CASPIAN ENERGY INC.
ANNOUNCES SECOND QUARTER 2012 FINANCIAL RESULTS AND CORPORATE UPDATE

CALGARY - August 13, 2012 -- Caspian Energy Inc. (the "Company" or "CEK") (TSX: CEK) announced today its financial results for the three and six months ending June 30, 2012. Its unaudited condensed interim consolidated financial statements for the quarter and related management's discussion and analysis have been filed with Canadian securities regulatory authorities and are available for viewing at www.sedar.com.

Operational highlights

- EZ well #301 is producing an average 252 barrels per day
- EZ well #308 was perforated from 4,500 - 4,668m with a daily oil production rate of 79 barrels
- EZ well #315 reached 2,980m, set second intermediate casing and is drilling ahead to the target depth of 4,700m
- EZ well #213 was shut-in on June 6, 2012
- In June 2012, application requesting confirmation of discovery at EZ # 316 was submitted to the Ministry of Oil and Gas in Kazakhstan. #316 (Sakramabas) has been cased to a depth of 4,950m

Subsequent events

- EZ well #306 reached target depth during July 2012 and production casing was set in the well to a depth of 4,780m
- Application made to the RK MOG requesting the recognition of the discovery of a new oil pool (EZ #306) to extend the Exploration Contract in the North Block for an additional two years (2013 and 2014)

Outlook 2012

- Remedial recompletion procedures under consideration for implementation

- Completion of construction and commissioning of the gas pipeline to transfer gas to the Alibekmola Gas Processing Plant is expected to occur in Q4 12/Q1 13

- Concurrently, the pilot production stage will end and the development stage will begin in East Zhagabulak

Financial highlights

- Oil revenues before transportation costs $1,550,000 (2011: $309,000)
- Comprehensive loss was $5,535,000 (2011: $2,946,000)
    - For the three months ending June 30, 2012, CEK's comprehensive loss was $3,310,000, this compares to a comprehensive loss for the three months ending June 30, 2011, of $761,000. Caspian recorded charges of $2,411,000 (2Q 2011 - $335,000) pertaining to finance expense. Depletion, depreciation and accretion expenses were $195,000 and $9,000, respectively. CEK's operations used $2,616,000 in cash during the three month period and used $298,000 for the comparative quarter of 2011.

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Operational Performance

East Zhagabulak

Currently, well EZ #301 is producing an average 255 barrels of oil per day by natural pressure, after being permitted by regulators to return to production May 3, 2012 on the premise that both East Zhagabulak wells will begin capturing solution gas by year-end. EZ #213 is currently shut-in. Due to an electrical failure, the downhole pump in EZ #213 ceased working on June 6, 2012.

Subsequently, while pulling the pump for remedial action, the cable broke resulting in fish in the hole. Fishing operations are ongoing.

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. On March 26, 2012, the KT-II zone was perforated from 4,500 - 4,668 metres. Four horizons, consisting of 15 pay stringers, were perforated. Total thickness of the stringers is about 80 metres. The well was acidized in an attempt to stimulate production. A downhole pump was installed to lift fluid from the well bore. Currently, the daily oil production rate is 79 barrels; however, Well 308, situated between two producing wells EZ #301 and EZ #213, upon stabilization, is expected to reach a rate of 600 barrels of oil per day.

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 4,700m. Well #306 reached target depth during July 2012. Log results confirmed the presence of pay zones in both the KT-I and KT-II. Four prospective intervals were selected for testing with a total thickness of 145m. Two KT-II intervals were identified (4,605.9 - 4,661m and 4,557.4 - 4,585.9m). Additionally, an inter-carbonate, sedimentary stratum, in the interval 4,223.9 - 4,235m together with the KT-I horizon at the interval 3,563 - 3,667m will be tested. Production casing was set in the well to a depth of 4,780m.

An application to the RK MOG (Republic of Kazakhstan, Minister of Oil and Gas), requesting a testing permit, has been submitted. A response is expected during the third quarter of 2012.

Well #315 reached 2,980m and set second intermediate casing. The well is drilling ahead to the target depth, 4,700m.

West Zhagabulak

Sakramabas well #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 4,950m. While testing the interval 4,346 - 4,352m, the well flowed at an estimated rate of 78 Bopd. Based on the results of testing, a submission was made to the RK MOG requesting the recognition of the discovery of a new oil pool. The RK MOG Expert Commission confirmed the discovery and requested Aral to prepare the necessary documents to extend the Exploration Contract in the North Block for an additional two years (2013 and 2014).

Testing is ongoing and Aral is engaged in preparing the necessary design-project documents for extension of the Contract.

The rig which drilled Well #316 to total depth in the West Zhagabulak field, was immediately mobilized to East Zhagabulak, where it set surface casing on Well #315 on May 9, 2012. 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.

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 $1,156,000 as the fair value of the conversion option has decreased due to the deteriorating market value per share of the Company's common shares.

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 US$80 million over the duration of the deal. Caspian also receives a US$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 US$6 million over two years, if the Company so decides. Loans have a maturity of 10 years and bear interest at 10 per cent per year for the first five years.

These loans, together with the US$80 million capital facility, ensure that Aral 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 US$25.8 million in 2011 and US$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 US$34.3 million. As at June 30, 2012, Aral had incurred US$20.9 million of qualifying expenditures.

Financial Performance

For the six months ended June 30, 2012, Caspian's comprehensive loss was $5,535,000 (2011: $2,946,000). Caspian recorded a charge of $3,808,000 (2011 - $1,054,000) 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 start of this fiscal year to quarter end has resulted in an unrealized gain equal to $1,156,000 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 Q2 2012, due to the fluctuation in the Canadian dollar versus the United States dollar and Kazakh Tenge, mostly unrealized foreign exchange losses of $175,000 were recorded (to the close of Q2 2011 – a gain of $637,000).

Depletion, depreciation and accretion expenses were $255,000 and $64,000 respectively. CEK's operations used $3,459,000 in cash during 2012 and used $1,049,000 for 2011.

At the close of Q2 2012, Caspian had a working capital deficiency of $55.6 million. However, this figure reflects the pro rata addition of Aral's current liabilities, which include $33,000,000 of Caspian's loan that had been assigned to Asia Sixth. The residual amount of the loan, $55,000,000, retained by Caspian and present in Aral's records, prior to consolidating elimination, provides an avenue to receive tax-free distributions from Aral.

The Company had a cash balance of $343,000 in Canadian accounts and domestic liabilities of $639,000, at the close of the second quarter.

Oil revenues before transportation costs for the six months ending Q2 2012 were $1,550,000 and for 2011 were $309,000. Operating costs were $1,124,000 and for the 2011 comparative period, operating costs were $126,000, while transportation expenses were $472,000 and $116,000, respectively. Administrative expenses for the same periods were $1,275,000 and $1,187,000, respectively.

Share structure

On July 9, 2012, 636,364 common shares and 318,182 share purchase warrants were issued to satisfy Q2 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.

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 US$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.

During August 2012, the Company was informally advised that Nabors' action against it is being upheld. Caspian will be required to fund approximately US$1.6 million of Aral's obligation to Nabors pursuant to an indemnity in favour of Asia Sixth.

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 $39,737,000; and (ii) the Convertible Debentures plus accrued interest, totalling $9,625,000 on June 30, 2012, which mature on June 2, 2013. Further, the Company does not have the necessary funds to discharge its current accounts payable and accrued liabilities and requires access to external sources of funds to ensure continuance of operations.

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 Condensed Interim Consolidated Financial Statements (Unaudited).

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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