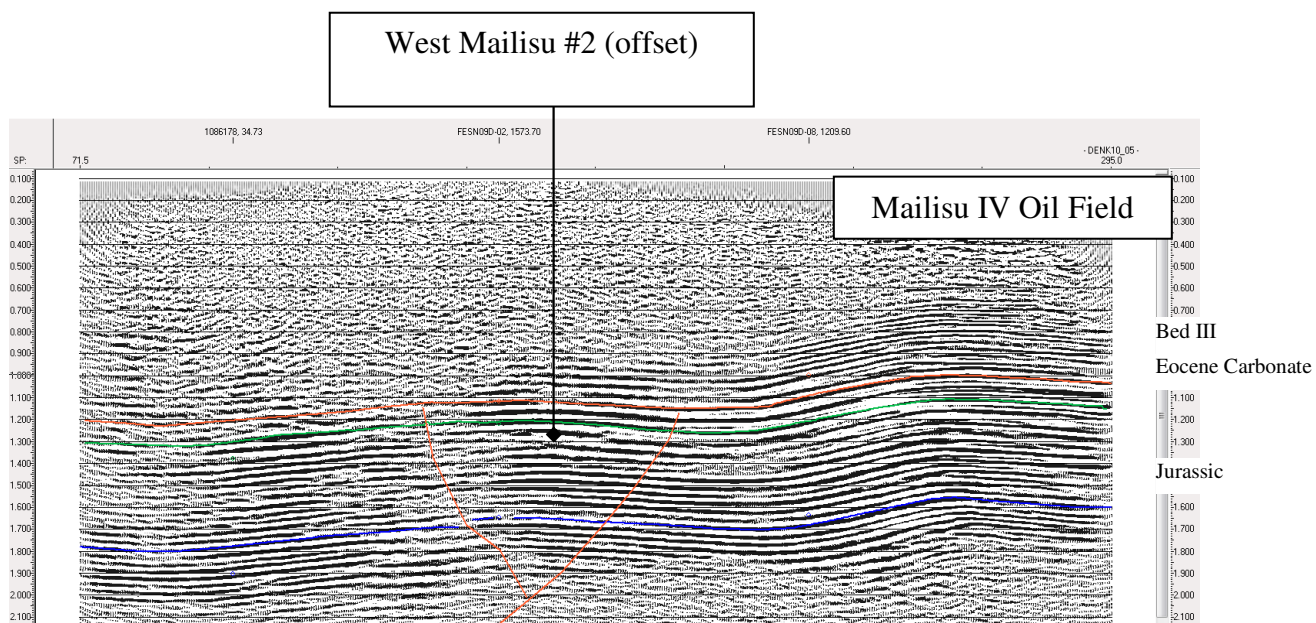


Figure 4 - Seismic Line CAS10-05

The well is being drilled by Caspian's own rig to a depth of approximately 2,000m, testing the Eocene and upper Cretaceous sands.



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.