CASPIAN ENERGY INC. ANNOUNCES YEAR END 2011 FINANCIAL RESULTS AND CORPORATE UPDATE

CALGARY, ALBERTA--(Marketwire - April 3, 2012) - Caspian Energy Inc. ("**Caspian**") (TSX: CEK), an oil and gas exploration company based in Kazakhstan, announces today its financial results for the twelve months ending December 31, 2011.

Operational highlights

- *New joint venture partner in Asia Sixth Transaction, with extensive network in China*
- In East Zhagabulak:
  - *Well #308 spud in July; production casing set to 4,775 metres and awaiting perforation*
  - *Well #306 spud in January; drilling ahead at 2,936 metres*
- In West Zhagabulak:
  - *Sakramabas #316 spud in July, encountered net pay zones aggregating 184.8 metres and equates to a new discovery well*
- *Granted a permit to flare associated gas until December 29, 2012 from the MOG*

Financial highlights

- Oil revenues before transportation costs $3,606,000 (2010: $3,428,000)
- Comprehensive loss was $34,506,000 (2010: $9,519,000)
  - The Company suffered a reduction in the carrying value of its Kazakh assets equal to $33,687,000, a non-recurring, accounting, non-cash loss attributable to the disposition of a 10 per cent interest in Aral, as consideration for and pursuant to which, the associated funding commitment has and will enable Aral to discharge it's exploration commitments to the ROK MOG in both 2011 and 2012 and beyond, to a cap of USD 80 million, with no recourse to Caspian. Aral has deployed the capital in drilling success at both East and West Zhagabulak.
  - As further consideration for the disposition, Caspian received access a total of USD $6 million over two years. Aral has deployed the capital in drilling success at both East and West Zhagabulak.
- Recorded charge of $3,357,000 (2010: $73,000) pertaining to Finance expense
- The Company is fully funded through to production

William Ramsay, Chief Executive of Caspian, commented: “This has been a transformational year for Caspian, one where we have brought in a new partner to finance our drilling programme through to production and allowed us to continue and expand our exploration programme in Baktygaryn and Kozdesay. We are fully funded through to production and, although we recorded an increased net loss for the year which relates to the disposition of our interest in Aral, the long term potential across all of our assets will continue to add value to shareholders. I look forward to updating the market with a series of significant news flow in the coming months.”

Its audited consolidated financial statements for the year and related management's discussion and analysis have been filed with Canadian securities regulatory authorities and are available for viewing at www.sedar.com.

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Financial Performance

For the year ended December 31, 2011, CEK’s comprehensive loss was $34,506,000 (2010: $9,519,000). Caspian recorded a charge of $3,357,000 (2010 - $73,000) pertaining to Finance expense. 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 date of the Second Amending Agreement to year end has resulted in an unrealized gain equal to $5,754,000 as the fair value of the conversion option has decreased due to the deteriorating market value per share of the Company’s common shares. Through to the end of 2011, due to the fluctuation in the Canadian dollar versus the United States dollar and Kazakh Tenge, mostly unrealized foreign exchange gains of $4,529,000 were recorded (to the close of 2010 – a charge of $2,802,000). During 2011, the Company suffered an accounting loss equal to $33,687,000, a write-down relating to the disposition of a 10 per cent interest in Aral.

- Depletion, depreciation and accretion expenses were $1,034,000 and $1,354,000 respectively. CEK’s operations used $8,301,000 in cash during 2011 and used $2,190,000 for 2010. At the close of 4Q 2011, Caspian had a working capital deficiency of $45,187,000. However, the vast majority of this amount is the pro rata addition of Aral’s current liabilities, which include advances of $34,326,000 made to Aral due to Asia Sixth, a 60% shareholder of Aral. The advances include the assignment, by Caspian to Asia Sixth, of 60% of its Loan to Aral. The funds provided by Asia Sixth and deployed by Aral in drilling success at both East and West Zhagabulak, are treated as a current liability pursuant to the loan agreement between Asia Sixth and Aral; however, repayment is contemplated to take place over an extended time frame to December 1, 2040.

The Company had a cash balance of $2,199,000 in Canadian accounts and domestic liabilities of $742,000 at the close of 2011.

Oil revenues before transportation costs during 2011 were $3,606,000 and for 2010 were $3,428,000. The Company sold an average 127 Bopd (2010 – 137 Bopd) at a price of $78.66 (2010 - $69.17), per barrel, net of ROK takes, during the year ended December 31, 2011.

Operational Performance

East Zhagabulak

The East Zhagabulak field was shut-in concurrent with the expiration of the gas flaring permit on December 31, 2011. However, on February 16, 2012, the Associated Petroleum Gas Utilization Program of Aral was reviewed and approved by the Ministry of Oil and Gas. Subsequently, the MOG granted to Aral a permit to flare associated gas until December 29, 2012. The formal permit has not yet been received.

Completion of construction and commissioning of the gas pipeline to transfer gas to the Alibekmola Gas Processing Plant is expected to occur during December 2012. Concurrently, the pilot production stage will end and the development stage will begin in East Zhagabulak.

Well EZ #308 spud on July 16, 2011. Production casing was set to 4,775 metres. Electronic logging operations have identified substantial intervals of possible pay in the KT-I zone and an additional 88 metres of net pay in the KT-II. Testing of this well is imminent.

The KT-I section, logged over the interval 3,518 to 3,850 metres, identified 31.1 metres of net pay. A pay section, totalling 30 metres exhibited oil saturation of between 50 per cent and 89 per cent. By comparison, Well 301 had 36 metres of net pay in this interval.

The KT-II section, logged over the interval 4,505 to 4,780 metres, identified 87.3 metres of net pay. 77 metres of net pay exhibit oil saturation of between 65 per cent and 82 per cent. This compares with Well 301, which had 65 metres of net pay in this interval.

East Zhagabulak Well 301, the Company's first exploration well, which spud during July 2005 and was flow-tested during February 2006, reached a total depth of 4,846 metres and encountered approximately 101 metres of net oil pay. Both carboniferous sections were tested. The lower interval (KT-II), the primary target in the well, tested at rates of 2,532 barrels of oil per day (b/d) with 39° API gravity oil. The upper zone (KT-I), a secondary target, was acidized and commingled with the lower zone.

Well 306 spud on January 9, 2012. It is intended to delineate the southern extent of the discovery and further confirm the considerable value of the East Zhagabulak field. The geological conditions for Well 306 are the same as for the recently drilled Well 308, targeting the same hydrocarbon bearing horizons; KT-I at a depth of 3,360 to 3,879 metres and KT-II at 4,070 to 4,700 metres. Well 306 will take about 120 days to drill.

West Zhagabulak

Sakramabas #316 spud on July 22, 2011. This well encountered net pay zones aggregating 184.8 metres and equates to a new discovery well in the West Zhagabulak field of Kazakhstan.

Following successful logging, Well 316 has been cased to a depth of 4,950 metres and an application has been filed with local authorities to test the commerciality of the find.

If successful, this well will be ranked as a significant new discovery — with the potential to more than double oil reserves in Kazakhstan.

Success at Well 316 will enable Aral to declare a commercial discovery in the North Block. Successful testing of this well, followed by government confirmation, will qualify us to seek an extension of our exploration contract over the entire Greater Zhagabulak field by a further two or possibly three years. The current three-year exploration contract expires December 29, 2012.

The rig which drilled Well 316 to total depth in the West Zhagabulak field, was immediately mobilized to East Zhagabulak, where it will drill Well 315 to delineate the northern extent of the field. If successful, Well 315 will result in the material conversion of P3 (possible) reserves to P2 (probable) reserves.

Funding

Aral Petroleum Capital LLP (Aral or APC), the operating entity in Kazakhstan, holds a 25-year production licence for East Zhagabulak and a three-year exploration permit for the larger North Block, an area of some 1,549 square kilometres in West-Central Kazakhstan that contains both East and West Zhagabulak.

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 now owns 40 per cent of Aral Petroleum Capital LLP, the operating entity in Kazakhstan, while Asia Sixth Energy Resources Limited owns 60 per cent of Aral.

Caspian, originally a 50 per cent owner in Aral, conveyed 10 per cent 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 USD$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 USD $6 million over two years, if the Company so decides. Loans have a maturity of 10 years and bear interest, only at 10 per cent per year for the first 5 years.

These loans, together with the USD$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.

Under the Exploration Agreement with the ROK, the approved work program calls for expenditures of USD$25.8 million in 2011 and USD$22.5 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.

Share structure

3,034,470 common shares and 1,517,235 share purchase warrants were issued to satisfy the 3Q 2011 interest obligation on the Company's Convertible Debentures. The deemed price of the stock issued is $0.106879 per share and the warrant exercise price is $0.146256.

On December 22, 2011, 2,406,226 warrants were exercised for proceeds of $141,078.

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

Nabors dispute

During 2007, Aral had a dispute with its drilling subcontractor, Nabors, in relation to a mechanical failure at the drilling site that resulted in the loss of the well and the re-drilling of an interval of the well. Nabors made a claim for compensation in excess of what Aral believed was appropriate. Aral viewed Nabors as responsible for the failure. The matter was under negotiation and the amount of possible cash outflows was not then determinable.

The negotiations were unsuccessful and on October 25, 2011, the Specialized Inter-District Economical Court of Almaty City found in favour of Nabors and ordered Aral to pay the equivalent of approximately USD$3.2 million to Nabors. Aral appealed this decision and on December 28, 2011, the Almaty City Court (Appellate Collegium) upheld the lower court's decision.

Aral continues to believe in the merits of its defence against Nabors' claim and is considering its options, including the option to make a further appeal to The Supreme Court of the Republic of Kazakhstan which is Aral's final route of appeal. If Aral is unsuccessful in its appeal, Caspian will be required to fund approximately USD$1.6 million of Aral's obligation to Nabors pursuant to an indemnity in favour of Asia Sixth. This contingent liability is included in the 2011 financial statements.

The Company's existing sources of financing and expected cash flow from operating activities are not sufficient to meet: (i) the repayment of the Loans payable of $36,638,000; and (ii) the Convertible Debentures plus accrued interest, totalling $8,650,000 on December 31, 2011, which mature on June 2, 2013.

The Company's ability to continue as a going concern is in significant doubt and is dependent upon achieving profitable operating results from its Kazakhstan operations. There are no assurances that these initiatives will be successful. See Note 1 to the Consolidated Financial Statements.

CAUTIONARY NOTE

Some of the statements and information contained in this news release may include certain estimates, assumptions and other forward-looking information. The actual performance, developments and/or results of the Company may differ materially from any or all of the forward-looking statements, which include current expectations, estimates and projections, in all or in part attributable to general economic conditions, and other risks, uncertainties and circumstances partly or totally outside the control of the Company, including oil prices, imprecision of reserve estimates, drilling risks, future production of gas and oil, rates of inflation, changes in future costs and expenses related to the activities involving the exploration, development, production and transportation of oil, hedging, financing availability and other risks related to financial activities, and environmental and geopolitical risks. Further information which may cause results to differ materially from those projected in the forward-looking statements is contained in the Company's filings with Canadian securities regulatory authorities. The Company disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

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