CASPIAN ENERGY INC.

Management's Discussion and Analysis

For the Three Months Ended March 31, 2013

May 14, 2013, – The following Management's Discussion and Analysis ("MD&A") of financial results as provided by the management of Caspian Energy Inc. ("Caspian" or the "Company") should be read in conjunction with the unaudited interim consolidated condensed financial statements and selected notes for the three months ended March 31, 2013 and the audited consolidated financial statements and notes for the years ended December 31, 2012 and 2011(***restated)***. This commentary is based upon information available to May 14, 2013.

The intention of this MD&A is for Caspian to explain to its shareholders and the investment community three analyses from management's perspective:

1. Caspian's performance in fiscal 2013;
2. Caspian's current financial condition; and
3. Caspian's future prospects.

This MD&A complements and supplements the disclosures in our unaudited interim consolidated condensed financial statements which have been prepared according to International Financial Reporting Standards ("IFRS").

As this is the first fiscal quarter that the Company is reporting under the new IFRS pronouncements, more fully identified below, shareholders will notice significant changes in the numbers that had been previously reported for prior periods, but management wishes to direct readers to Note 14 of the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2013 and 2012, where the Company's 40% interest in Aral Petroleum Capital LLP is fully disclosed.

On January 1, 2013, the Company adopted new standards for IFRS 10, "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", IFRS 13 "Fair Value Measurement" as well as consequential amendments to IAS 28 "Investments in Associates and Joint Ventures".

IFRS 10 replaces the previous guidance on control and consolidation. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. As a result of the adoption of IFRS 10 effective January 1, 2013, and in accordance with the transitional provisions of IFRS 10, the Company re-assessed its control conclusions and determined that there were no changes in the consolidation status of its wholly-owned subsidiary.

The adoption of IFRS 11 resulted in the deconsolidation of the Company's 40% proportionate share of Aral and the application of the equity method of accounting for the investment in Aral. Changes have been applied retrospectively in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", resulting in the restatement of prior period financial information.

Under IFRS 11, interests in joint arrangements are classified as either joint operations or joint ventures depending on the Company's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Company's considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

Joint operations continue to be proportionately consolidated whereas joint ventures, such as the Company's interest in Aral, now require the application of the equity method of accounting. Under the equity method, the Company's share of individual assets and liabilities are replaced with a net investment in joint ventures amount in the consolidated statement of financial position and individual revenues and expenses are replaced with earnings/losses from investment in joint ventures amount in the consolidated statement of loss.

The Corporation recognized the deemed cost of its investment in Aral at January 1, 2012, as the net of the carrying amounts of the assets and liabilities previously proportionately consolidated by the Company, which were negative net assets. As a result, the Company assessed whether it has legal or constructive obligations in relation to the Aral's negative net assets and concluded that it does not have any such obligations. The Company did not recognise the corresponding liability for its share of Aral's negative net assets, rather it adjusted deficit as at January 1, 2012 and December 31, 2012 for its cumulative unrecognised share of losses of Aral of $8.5 million and $22.5 million, respectively.

References to "we", "us" and "our" in this MD&A are to the Company and all references to dollars are in Canadian dollars, unless otherwise indicated. Additional information relating to the Company, including its annual information form, is available on SEDAR at www.sedar.com.

Basis of Preparation

The financial statements, MD&A and comparative information have been prepared in Canadian dollars unless otherwise indicated and in accordance with International Financial Reporting Standards ("IFRS").

FORWARD-LOOKING STATEMENTS AND OTHER INFORMATION

This MD&A contains forward-looking statements and readers are cautioned that the MD&A should be read in conjunction with the Company's disclosure under "Forward-Looking Statements". Certain statements contained in this MD&A constitute forward-looking statements. Forward-looking statements are included under "Business Prospects and Outlook" and elsewhere in this MD&A. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to: the performance characteristics of the Company's oil and natural gas properties; drilling plans and the timing and location thereof; plans for the exploration and development of the North Block; plans for seismic acquisition and surveys; production capacity and levels, and the timing of achieving such capacity and levels; the level of expenditures for compliance with environmental regulations; the size of oil and natural gas reserves; projections of market prices and costs; supply and demand for oil and natural gas; expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; and capital expenditure programs.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking statements contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this MD&A include, but are not limited to: volatility of oil and natural gas prices; liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; geological, technical, drilling and processing problems; fluctuations in currency and interest rates; product supply and demand; risks inherent in the Company's foreign operations; changes in environmental and other regulations or the interpretation of such regulations; political and economic conditions in the Republic of Kazakhstan; and the other factors discussed in this MD&A.

Statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are made as of the date hereof. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Finally, in the presentation of the MD&A, Caspian uses terms that are universally applied in analyzing corporate performance within the oil and gas industry, but which regulators require that we provide disclaimers.

Barrel of Oil Equivalent (BOE) – The oil and gas industry commonly expresses production volumes and reserves on a "barrel of oil equivalent" basis ("BOE") whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved analysis of results and comparisons with other industry participants. Throughout this MD&A Caspian has used the 6:1 BOE measure which is the approximate energy equivalency of the two commodities at the burner tip. BOE does not represent a value equivalency at the plant gate, which is where Caspian sells its production volumes, and therefore may be a misleading measure if used in isolation.

A PRECIS OF CURRENT ACTIVITY

Since the Company's most significant activity is its 40% investment in Aral Petroleum Capital LLP, beneath is an abbreviated description of current events within Aral.

The East Zhagabulak field was shutdown on January 1, 2013, which continued through to March 29, 2013, while awaiting extension to the pilot production period. Verbal permission to extend the pilot production period, subsequent to March 29, 2013, was granted by the Committee of Geology and Subsoil, on that date. Based on this extension, the Work Group of the ROK Ministry of Oil and Gas approved the program of associated gas utilization, which permits gas flaring. Execution of the gas flaring permit, subsequent to obtaining the actual permit for emission of harmful substances into the atmosphere, is expected to occur prior to the close of the second quarter of this fiscal year. Production is expected to commence between the 1st and 15th of July, 2013.

During fiscal 2013, to transist from the "pilot" phase to the "production" phase of development at East Zhagabulak, the design and construction of the Technology Scheme of Field Development must be finalized. This is expected to occur prior to the close of the second fiscal quarter of this year.

At Well 213, emergency operations, related to recovery of the lost pump and tubing have ceased. To resume operations, strengthened tear-proof drill pipe, resistant to increased load during lifting, must be acquired, which process is underway.

On March 29, 2013, testing continued in Well 308, after obtaining verbal approval of the permit for extension to the pilot production period. On April 29, 2013, operations were suspended, as the testing permit expired.

The MOG and State Ecology Department granted a permit to test Well 306, which is valid until September 29, 2013. Testing is expected to commence in the 3rd quarter of 2013.

At Well 316 and Well 303, permits for retesting have been obtained from the MOG. The required permit to allow emissions into the environment is in the process of execution. The estimated date of receipt is early June 2013.

At Well 315, a permit from the MOG was obtained for testing during the period from September 6, 2013 to October 30, 2013. Obtaining a permit for emissions in the State Ecology Service is underway. Testing is expected to start in the 3rd quarter of 2013.

On April 29, 2013, a 2-D seismic survey commenced at the Taldyshoky, Itassay and Krykkuduk areas.

Under the terms of the Exploration Contract, Aral has an obligation to create a fund of 1% of the capital cost of exploration and deposit cash in a restricted bank account. The Company's share of this account balance at March 31, 2013 and December 31, 2012 was $197,000 and $8,000, respectively. This Liquidation Fund is intended to be used to finance the cost of restoring the licence area upon expiration of the Exploration Contract and the Production Contract.

In 2012, the restricted cash balance was used by Aral to pay the settlement amount of legal dispute with a drilling subcontractor. Therefore, as of December 31, 2012, Aral was not in compliance with the contribution requirements of the Liquidation Fund. During March 2013, Aral made 71,175 thousand Tenge (USD 474,500) of payments to the restricted cash balance and is planning to refill the restricted cash balance during the year 2013.

With regard to Caspian's current events, the beneath events are of note.

On January 9, 2013 1,286,684 common shares and 643,342 share purchase warrants were issued to satisfy the 4Q 2012 interest obligation on the Company's Convertible Debentures. The deemed price of the stock issued is $0.063769 per share and the warrant exercise price is $0.087263.

On April 11, 2013 1,974,420 common shares and 987,210 share purchase warrants were issued to satisfy the 1Q 2013 interest obligation on the Company's Convertible Debentures. The deemed price of the stock issued is $0.041602 per share and the warrant exercise price is $0.05693.

Pursuant to the pronouncements of IFRS, Caspian's convertible debentures constitute a financial liability with an embedded derivative (which is the conversion feature of this instrument). Revaluation of the derivative component of the Company's Convertible Debentures from the beginning of the fiscal year to quarter end has resulted in an unrealized gain equal to $208,000 as the fair value of the conversion option has decreased due to the deteriorating market value per share of the Company's common shares.

On August 20, 2012, the Corporation entered into a share entitlement agreement (as amended, on April 1, 2013) with Roger Nutt, a petrophysicist. Pursuant to the Share Entitlement Agreement, Mr. Nutt is to provide services and advice in connection with the exploitation, development and completion of Aral Petroleum Capital LLP's eight wells located in the Republic of Kazakhstan.

Under the Share Entitlement Agreement, Mr. Nutt agreed to advise on the reworking of the Wells on the basis that his reasonable expenses would be met and he would receive compensation only if, and in so far as, such reworking brings the production of each well to in excess of 2,000 barrels of oil per day (bopd). The remuneration for the Services is entirely performance based, and if he is unsuccessful in increasing the production from the Wells, Mr. Nutt will not be compensated. On April 1, 2013, certain terms of the Share Entitlement Agreement were amended. The amendments centre on the production rate realized by each well and the common shares awarded relating to exceeding 2,000 and 4,000 bopd thresholds. The number of common shares awarded per well for exceeding 2,000 bopd is 625,000 common shares and for exceeding 4,000 bopd is 1,875,000 common shares.

Between April 8 and April 12, 2013, Canadian securities regulatory authorities issued cease trade orders pertaining to the trading of the Company's securities as it had not filed its December 31, 2012 audited consolidated financial statements and management discussion and analysis. Such filings were made on April 23, 2013 and the Company believes that it is in compliance with its regulatory filings and the cease trade orders will be lifted.

On February 8, 2013, the Company received a letter from the Toronto Stock Exchange (the "TSX"), which states that the "listing of CEK's shares on the main board of the TSX is under review with respect to meeting continued listing requirements". The Company was granted 90 days in which to regain compliance with these listing requirements, pursuant to the TSX's remedial review process. On May 7, 2013, the Company received an update from the TSX stating that the Continued Listing Committee has determined to defer its delisting decision until no later than June 10, 2013.

BUSINESS OF THE COMPANY

Caspian has a 40% interest in Aral Petroleum Capital LLP ("Aral"), which is held by Caspian Energy Ltd. ("Caspian Ltd."), the Company's wholly-owned subsidiary, through which it has the right to explore and develop certain oil and gas properties in the Republic of Kazakhstan ("ROK") known as the North Block, a 2,200 square kilometre area located in the vicinity of the Kazakh pre-Caspian basin. The Company's strategy is to focus on the operations of Aral and the significant opportunity it presents in the North Block.

Aral's exploration and development rights in the North Block were granted pursuant to an exploration contract dated December 29, 2002 between Aral and the Ministry of Energy and Mineral Resources of the ROK (the "Exploration Contract").

Caspian accesses western capital markets and utilizes western technology to explore and exploit its Kazakh assets. The proceeds from its financing activities are used to finance its ongoing administrative expenses and when necessary fund the exploration program and support pilot production in the North Block. The operational strategy, executed through Aral, of Caspian is as follows:

- To prove-up the maximum amount of reserves with the minimum number of wells
- To utilize 3-D seismic and international standards and evaluation technology

- To focus initially on the Zhagabulak area in the North Block, where the pilot production exists, then move to the Sakramabas area and subsequently, other areas within the North Block
- To position the Company to maximize value to the investor through development of the North Block
- To be aware of competitive efforts and resultant opportunities that may manifest themselves in the form of reserves/production acquisitions

The aforementioned strategies relate to future events and performance and are subject to uncertainties that may dictate a future change in strategy or cause actual results of the Company's operations to differ.

Kazakhstan's economy continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the Country, a low level of liquidity of debt and equity securities in the markets and relatively high inflation. Additionally, the oil and gas industry in Kazakhstan is impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, regulatory and political developments, which are beyond the Company's control. The financial condition and future operations of the Company may be adversely affected by continued uncertainties in the business environment of Kazakhstan. Management is unable to predict the extent and duration of these uncertainties, nor quantify the impact, if any, on the financial statements. Tax legislation and practice in Kazakhstan are in the developmental stage and therefore are subject to varying interpretations and frequent changes, which may be retroactive.

See "Forward-Looking Statements and Other Information".

East Zhagabulak (EZ)

The Zhagabulak Area is located in the southeastern corner of the North Block. The Government of Kazakhstan has estimated that this Area contains 642 million barrels of oil in place with 193 million barrels classified as recoverable. These Kazakh estimates were based upon the results of Soviet era 2-D seismic data and stratigraphic test wells. Caspian neither accepts nor denies these estimates, but is seeking to validate this data through its exploration program.

Baktygaryn

The Baktygaryn Area is located in the northwestern corner of the North Block. The Government of Kazakhstan has estimated that this Area contains 863 million barrels of oil in place with 259 million barrels classified as recoverable. These Kazakh estimates were based upon the results of Soviet era 2-D seismic data and stratigraphic test wells. Caspian neither accepts nor denies these estimates, but seeks to validate this data through its exploration program.

Itisay, Kozdesay and West Kozdesay

These three Areas are located in the southwestern portion of the North Block and collectively, are viewed as one prospect. The Government of Kazakhstan has estimated that these Areas contain 567 million barrels oil in place and 170 million barrels recoverable. These Kazakh estimates were based upon the results of Soviet era 2-D seismic data and stratigraphic test wells. Caspian neither accepts nor denies these estimates, but seeks to validate this data through its exploration program.

Other Areas Within The North Block

Following are some of the other exploration areas within the North Block and their reserve estimates as put forth by the Government of Kazakhstan. Again, Caspian neither accepts nor denies these estimates, but seeks to validate this data through its exploration program: Tashir – 126 million barrels oil in place and 38 million barrels recoverable, Bulash – 116 million and 35 million, respectively, and Shegelshy – 90 million and 31 million, respectively. The grand totals estimated by the Kazakh Government for all prospects in the North Block are 899 million barrels oil in place and 274 million barrels oil recoverable.

Summary of Selected Quarterly Results ($000's - except per share amounts)

The following table sets forth selected financial information of the Company for the five most recently completed quarters following the retrospective application of IFRS 11 "Joint Arrangements". IFRS 11 was adopted January 1, 2013 on a retrospective basis which requires the restatement of 2012 comparative financial information and the opening statement of financial position as of January 1, 2012. The Company's results of operations for the 2011 interim and annual periods have not been restated.

000's$	31-Mar-13	31-Dec-12	30-Sep-12	30-Jun-12	31-Mar-12
Revenue	2	2	2	3	4
Expenses	2,697	3,386	1,072	2,281	771
Net loss	(2,695)	(3,384)	(1,070)	(2,278)	(767)
Per share	(0.01)	(0.01)	(0.00)	(0.01)	(0.00)
Cash flow used by operating activities	(104)	(2,010)	(303)	(529)	(1,378)
Per share	(0.00)	(0.01)	(0.00)	(0.00)	(0.01)
Wtd avg shares ('000s)	228,115	226,940	226,107	225,239	223,830

Total assets	72	25	46	351	881
Total liabilities	(18,369)	(16,101)	(13,074)	(12,416)	(12,090)
Sharecapital	(143,461)	(143,358)	(143,523)	(143,411)	(143,195)

Net income (loss), over the eight quarters, also varies due to the stock-based compensation charge, which is tied to the date of stock option grants, which generally vest on the date of grant.

Pursuant to the pronouncements of IFRS, Caspian's convertible debentures constitute a financial liability with an embedded derivative (which is the conversion feature of this instrument). Revaluation of the derivative component of the Company's Convertible Debentures during 1Q 2013 resulted in an unrealized gain equal to $208,000 as the fair value of the conversion option has decreased due to the deteriorating market value per share of the Company's common shares.

See "Forward-Looking Statements and Other Information".

CONTRACTUAL OBLIGATIONS

In accordance with the shareholders' agreement in respect of Aral, Caspian was obligated to fund the initial work program of Aral pursuant to the Exploration Contract.

The minimum work program was USD 20.8 million and matured at the end of calendar 2005. As at December 31, 2005, this financial obligation was fully discharged. The work program was extended to December, 2007 and included drilling three wells to a combined total of 8,500 metres. The work program was extended to December 2009 and contains a 2009 exploration commitment which aggregates USD10.5 million. As at December 31, 2007, Aral had incurred USD 119.7 million in charges related to the work commitments of the minimum working program agreed with the ROK competent bodies. At this point, shortfalls pursuant to the work commitments aggregated USD7.1 million. Management of Aral believed the Company was in compliance with its commitments under the minimum working program and received authorization from the Ministry of Energy and Natural Resources and other competent bodies to carry over fulfillment of the above shortfalls to the year ending December 31, 2008. At December 31, 2008, Aral had discharged these obligations having incurred USD138.5 million in charges related to the work commitments of the Minimum Working Program. During the first quarter of 2009, Aral's request for a three year extension (through December 2012) to the exploration period for the North Block contract was approved by all the required ROK regulatory bodies. Concurrent with the extension, the proposed 2009 minimum work commitment was increased from USD10.5 million to USD38.9 million. On November 25, 2009, during a Zapkaznedra ITD Technical Council (the regulatory body) session, the Council decreed that the Aral Petroleum Capital LLP Updated Work Program has financial obligations of USD 21.4 million. Aral has a 2009 deficiency in qualifying expenditures equal to USD 11.0 million, which the Council has agreed to defer to future periods. Also, the Exploration Period was extended for three years to December 29, 2012.

Addendum No. 6 to the Exploration Contract was granted State Registration on July 13, 2011. The Competent Body of the ROK agreed to amend the Work Program for the years 2010 – 2012 by carrying forward the drilling of two exploration wells (estimated cost USD 13.95 million) and seismic operations (estimated cost USD 2.04 million) from 2010 to 2011 and 2012, with no decrease in expenditures commitment in the extension period.

Addendum No.7 was granted State Registration during January 2013. The granting of this extension reflects the fact that a new discovery was declared in West Zhagabulak, with the completion of well 316 in mid-2012. This extension allows time for the Company to evaluate this new discovery and to commence exploration activity in other parts of the North block outside of the Zhagabulak area.

Under the Exploration Agreement with the ROK, the approved work program calls for expenditures of USD25.8 million in 2011 and USD22.5 million in 2012. The various requirements of the work program agreed to with the Ministry of Oil and Gas for 2011, both in terms of functions and expenses, have been carried out by Aral. During 2011, Aral's total expenditures for the year exceeded the commitment, reaching a total of USD 34.3 million. As at December 31, 2012, Aral had incurred USD 39.7 million of qualifying expenditures.

On January 14, 2013, Exploration license was extended for a further two years up until December 2014. During the two year extension period, the operator is planning to perform Geological and Exploration operations on several prospective areas of the North block. Geological documentation has been prepared for the drilling of 4,950 metre deep wells in three pre-salt areas Baktygaryn, Aransay and North Mortuk. Further, 900 metre deep post wells in the Taldyshoky, Itassay, Krykkudul and other areas are contemplated. Additional 2D and 3D seismic shoots are expected prior to drilling. Invitation for tenders for 2D and 3D seismic operations in the Aransay and Kozdysay Areas have been published.

On March 11, 2013, Aral received confirmation from the MOG – ROK, that the Partnership will be permitted to propose an amendment, which is identified as Addendum No. 8, to Contract No. 1081, dated December 29, 2002, which governs work under the Exploration Licence, in the area known as the North Block. For undertaking to increase the annual financial commitment to USD 45.3 million, certain provisions under the License have been relaxed. The proposal is currently under review by the MOG and a decision is expected during the second quarter of 2013. As at March 31, 2013, Aral had incurred USD 5.2 million of qualifying expenditures.

Non-fulfillment of commitments under the Work Program may result in punitive actions by the Government of the Republic of Kazakhstan, including suspending or revoking the Exploration Contract.

Set forth below is a summary reconciliation of the minimum work program requirements of Aral under the Exploration Contract as at March 31, 2013:

Fiscal Year	Minimum Work Program (US $000's)	Amount Paid to Date (US $000's)	Shortfall (Overpayment) (US $000's)
2003	5,642.4	550.6	5,091.8
2004	9,707.9	14,333.3	(4,625.4)
2005	20,914.4	23,961.7	(3,047.3)
2006	58,371.2	54,034.6	4,336.6
2007	32,159.1	26,867.9	5,291.2
2008	9,049.4	18,751.9	(9,702.5)
2009	21,400.0	10,362.0	11,038.0
2010	2,097.0	8,512.1	(6,415.1)
2011	25,840.0	34,310.0	(8,470.0)
2012	22,463.0	39,744.5	(17,281.5)
2013	5,654.0	5,241.3	412.7

CASH PROVIDED BY (USED IN) OPERATIONS AND COMPREHENSIVE INCOME (LOSS) FOR THE QUARTER

Cash Provided by (Used in) Operations

Caspian's operations used $104,000 of cash for the quarter ended March 31, 2013 and used $1,378,000)(***Restated***) of cash for the quarter ended March 31, 2012.

	1Q 2013	**1Q 2012(*Restated*)**
Cash provided by (used in) operations	$(104,000)	$(1,378,000)
Basic	$(0.00)	$(0.01)
Diluted	$(0.00)	$(0.01)

Comprehensive Income (Loss)

For 1Q 2013, comprehensive loss was $2,695,000 (1Q 2012 - $767,000(***Restated***)). During 2013, the Company recorded a gain on the derivative fair value associated with its Convertible Debentures of $208,000. During 2012, the Company recorded a gain on the derivative fair value associated with its Convertible Debentures of $118,000.

	1Q 2013	**1Q 2012(*Restated*)**
Comprehensive income (loss):	$(2,695,000)	$(767,000)
Basic	$(0.01)	$(0.00)
Diluted	$(0.01)	$(0.00)

Revenues

Gas sales from Caspian's Canadian non-operated production totaled $2,000 in 2013 (2012 - $4,000).

Operating Expenses

For 1Q 2013, operating costs were $2, 000 (1Q 2012 - $3,000).

General and Administrative Expenses

	1Q 2013	**1Q 2012(*Restated*)**
Office expenses	$14,000	$22,000
Travel and entertainment	10,000	14,000
Salaries/benefits	136,000	137,000
Professional fees	53,000	53,000
Public listing	19,000	28,000
Insurance	30,000	65,000
Directors fees	30,000	135,000
Total expense	**$292,000**	**$454,000**

Travel expenses are incurred as the operations of the Company are centered in the ROK, a Calgary, Alberta office is maintained for financial reporting and investor relations, the CEO is resident in Portugal and financing activities span North America, the British Isles, Asia and Europe. Salaries and benefits relate to the remuneration packages of the Chief Executive Officer, the Chief Financial Officer, while professional fees are legal, audit, taxation and engineering services.

DEPLETION and DEPRECIATION

Depletion and depreciation expense was $1,000 for the quarter ended March 31, 2013 and $1,000 for the quarter ended March 31, 2012.

LIQUIDITY AND CAPITAL RESOURCES

Caspian finances its operations through equity sources and loans until its shareholdings in Aral begin to pay dividends.

The Company reported a net loss of $630,000 and negative funds generated from operating activities of $104,000 for the quarter ended March 31, 2013. The Company had a net working capital deficiency of $13,923,000 and a cumulative deficit equal to $180,102,000 at quarter end.

Between April 8 and April 12, 2013, Canadian securities regulatory authorities issued cease trade orders pertaining to the trading of the Company's securities as it had not filed its December 31, 2012 audited consolidated financial statements and management discussion and analysis. Such filings were made on April 23, 2013 and the Company believes that it is in compliance with its regulatory filings and the cease trade orders will be lifted.

On February 8, 2013, the Company received a letter from the Toronto Stock Exchange (the "TSX"), which states that the "listing of CEK's shares on the main board of the TSX is under review with respect to meeting continued listing requirements". The Company was granted 90 days in which to regain compliance with these listing requirements, pursuant to the TSX's remedial review process. On May 7, 2013, the Company received an update from the TSX stating that the Continued Listing Committee has determined to defer its delisting decision until no later than June 10, 2013.

The areas of deficiency identified by the TSX are:

- Financial Condition and/or Operating Results.,
- Adequate Working Capital and Appropriate Capital Structure, and
- Management Deficiencies or Corporate Governance.

On April 7, 2011, the Company concluded an arrangement with its Debentures holders regarding the USD 16 million, 10% per annum, convertible debentures which matured on March 2, 2011. Effective June 2, 2011, the existing Debentures were restructured as follows:

- 44% of the principal plus accrued interest was converted into common shares of the Company at a price of $0.19 per common share (this aggregates $9,790,753 convertible to 49,777,218 common shares)

- the existing Debentures were amended to an amount of $12,460,958, with a conversion price of $0.28 per common share, a floor price (minimum conversion price) of $0.10 per common share and a 24 month maturity date

- Interest remains at 10% per annum, payable in cash quarterly, or at the election of the holders in stock at a 5% discount to 20 day Volume Weighted Average Price (VWAP) plus ½ share purchase warrant (2 year life) at a 30% premium

  to VWAP

In accordance with the shareholders' agreement in respect of Aral, Caspian is obligated to jointly fund the minimum work program of Aral pursuant to the Exploration Contract.

On February 23, 2010, the Company announced that it had entered into an agreement to sell a 10% interest in Aral Petroleum Capital LLP to AsiaStar Petroleum Limited. Caspian then held an aggregate 50% interest in Aral, which it operates as a joint venture together with Azden Management Limited. The sale of 10% of Aral equates to a disposition of 20% of Caspian's total interest in Aral.

The deal with Asia Sixth was signed November 1, 2010 and closed on December 29, 2011, with satisfaction of the last of several conditions precedent. Caspian Energy Inc. now owns 40 % of Aral Petroleum Capital LLP (Aral), the operating entity in Kazakhstan, while Asia Sixth Energy Resources Limited owns 60 % of Aral.

Caspian, originally a 50% owner in Aral, conveyed 10% ownership to Asia Sixth in return for Asia Sixth's undertaking to finance capital expenditures to the cumulative threshold of USD $80 million over the duration of the deal. Caspian also receives a $2 million loan, secured by production-oriented cash flow, plus access to a further two million on each of the first two anniversaries of the transaction. This arrangement permits Caspian to access a total of $6 million over two years, if the company so decides. Loans have a maturity of ten years and bear interest at 10 % per year for the first five years and 18 % for the second 5 years. Repayments on this facility are restricted to and sourced from the production proceeds of Aral.

These loans, together with the $80 million capital facility, ensure that Caspian will have sufficient funds for the initial phase of the project in East Zhagabulak. Management expects the program to become self-funding before the loan facility is fully expended.

Asia Sixth is a special purpose vehicle, representing oil-and-gas-experienced private interests in the Asia Pacific region, 40% indirectly owned by Strong Petrochemical Holdings Ltd, listed on the HKSX and the residual by a Chinese entrepreneur. This company has the technical and administrative capacity to direct the exploration, development and production activities of APC within the North Block.

As part of the transaction, it will be the purchaser's responsibility to make a significant effort to secure USD 80 million in debt financing for Aral for further exploration and development. This transaction will achieve several strategic milestones. It will provide the funding necessary to develop the East Zhagabulak field, phase one of which envisages the immediate drilling of development wells. It will provide the funding required for a sustained exploratory drilling campaign in the Greater Zhagabulak, Baktygaryn, and Urikhtau areas, among others. Finally, it should ensure that Caspian will not have to provide additional funds for the activity in the North Block in the near term.

Nevertheless, despite the assurances described above, the Company's existing sources of financing, including income from the operations of Aral, are not sufficient to meet the Company's formal obligation to repay the Convertible Debentures on June 2, 2013, if such repayment is ultimately demanded by the Debenture holders. A demand for repayment on June 2, 2013 could result in the Company's inability to continue as a going concern. In addition, the Company does not have the financial ability to enable Aral to repay its outstanding loans in the event that Asia Sixth fails to uphold its $80 million undertaking, with the result that Aral may not be able to continue operations. Given that the Company's 40% ownership of Aral represents the Company's most significant asset, the failure of Aral to continue operations would have a significant impact upon the Company.

The Company's operations continue to consume cash. As it has in the past, the Company will seek to rely on sources other than Aral, to provide any working capital requirements for the foreseeable future.

Caspian's business is capital intensive, requiring cash infusions on a regular basis as it seeks to explore and exploit, through Aral, its exploration licence in the Republic of Kazakhstan. Through Aral, the Company is actively discharging its exploration expenditure undertakings, and as a consequence, the demand for cash will not diminish in the short-run and cash flow is expected to continue to be negative for the foreseeable future.

The Company is not expected to be profitable during the ensuing twelve months and therefore must rely on securing additional funds from either the issuance of debt or equity financing for cash consideration.

The Company's use of cash may increase in the future in order to assure that Aral meet its exploration contract commitments. The Company will continue to review the prospects of raising additional debt and equity financing to support its operations at least until such time that its operations become self-sustaining. To enhance liquidity within

Aral, the shareholders of Aral (including Caspian) have also verbally agreed not to "call" any of the advances due to them by Aral. While the Company is using its best efforts to raise financing, there is no guarantee that it will be able to do so or that Asia Sixth will not enforce the loan due to it from Aral.

Management of the Company does not currently believe that the likelihood of a default on its indebtedness is significant.

Under the terms of the Exploration Contract, Aral has an obligation to create a fund of 1% of the capital cost of exploration and deposit cash in a restricted bank account. The Company's share of this account balance at March 31, 2013 and December 31, 2012 was $197,000 and $8,000, respectively. This Liquidation Fund is intended to be used to finance the cost of restoring the licence area upon expiration of the Exploration Contract and the Production Contract.

In 2012, the restricted cash balance was used by Aral to pay the settlement amount of legal dispute with a drilling subcontractor. Therefore, as of December 31, 2012, Aral was not in compliance with the contribution requirements of the Liquidation Fund. During March 2013, Aral made 71,175 thousand Tenge (USD 474,500) of payments to the restricted cash balance and is planning to refill the restricted cash balance during the year 2013.
See also "Contractual Obligations".

On January 5, 2012, 567,999 warrants were exercised by the Debentureholders for proceeds of $46,684.

On April 16, 2012, 1,672,012 common shares and 836,007 share purchase warrants were issued to satisfy the 4Q 2011 interest obligation on the Company's Convertible Debentures. The deemed price of the stock issued is $0.139625 per share and the warrant exercise price is $0.191065.

On July 9, 2012, 636,364 common shares and 318,182 share purchase warrants were issued to satisfy the 2Q 2012 interest obligation on the Company's Convertible Debentures. The deemed price of the stock issued is $0.13443 per share and the warrant exercise price is $0.183957.

On October 2, 2012, 787,212 common shares and 393,606 share purchase warrants were issued to satisfy the 3Q 2012 interest obligation on the Company's Convertible Debentures. The deemed price of the stock issued is $0.102798 per share and the warrant exercise price is $0.140672.

On January 9, 2013 1,286,684 common shares and 643,342 share purchase warrants were issued to satisfy the 4Q 2012 interest obligation on the Company's Convertible Debentures. The deemed price of the stock issued is $0.063769 per share and the warrant exercise price is $0.087263.

On April 11, 2013 1,974,420 common shares and 987,210 share purchase warrants were issued to satisfy the 1Q 2013 interest obligation on the Company's Convertible

Debentures. The deemed price of the stock issued is $0.041602 per share and the warrant exercise price is $0.05693.

See "Forward-Looking Statements and Other Information" and Note 1 to the Unaudited Condensed Interim Consolidated Financial Statements.

OUTSTANDING SHARE DATA

At May 14, 2013 the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other securities of the Company outstanding are as follows:

Common Shares	Number
Outstanding	230,217,771
Issuable under options	26,791,621
Issuable pursuant to debentures warrants (max)	11,939,025
Issuable pursuant to convertible debentures outstanding (max)	144,789,808

BUSINESS PROSPECTS AND OUTLOOK

The deal with Asia Sixth was signed November 1, 2010 and closed on December 29, 2011, with satisfaction of the last of several conditions precedent. Caspian Energy Inc. now owns 40 % of Aral Petroleum Capital LLP (Aral), the operating entity in Kazakhstan, while Asia Sixth Energy Resources Limited owns 60 % of Aral.

Caspian, originally a 50% owner in Aral, conveyed 10% ownership to Asia Sixth in return for Asia Sixth's undertaking to finance capital expenditures to the cumulative threshold of USD $80 million over the duration of the deal. Caspian also receives a $2 million loan, secured by production-oriented cash flow, plus access to a further two million on each of the first two anniversaries of the transaction. This arrangement permits Caspian to access a total of $6 million over two years, if the company so decides. Loans have a maturity of ten years and bear interest at 10 % per year for the first five years.

These loans, together with the $80 million capital facility, ensure that Caspian will have sufficient funds for the initial phase of the project in East Zhagabulak, though the program should become self-funding before the loan facility is fully expended.

On August 21, 2012, the Company announced the appointment of Mr. Roger Nutt as senior consultant to the Company. Mr. Nutt is a petrophysical consultant with 50 years experience in the industry specialising in wireline logging Mr. Nutt has now visited the

Company's operations in the Republic of Kazakhstan and spent significant time analysing the data with assistance from Caspian and its partners Aral Petroleum Capital LLP's and Asia Sixth. Mr. Nutt was given access to all the information available on the logs, core data and Spectral Gamma Rays (SGR) from Wells 301, 302, 303, 306, 308 and 316.

It is the belief of Mr. Nutt that the carbonate host rock is fractured, and the evidence shows that it is also almost certainly karstic. Mr. Nutt believes that these fractures and karstic intervals will contain oil and that if the wells are completed in a manner more appropriate to the true nature of the reservoir, subject to the next point they could produce oil at an improved rate.

It is the belief of Mr. Nutt that the data examined has demonstrated that the geology is not a normal, conventional reservoir. Mr. Nutt is of the opinion that the reason for the disappointing flow rates achieved to date is that all the wells drilled so far have been completed on the false premise that the rock is a normal, conventional, permeable formation, in which oil flows to the wells between the rock grains. In fact, it is the view of Mr. Nutt, that the rock is impermeable to the extent that very little oil can be extracted from the drilling techniques adopted to date.

Mr. Nutt believes that to achieve the full potential of these wells, each well must be perforated at the depths which will give access to the relevant fractures or karsts. These depths are currently being established. Each perforated interval must then be mini-fractured and propped open, to allow the oil access from the reservoir to the well-bore perforations, through the cement around the casing.

To effect a better understanding of the strategy inherent in Mr. Nutt's hypothesis or philosophy, certain queries were presented to him. The responses have been incorporated into the brief narrative following, to provide insight and comprehension to the Company's shareholders as to what effect Mr. Nutt's theories may have on the Company's oil and gas operations.

The production rates in Caspian's Zhagabulak wells have not met initial expectations. This circumstance is not a consequence of current drilling techniques, but rather relates to historical completion methods, which have focused exclusively on perforating intervals which appear to have the greatest matrix porosity and (by inference) improved matrix permeability. The matrix permeability of the vast majority of the Carboniferous carbonate in Zhagabulak is less than 1 mDarcy, usually much less than 1 milliDarcy. Occasional core plugs exhibit matrix permeabilities of several milliDarcies, but these are rare, and generally not interconnected (adjacent). Perforating intervals which appear to have the greatest matrix porosity has occasionally resulted in perforation of (or near) a fracture, which has resulted in significant oil production from the fracture and associated fracture network. A fracture which is too small to be identified during drilling, or from standard open-hole logs, can easily produce several hundred barrels of oil per day initially.

Instead of deliberately avoiding the natural fractures and permeability pathways in the rock – which has historically been the case in Zhagabulak – the new approach is to identify and selectively perforate these intervals, to allow the oil they contain to be recovered.

Permeability is the propensity or ability of the rock to allow fluid migration through it.Most rocks which constitute reservoirs for hydrocarbon possess two types of permeability.

The rocks themselves are constructed of grains of a hard, impermeable material which are cemented together or *lithified.* Between these grains are holes or *pores* in which the hydrocarbon has collected. The hydrocarbon migrates through the rock between the interconnecting pores: this is known as ***matrix permeability***.

The vast majority of rocks are also cracked. The cracks in the rock are called *fractures.* These fractures may constitute the majority of the rock permeability: they enable the rock to release its hydrocarbon at a rate much greater than could be expected from the matrix permeability alone.

In addition to these (common) types of permeability, some rocks – especially carbonates - can contain other reservoirs of hydrocarbon, and these reservoirs can flow at almost unprecedented rates. Examples of these unusual reservoirs are solution channels, caves and caverns, which are very frequently found in carbonate rocks.

In the Zhagabulak field, the matrix permeability is so small that the flow of hydro-carbon (oil) from it is none (or insignificant). Existing wells in this area have nevertheless been drilled and completed as if the rock matrix permeability is the sole source of producible hydrocarbon. Although there is clearly oil in this rock, historical efforts have therefore failed to release it.

The reservoir appears to be severely fractured, and it may also contain solution channels, caves and caverns. These phenomena are readily identified by a competent petrophysicist using appropriate data (logs, cores, etc.). Perforation of the casing at different places, and completions designed to put high permeability zones into communication with the well-bore, should result in dramatically improved oil production from the existing wells. If this is borne out in practice, it should be possible to modify the drilling and completion techniques of future wells to take more advantage of the natural permeability channels in this rock.

In Caspian's Carboniferous carbonate reservoirs, the most permeable zones are very frequently washed out to a large diameter as a result of the drilling process. Cementation of the casing then fills this void between the casing and the very permeable, oil-bearing intervals with impermeable cement. When these intervals are perforated, the perforations will not necessarily penetrate through the cement to put the permeable zones into communication with the holes which have been made in the casing. What is then needed is a process of fracturing the cement, between the perforations and the permeable pathways in the rock, to enable the oil to reach the casing.

The term *fracturing* is used somewhat indiscriminately in the oil business to mean cracking of the rock matrix, sometimes for great distances, to enable a matrix with poor inherent permeability to be connected via the induced fracture (which has much greater permeability) to the casing via the perforations.

The term *minifracturing* has been employed to convey the idea that its only purpose is to open up the cement so that the naturally high permeability intervals within the rock can communicate with the well-bore through the cement. It requires a small amount of fracturing fluid, small quantities of proppant, and very little pumping capacity. It is therefore a great deal cheaper than the standard process of *fracturing* a reservoir which has poor matrix permeability. In a process of this type (*mini*fracturing), it is only the cement which is being fractured. The fracturing fluid cracks open the cement from the ends of the perforation tunnels to the natural permeability channels which already exist in the rock. No tools are used to determine this (none are needed).

The cement sheath is not merely inches in thickness. The solution channels, fractures, and karstified intervals which may produce prolifically are naturally open – or opened up by the drilling process – sometimes beyond the range of the recorded callipers, so that there may easily be a foot or more of cement between the casing and the permeability pathway. The objective of the new approach is to deliberately perforate those intervals which appear to be highly permeable, i.e. the fractures, faults, solution channels, and karsts, insofar as these can be identified from logs. The solution channels and other highly permeable characteristics are not "quite distant" from the immediate well-bore area: they intersect it. The mini-fracturing process naturally connects the casing perforations to the existing permeability (the fracturing fluid preferentially splits the cement between the perforations and the adjacent high permeability channels).

On January 14, 2013, the Company reported that the Exploration license which governs the majority of the acreage, commonly referred to as the North Block, has been extended for a further two years up until December 2014.

This extension is Addendum No.7 to the original Contract No.1081 dated December 29, 2002. The granting of this extension reflects the fact that a new discovery was declared in West Zhagabulak, with the completion of well 316 in mid-2012. This extension allows time for the Company to evaluate this new discovery and to commence exploration activity in other parts of the North block outside of the Zhagabulak area. In line with Company strategy and the minimum Work Program associated with this extension, a new well will be drilled this year and a second well in 2014.

Additionally, the Company has the necessary documentation approved by RK MOG that permits drilling activity in 2013-2014. This refers specifically to drilling a pre-salt well in the area of Baktygaryn (Baktygaryn No.11) as well as a post-salt well in the area of Itassay (Itassay No.26). Approval has also been granted to shoot additional 3D seismic over both the Aransay and Itassay areas. Tenders for drilling Baktygaryn, Itassay No.26 and the associated 3D seismic activity have been let.

The Company's ability to continue as a going concern is in substantial doubt and is dependent upon completion of the aforementioned transaction.

See "Contractual Obligations".

ADDITIONAL DISCLOSURES

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires Management to make certain judgments and estimates. Changes in these judgments and estimates could have a material impact on the Company's financial results and financial condition.

Management relies on the estimate of reserves as prepared by the Company's independent qualified reserves evaluator. The process of estimating reserves is critical to several accounting estimates and is complex and requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development and production activities becomes available and as economic conditions impact crude oil and natural gas prices, operating expense, royalty burden changes, and future development costs. Reserve estimates impact net income through depletion and impairment of petroleum and natural gas properties. The reserve estimates are also used to assess the borrowing base for the Company's credit facilities. Revision or changes in the reserve estimates can have either a positive or a negative impact on net income and the borrowing base of the Company.

Management's process of determining the provision for deferred income taxes, the provision for decommissioning liability costs and related accretion expense, and the fair values assigned to any acquired assets and liabilities in a business combination is based on estimates. These estimates are significant and can include proved and probable reserves, future production rates, future petroleum and natural gas prices, future costs, future interest rates, future tax rates and other relevant assumptions. Revisions or changes in any of these estimates can have either a positive or a negative impact on asset and liability values and net income.

The fair value of stock options is based on estimates using the Black-Scholes option pricing model and is recorded as share-based payments expense in the financial statements.

International Financial Reporting Standards

EVALUATION OF DISCLOSURE CONTROLS

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure.

For the quarter ended March 31, 2013 the CEO and CFO have evaluated the effectiveness of the Company's disclosure controls and procedures as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators and have concluded that such controls and procedures were not effective because of the material weaknesses described in Management’s Report on Internal Control over Financial Reporting.

MANAGEMENT REPORT ON INTERNAL CONTROL

Management is responsible for establishing and maintaining adequate internal control over financial reporting of the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's internal control over financial reporting includes those policies and procedures that

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

A material weakness in internal controls is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected on a timely basis by the Company.

We note, however, that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues including instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, our control systems may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected and could be material and require a restatement of our financial statements.

The CEO and CFO have evaluated the effectiveness of the Company's internal controls over financial reporting (as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators) and have concluded that such controls are not effective are a result of material weaknesses caused by the lack of adequate segregation of duties. As Caspian has a limited number of personnel, the CEO and CFO have concluded that a weakness exists in the design of internal controls over financial reporting caused by a lack of adequate segregation of duties within Caspian. This weakness has the potential to result in material misstatements in the Company's financial statements and should also be considered a weakness in its disclosure controls and procedures. The CEO and CFO have concluded that taking into account the present stage of the Company's development, the Company's current cash resources and access to cash and the best interests of its shareholders, the Company does not have sufficient size, cash and scale to warrant the hiring of additional personnel to correct this weakness at this time. To help mitigate the impact of this weakness and to ensure quality financial reporting, there are supervisory controls exercised by management and audit committee oversight. The Chairman of the Audit Committee is required to execute all bank disbursements.

Prior to the adoption of IFRS 11 "Joint Arrangements" on January 1, 2013, Caspian proportionately consolidated the results of its 40% shareholdings in the Kazakh joint-venture, Aral Petroleum Capital LLP (Aral), with its own financial data. Under IFRS 11, the Company is now required to account for its investment in Aral using the equity method of accounting on a retrospective basis resulting in the restatement of 2012 comparative financial information and the opening statement of financial position as of January 1, 2012. In connection with the adoption of IFRS 11, the Company also adopted IFRS 12 "Disclosure of Interests in Other Entities" which sets out annual disclosure requirements for the Company's interest in Aral which will be provided in the Company's annual financial statements for the year ended December 31, 2013. The Company has chosen to disclose selected financial information about Aral in the March 31, 2013 interim financial statements.

The CEO and CFO of Caspian have limited the scope of design of Caspian's DC&P and ICFR to exclude controls, policies and procedures of Aral. To help mitigate the impact of this weakness and to ensure quality financial reporting with respect to Aral disclosures included in Caspian's financial statements, Caspian relies upon supervisory controls exercised by Aral management and their undertaking to maintain appropriate policies, procedures and systems of internal control to ensure Aral's reporting practices and accounting and administrative procedures are appropriate, consistent and cost-effective.

There has been no change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal period that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company holds a 40% interest in Aral, recognized in these financial statements using the equity method of accounting. As the investment is in a negative net asset position, there is no representation of the investment in the Company's consolidated financial statements.

A summary of the Company's 40% interest in Aral's results of operations, assets and liabilities is presented below:

	For the three months ended March 31	
	2013	2012
Oil and natural gas revenue, net	38	546
General and administrative expenses	(146)	(164)
Operating and transportation expenses	(248)	(338)
Depletion and depreciation expense	(73)	(59)
Finance expense	(297)	(1,443)
Loss	(726)	(1,458)

	March 31 2013	December 31 2012
Exploration and evaluation assets	22,275	21,238
Property, plant and equipment	16,531	15,100
Total assets	43,829	40,888
Total liabilities	65,844	61,601