

## **CASPIAN ENERGY INC. ANNOUNCES ADDITIONAL FUNDING FOR ON-GOING EXPLORATION AND TESTING OF WELLS**

Calgary, Alberta, June 13, 2013 – Caspian Energy Inc. (“**Caspian**”) (TSX: CEK) is pleased to announce the signing of a number of agreements (the “**Transaction Agreements**”) whereby its Kazakhstan subsidiary expects to be able to immediately implement the previously announced testing of certain wells based on the advice of outside consultant Mr. Roger Nutt (the “**Nutt Plan**”) over two wells within the next 90 days. Pursuant to the Transaction Agreements, additional financing has been committed to Aral Petroleum Capital LLP (“**APC**”), a Kazakhstan partnership in which Caspian indirectly holds a 40% interest, to cover operating expenses, as well to Caspian to cover ongoing overhead and accounts payable. The financing will permit drilling which will allow APC to meet its 2013/14 License drilling commitments in the North Block.

The Transaction Agreements provide for the availability of a loan of US\$20 million to APC for the purpose of funding APCs operations. It is intended that proceeds from this loan will, in part, be used to fund the work prescribed in the work program agreed with the Ministry of Oil and Gas in Kazakhstan. This work program envisages the drilling of a deep exploration well in the Baktygaryn and Aransay area. As well, one shallow well is planned to be drilled in Itassay.

APC has two existing wells for which testing has been approved and will commence imminently under with the Nutt Plan. Of particular note is well 316, which is to be tested first, and for which US\$2 million of the above mentioned US\$20 million loan has been allocated. All required approvals to test well 316 have been granted. Negotiations are underway with local contractors with a view to commencing testing in the very near future and a rig is currently available for this purpose.

The Transaction Agreements amend the loan agreement between Caspian’s wholly-owned subsidiary, Caspian Energy Ltd. (“**CEL**”), and Asia Sixth Energy Resources Limited to allow CEL to draw US\$100,000 each month from now until November and to draw an additional US\$1,400,000 as early as December 28, 2013. These funds will enable Caspian to bring current all of its existing payable and to cover its budgeted operating expenses over the next 18 months.

In return for raising the financing contemplated in the Transaction Agreements, CEL’s partners in APC, being Asia Sixth Energy Resources Limited (“**ASER**”) and its subsidiary Groenzee B.V. (“**Groenzee**” and together with ASER, “**CEL’s Partners**”), require CEL to transfer to them part of its ownership interest in APC resulting in CEL’s interest in APC reducing from 40% to 33.5% provided CEL’s Partners comply with their obligations under the Transaction Agreements.

"Clearly", Caspian Chairman and CEO William Ramsay commented, "this new arrangement places Caspian Energy Inc. in a significantly stronger position. With an improved balance sheet and new financing available for both capital expenditures and budgeted operating expenses for the next year, we will be able to return to our core business: exploring for oil. The North Block offers proven upsides, and we will now recommence those efforts by implementing the Nutt Plan over the next 90 days, and pursuing an exciting new well drilling program in 2013/14. I would like to thank all our various stakeholders for their ongoing support as we enter this critical but exciting phase".

**Further to Caspian’s press release of June 11, 2013, the TSX has announced that it will delist Caspian’s common shares effective at the close of market on July 11, 2013 due to the TSX Continued Listing Committee’s view that Caspian was not meeting the continued**

listing requirements of the TSX. Caspian has provided notice to the TSX that it is appealing this decision and will submit written arguments to the TSX. The TSX has encouraged on-going dialogue as Caspian moves forward with its plans and Caspian intends to pursue this. Caspian also plans to make an application for listing on NEX, subject to the outcome of its appeal to the TSX.

A summary of some of the material aspects of the Transaction Agreements follows. The material Transaction Agreements will be filed by Caspian on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Sale and Purchase Agreement between CEL and Groenzee for 6.5% Participating Interest in APC**

- CEL sells a 6.5% interest (the “**Interest**”) in APC to Groenzee for consideration of US\$1. The transaction is to be completed upon satisfaction or waiver of all conditions precedent.
- Conditions in favour of Groenzee include: (i) consent from the Ministry of Oil and Gas of Kazakhstan (this could take 6-18 months but note that other items below can proceed before this consent is received), (ii) a waiver from the Government of Kazakhstan relating to its priority right to purchase the Interest, and (iii) approval of Caspian’s debenture holders.
- Conditions in favour of CEL include: (i) receipt of a letter from Groenzee’s investors confirming the availability of loans of not less than US\$20,000,000; (ii) receipt by APC of the initial US\$2,000,000 of advances from Groenzee required to complete certain specified testing of oil wells (the “**Nutt Testing**”); and (iii) Groenzee having failed in its obligation to make advances under the loan agreements.
- If Groenzee fails to advance any loan to APC as required under the APC Loan Agreement (described below) following the transfer of the Interest to Groenzee, then Groenzee must transfer the Interest in APC back to CEL.

#### **APC Loan Agreement between Groenzee (as lender) and APC (as borrower) (the “APC Loan Agreement”)**

- All of the existing loans from ASER to APC are consolidated under this agreement. There is an additional Deed of Transfer pursuant to which Groenzee steps into ASER’s shoes in respect of this facility.
- The agreement contemplates a new US\$40,000,000 loan facility (the “**New Facility**”) as follows: (i) the first US\$2,000,000 is to be used for the Nutt Testing as contemplated in the Wells Testing Agreement; (ii) the next US\$18,000,000 is “committed” subject to satisfaction of certain conditions precedent; and (iii) the last US\$20,000,000 to be advanced only at the discretion of Groenzee (i.e. this part is uncommitted).
- Conditions precedent for any advance under the New Facility include: (i) execution and delivery of the Subordination Deed, the Guarantee, the Share Pledge Agreement, the Sale and Purchase Agreement relating to the Interest, and the Wells Testing Agreement (all described herein); (ii) registration of this loan agreement with

the National Bank of the Republic of Kazakhstan; (iii) consent from Caspian's debenture holders; and (iv) all corporate authorizations.

- Conditions precedent required to draw amounts after the first US\$2,000,000 include: (i) consent from the Ministry of Oil and Gas of the Republic of Kazakhstan relating to the Share Pledge; and (ii) completion of the transfer of the Interest (this could take 6 - 18 months as it requires government consent).
- Draws under the US\$18,000,000 portion of the facility may be made at any time until the earlier of: (i) 2 years from the date of the first advance under the US\$18,000,000 facility, and (ii) 30 months from the date of this loan agreement.
- The agreement permits CEL, on behalf of APC, to execute and deliver to Groenzee a notice of drawing if all other conditions have been satisfied.
- The proceeds of all advances are to be paid to an account of APC and may only be applied upon the prior written consent of the General Director of APC. Accordingly, the General Director's cooperation is required to make payment to third parties on account of the Nutt Testing or otherwise.
- Interest in respect of all loans is at a rate of 15% per annum and is not due until the repayment date.
- The loans are to be repaid on the earlier of: (i) the second anniversary following the first advance under the US\$18,000,000 facility, and (ii) 30 months following the date of this loan agreement.
- In addition, the proceeds from any debt or equity financings of APC must be immediately applied towards the repayment of the loans under this agreement.
- Events of default include failure to pay, breach of covenant, breach of representation, cross default, typical insolvency type proceedings and actions in respect of APC, CEL or Caspian, and an event of default by CEL under the US\$6M Caspian Loan Agreement (described below).
- Upon the occurrence of an event of default, the facilities may be cancelled, the amounts owing accelerated, and all security and guarantees enforced.

#### **Wells Testing Agreement between ASER, Groenzee and CEL**

- Upon signing the APC Loan Agreement, ASER is deemed to have fully satisfied all of its obligations under Article 7.2 of the Foundation Agreement with respect to securing the "LLP Loan" (i.e. the US\$80,000,000 of financing).
- The parties must exercise their powers under the Foundation Agreement and the Charter of APC to cause APC to enter into a contract for works relating to the testing of the wells as may be "reasonably directed by Caspian, provided that such works do not materially deviate from the work" described in the proposed tender for works attached to the agreement.

- Upon making the US\$2,000,000 advance and the completion of the Nutt Testing as defined above, ASER will be released from its obligations under the February 2013 agreement to ensure all Nutt Testing work is completed. Note that ASER's obligation under the February 2013 agreement with respect to completing Nutt testing work is broader than the obligation under this Wells Testing Agreement. Most significantly, the Wells Testing Agreement caps the expenditures for this work at US\$2,000,000.
- CEL will not be required to make any cash calls (as defined in the Foundation Agreement) until 3 months following the earlier of (i) the full advance by Groenzee of US\$20,000,000 under the APC Loan Agreement, and (ii) one year from the execution of the documents.

**US\$6,000,000 Caspian Loan Agreement between CEL (as borrower) and Groenzee (as lender) ("US\$6M Caspian Loan Agreement")**

- This agreement amends and restates the existing US\$6,000,000 Loan Agreement between CEL and ASER. There is an additional Deed of Transfer pursuant to which Groenzee assumes ASER's rights and obligations in respect of this facility.
- US\$2,000,000 remains available under the facility. US\$4,000,000 has previously been drawn.
- CEL will be permitted to draw up to US\$100,000 during each calendar month until December 28, 2013 at which time, until expiry, CEL may draw the undrawn balance of the US\$2,000,000 commitment.
- Conditions required to be satisfied in order to draw under the facility include: (i) copies of corporate documentation; (ii) execution of all relevant financing documents; and (iii) legal opinions relating to corporate matters.
- The ability to draw under the facility expires after 12 months.
- The loans are to be repaid with all proceeds received by CEL by way of dividends from APC or from the sale of any asset by CEL. The balance of all principal and interest still owing on November 1, 2020 must be repaid on such date.
- Interest accrues at a rate of 10% until December 28, 2016 and thereafter at a rate of 18%, calculated and compounded annually, as well as on any date repayment is to be made.
- The agreement contains typical representations and warranties that are consistent with the existing US\$6,000,000 facility with ASER.
- The agreement contains typical covenants that are consistent with those contained in the existing agreement with ASER.
- The agreement contains events of default which are typical and consistent with the events of default contained in the agreement with ASER.

### **Deed of Transfer and Amendment Between ASER (as Transferor), Groenzee (as Transferee) and CEL (as Borrower)**

- This deed provides for the transfer of the US\$6M Caspian Loan Agreement by ASER to Groenzee. Accordingly, the obligation to advance will now be that of Groenzee in place of ASER.
- This agreement also provides for the amending and restating of the existing US\$6M Caspian Loan Agreement on the terms set out in the agreement described above.

### **Pledge Agreement Between CEL (as Pledgor) and Groenzee (as Pledgee)**

- This agreement provides for a pledge by CEL of all of its interest in APC in favour of Groenzee as security for: (i) CEL's obligations under the US\$6M Caspian Loan Agreement, and (ii) the Relevant Percentage of APC's obligations under the APC Loan Agreement. The "**Relevant Percentage**" is defined as 40%, provided that upon completion of the transfer of the 6.5% interest to Groenzee, the Relevant Percentage will mean 33.5%.
- The pledge is subject to consent from the Ministry of Oil and Gas of the Republic of Kazakhstan (could take 6 to 18 months).
- The pledge requires CEL to ensure the pledged interest remains free and clear of encumbrances and is otherwise not sold or assigned.
- The pledge becomes enforceable upon an event of default under either the US\$6,000,000 facility or the APC facility. Note that a default by APC under the APC facility will result in a default by CEL under this pledge.

### **Guarantee by CEL (as Guarantor) in Favour of Groenzee (as Lender)**

- This guarantee provides for the guarantee by CEL of the "Relevant Percentage" of the obligations owed by APC to Groenzee under the APC Loan Agreement. The "Relevant Percentage" is defined as 40%, provided that upon completion of the transfer of the 6.5% interest to Groenzee, the Relevant Percentage will mean 33.5%.

### **Subordination Deed Between APC (as Borrower), CEL (as Subordinated Lender) and Groenzee (as Senior Lender)**

- This agreement provides for the complete and deep subordination of all obligations currently owing by APC to CEL, in favour of obligations owing by APC to Groenzee under the APC Loan Agreement.
- CEL is prohibited from taking any action to enforce its rights in respect of the subordinated obligations so long as any amounts remain owing by APC to Groenzee.

### **Investor Undertakings**

- This is a letter from parties who are investors in ASER in favour of CEL. The letter provides that loans up to US\$20,000,000 will be made available to ASER for the purpose of on-lending such funds to Groenzee and APC.

- The letter confirms that the availability of these loans is not subject to any internal or external approvals or further conditions.

#### **Deed of Transfer between ASER (as Transferor), Groenzee (as Transferee) and APC (as Borrower)**

- This deed of transfer transfers a US\$8,000,000 loan currently owing by APC in favour of ASER to Groenzee.

#### **First Supplemental Agreement to the Foundation Agreement**

- This document amends the Foundation Agreement. The Foundation Agreement, is in effect, the “shareholders agreement” relating to APC. The Foundation Agreement contains a covenant from ASER to secure US\$80M of financing.
- Under this first supplemental agreement, ASER is deemed to have satisfied its obligations under the Foundation Agreement to secure US\$80M of financing for APC.
- In the event Groenzee enforces its rights under the Share Pledge, it is a condition of any such sale that the buyer of CEL’s interest in APC must purchase from Groenzee a 33.5% portion of the loans then owing by APC to Groenzee. The purchase price for such loans must be face value and upon completion of such sale, CEL will be released from its obligations under its guarantee.

#### **Second Supplemental Agreement to the Foundation Agreement**

- This agreement further amends the Foundation Agreement relating to APC.
- The amendments in this agreement take effect upon completion of the transfer of the 6.5% interest from CEL to Groenzee. Note that the completion of the transfer will not occur until the parties receive the required consent from the Ministry of Oil and Gas in Kazakhstan.
- The agreement restates the percentage ownerships and votes in APC to reflect that CEL will, thereafter, have a 33.5% interest with 33.5 votes out of 100.

#### **Subordination Letter from Caspian**

- Caspian agreed to subordinate any rights it has to recover amounts owed to it by CEL in favour of Groenzee’s rights.

*Forward Looking Statements – Certain information set forth in this news release may contain forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the control of Caspian, including, but not limited to the satisfaction of all conditions set out above, the closing of the funding of the loan agreement and the ability of Caspian to meet its future obligations with respect to APC, the impact of general economic conditions, industry conditions, currency fluctuation and dependence upon regulatory approvals.*

*Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.*