CASPIAN ENERGY INC.
ANNOUNCES SECOND QUARTER 2011 FINANCIAL RESULTS AND CORPORATE UPDATE

TORONTO, August 11, 2011 -- Caspian Energy Inc. (the "Company" or "CEK") (TSX: CEK) announced today its financial results for the three and six months ending June 30, 2011. Its interim unaudited financial statements for the period and related management's discussion and analysis have been filed with Canadian securities regulatory authorities and are available for viewing at www.sedar.com.

Highlights

- *Production resumes at East Zhagabulak oilfield*
- *Close of Aral financing to occur prior to month-end*
- *Two highly prospective wells spud*
- *Exploration Contract amended*
- *Debenturesholders elect for units regarding 2Q 2011 interest*

All financial data presented in this Release is in thousands of Canadian dollars, unless otherwise indicated.

For the three months ending June 30, 2011, CEK's net income (loss) and comprehensive income (loss) was $(761)) and for the three months ending June 30, 2010, CEK's net income (loss) and comprehensive income (loss) was $(2,749). Caspian recorded a recovery of $1,241 (2Q 2010 - charge of $30) pertaining to Finance expense. Depletion, depreciation and accretion expenses were $9 and $286, respectively. CEK's operations used $298 in cash during the three month period and used $790 for the comparative quarter of 2010. At the close of 2Q 2011, Caspian had a working capital deficiency of $6,962; however, this figure reflects the pro rata addition of Aral's current liabilities. The Company had a cash balance of $150 in Canadian accounts and domestic liabilities of $449 at the close of the second quarter.

Oil revenues before transportation costs during 2Q 2011 were $5 and for 2Q 2010 were $492. The Company sold an average 3 Bopd (2Q 2010 – 85 Bopd) at a price of $20.30 (2Q 2010 - $63.54), per barrel, net of ROK takes, during the quarter ended June 30, 2011. Sales during 2011 were comprised of natural gas and associated liquids. The East Zhagabulak field was shut-in concurrent with the expiration of the gas flaring permit on December 31, 2010.

Currently, well EZ #301 is producing an average 360 barrels per day by natural pressure, after being permitted by regulators to return to production June 15, 2011 on the premise that both EZ wells will begin capturing solution gas by year-end. EZ #301 produced 11,339 barrels of oil during July, 2011.

The workover on EZ #213 is expected to be completed prior to month-end and could push total field production close to 800 barrels per day. Another deep well pump is onsite for installation at EZ #301 if natural pressure declines.

For the quarter ended June 30, 2011, operating costs were $5 and for the 2010 comparative period, operating costs were $343, while transportation expenses were $(2) and $233, respectively. Administrative expenses for the same periods were $650 and $778, respectively.

The Company's existing sources of financing and expected cash flow from operating activities are not sufficient to meet: (i) the repayment of the Loan payable of $4,819; and (ii) the Convertible Debentures plus accrued interest, totalling $11,697 on June 30, 2011, which mature on June 2, 2013.

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

- 44% of the principal plus accrued interest were 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

Subsequent to period end the Company has received advice from its Debentureholders that they will accept units of the Company (1 unit = 1 common share + 1/2 share purchase warrant) to satisfy the interest obligations of the amended Convertible Debentures pertinent to the second quarter of this fiscal year. The deemed price of the stock issued is $0.210949 per share and the warrant exercise price is $0.288668. It is anticipated that 1,438,087 common shares and 719,044 share purchase warrants will be issued to satisfy the 2Q 2011 interest obligation.

As at December 31, 2010, Aral had expended US$ 8.5 million toward discharging the financial obligations of US$ 24.5 million stipulated by the 2010 Updated Work Program. Aral addressed this deficiency with the ROK by presenting to the ROK executed transaction documents associated with its forthcoming financing transaction together with a proposal that included moving the expenditures deficiency in 2010 to 2011.

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. The approved amended Work

Program stipulates expenditures of USD 2.10 million, 25.84 million and 22.46 million for the years 2010, 2011 and 2012, respectively. Aral expended USD 6.42 million during 2010 and as at June 30, 2011 has expended USD 2.62 million for the 2011 calendar year obligations. The present cumulative shortfall for 2011 is USD 16.81 million, which will be more than discharged by the current drilling program.

Well EZ #308 spud on July 16, 2011 and is estimated take about 120 days to reach approximately 4,700 metres target depth. The objective is the same carboniferous structure of Bashkirian layer from which the two earlier successful wells are currently producing. The EZ #308 site lies roughly midway between the Company's two producing wells in the East Zhagabulak field, some 15 kilometres northeast of the Sakramabas location.

Sakramabas #316 spud on July 22, 2011 and is estimated to take about 120 days to reach approximately 4,500 metres target depth. The objective, again, is the same carboniferous structure of Bashkirian layer. The area around the well is locally known as Sakramabas, but officially is designated Greater Zhagabulak II and III.

In the event of a good result at Sakramabas #316, the partners will complete the EZ #308 well and move that rig to a location northeast of Sakramabas, where it will test for oil between Sakramabas and East Zhagabulak. An additional drilling rig would then be contracted in October 2011 to pursue identified targets within East Zhagabulak.

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.

As part of the previously announced financing transaction for Aral, it will be the new partner's responsibility to secure US$ 80mm in debt financing for Aral for further exploration and development. This transaction will achieve several strategic imperatives. 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.

Asia Sixth (the new partner) filed necessary documents with the Anti-Monopoly Committee of the ROK during the first quarter of 2011. The partners in Aral have completed their filings for approval of the transaction with the Ministry of Oil and Gas of the ROK, during this second quarter.

Presently we are awaiting a Session of the Inter-Departmental Commission for implementation of the preemptive right of the State of Kazakhstan. Such meeting is anticipated to occur no earlier than August 20, 2011, but in any event prior to month-end. We believe they will agree to waive the preemptive right of the state and permit the sale and purchase of the shares of Aral. Subsequently, the Commission will issue a protocol and on the basis of the protocol, the MOG (Ministry of Oil and Gas) will review the application at the Work Group session. The session will make a resolution that the MOG permits the implementation of the transaction and issues a protocol to complete the process. The Work Group session should be held very shortly after the session of the Inter-Department Commission.

The agreement with the new partner, which expired on March 31, 2011, has been extended by mutual consent of both parties. The Company's objectives continue to be focused on executing this agreement or another similar arrangement to maximize value to shareholders through development of its oil and gas properties.

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

The Company is an oil exploration and development corporation operating in the Republic of Kazakhstan.

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