

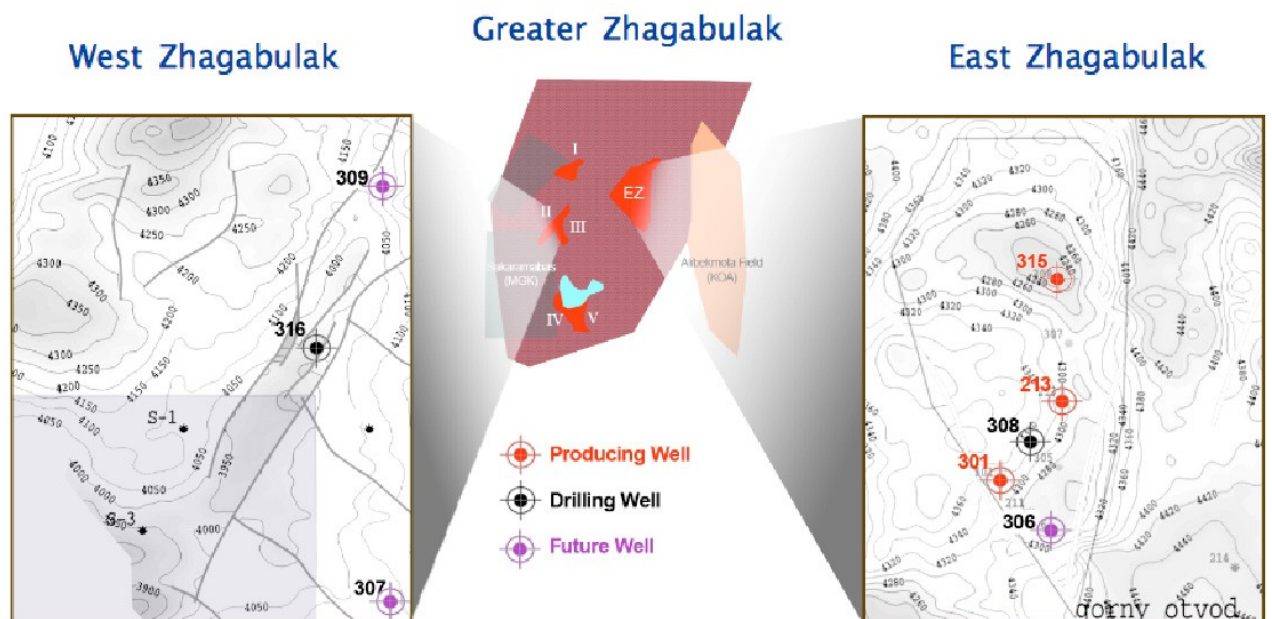
## PARTNERSHIP CEMENTED

### Caspian Advances Transformation

(CALGARY, Jan. 5, 2012) — A series of drilling and business events is rapidly transforming prospects for Caspian Energy Inc. (TSX: CEK), company Chairman and CEO William Ramsay said today.

“On the strength of these events, we are now a well-funded and very active producer and explorer in Kazakhstan,” Ramsay said. “It’s a very welcome and important change from our position of enforced inactivity at mid-year, 2011.”

A new business partnership, formally executed Dec. 29, 2011, enables Caspian and new partner Asia Sixth Energy, to continue an ambitious drilling program, although drilling was actually begun last July in advance of final contract completion. So far, one well (EZ #308) has been drilled to total depth and production casing has been set to 4,775 metres on the strength of promising well logs. Subsequent to the production testing period, production from this well will bolster the contributions of the East Zhagabulak field. With respect to the exploration area of West Zhagabulak, the second well (#316) has reached 4,664 metres on its way to a total depth of 4,700 metres, with logging to follow. Given successful completion, and commercial oil inflow from the formation, the exploration area of West Zhagabulak will transist to the pilot production phase. And four more strong prospects are to be drilled in coming months, Ramsay said. (See Map)



## Funding, Ownership and Program Management

Ramsay said the deal with Asia Sixth was signed Nov. 1, 2010 and closed as of Dec. 29, 2011, with the completion of the last of several conditions precedent. Caspian Energy now owns 40 per cent of Aral Petroleum Capital LLP (Aral), the operating entity in Kazakhstan, while Asia Sixth Energy owns 60 per cent of Aral. Aral holds a 25-year production licence on the East Zhagabulak field, where it has two producing wells (EZ #213 and EZ #301). It also holds a three-year exploration permit for the North Block, an area of 1,500 square kilometres.

Frason Wood BV originally owned 50 per cent of Aral through its wholly-owned subsidiary, Groenzee BV. Frason sold Groenzee BV to Asia sixth for \$50 million, with \$20 million up front and the remainder to be paid as agreed-upon production thresholds are met.

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 \$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 cent per year for the first five years. (*\* All figures in US dollars.*)

“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 we expect this program will become self-funding before the loan facility is fully expended,” Ramsay said.

Asia Sixth Energy is a special purpose vehicle, representing oil-and-gas-experienced private interests in the Asia Pacific region, 40-per-cent indirectly owned by Strong Petrochemical Holdings Ltd, listed on the HKEX and also 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. Under the agreement, the approved work program calls for expenditures of \$25.8 million in 2011 and \$22.5 million in 2012. However, management's proposed activities for 2012 will result in expenditures well above the \$22.5 million figure.

Activities planned from now through the end of April, 2012 include\*:

December 2011	The first rig moves to Well 306 in the East Zhagabulak field and spuds by month end or early January 2012.
	Well 316 in the West Zhagabulak exploration prospect, drilling to be completed and logging to follow.
January 2012	Well 308, first flow test for the lower horizons of KT-II-II Second rig to move 1.5 km northeast from 316 to a new location, Well 309 within the West Zhagabulak exploration prospect.
	A report analyzing the prospective targets elsewhere on the North Block to be completed.
February 2012	Well 308, second flow test for the upper horizons of KT-II-II.

	Well 309 to spud.
March 2012	Well 308, third flow test for the lower horizons of the KT-II. A new (third) rig to be mobilized to the southern part of Western Zhagabulak to spud Well 307.
April 2012	Well 306, drilling to be completed.

*\* Note: this schedule is subject to influence by government approvals and drilling results.*

### **The East Zhagabulak Field (EZ)**

East Zhagabulak has, so far, been Aral's only producing asset, with wells 213 and 301 yielding 460 barrels of oil per day (bopd). As a result of the advance funding provided by Asia Sixth, well 308 was spud in July and production casing was recently 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. With the funds now available, Aral is able to drill a second EZ well, designated 306, which is likely to spud by early January. The potential cash flow to be realized from EZ 308, if matched by success at EZ 306, will provide Aral with sufficient wells and cash flow that the ongoing development of the entire EZ field will be self-funding.

### **Potential new field at West Zhagabulak**

Well 316 is located on the West Zhagabulak structure, some 10 km to the west of well 308. But, while East Zhagabulak has recoverable reserves of some 17 million barrels, West Zhagabulak is postulated to potentially contain between 21 and 35 million barrels of recoverable oil, Ramsay said.

Well 316 is currently drilled to a depth of 4,664 metres on its way to a target depth of 4,700 metres. If successful, this well will be ranked as a significant new discovery with potential to more than double reserves, he said.

### **Chairman's Conclusion**

"After several years of disappointment and a long period of inactivity, it gives me tremendous satisfaction to say that Aral's comprehensive drilling program is well under way," Ramsay said. "Our new partners are extremely well connected and bring with them considerable expertise and the requisite management skills to undertake the exploration of the North Block. This transaction ensures that a further four deep wells can be undertaken. For Caspian to have this drilling campaign funded and the necessary drilling rigs made available is a rare achievement for an exploration company of our size, especially in light of today's turbulent capital markets. If well 316 signals a discovery of the scale postulated, it will transform the potential of the North Block.

"Our budget for CapEx in 2012 is fully funded. We are able to meet our licence obligations. Our production now covers in-country OpEx. Caspian is able to look forward to the future and to the prospect of significant free cash flow," Ramsay said.

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