



Caspian Energy announces ‘transformational agreement’

CALGARY, Alberta, Canada (Nov. 5/2010) — An agreement announced today will enable Caspian Energy Inc. (TSX: CEK) and a new partner to proceed immediately with plans to expand production in the East Zhagabulak oil field of Kazakhstan.

Caspian Energy Inc. said today that subsidiary Caspian Energy Ltd. (CEL) has arranged the sale of a 10-per-cent interest in Aral Petroleum Capital LLP (Aral), the operating entity in East Zhagabulak. Asia Sixth Energy Resources Limited is the purchaser of the 10-per-cent interest sold by Caspian and has also acquired the 50 per cent of Aral previously owned by Azden Management Limited.

As purchaser, Asia Sixth Energy has agreed to:

- Provide a loan (“Facility Agreement”) of up to US\$2 million to Aral to conduct immediate workovers on production wells in the East Zhagabulak field; and,
- Seek a total US\$80 million in debt financing (including the \$2 million facility agreement) for Aral to conduct further development and exploration drilling.

“This arrangement is a transformational event that gives Caspian and its new partner in Aral Petroleum the cash reserves to realize on the potential of the East Zhagabulak field, as well as to explore other North Block prospects,” said Caspian Chief Executive Officer William Ramsay. “Exploration is aimed at proving up reserves which the previous Soviet regime had always maintained were there.

“Caspian has been seeking a high-quality partner for some three years as part of our plan to unlock these resources and today’s announcement is the culmination of a year’s negotiations,” Ramsay said. “We believe this agreement is in the best interests of the partners and their shareholders and will advance the date of steady-state commercial production from East Zhagabulak.”

Partners plan to drill a series of development wells in East Zhagabulak, beginning with one well in the first quarter of 2011. If successful, this will be the third production well on the field, to date, with a further three wells to be drilled sequentially. The company believes that production thereafter will reach about 7,000 barrels of oil per day.

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Ownership

As the operating entity in Kazakhstan, Aral holds a 25-year production contract with the Republic of Kazakhstan for East Zhagabulak. Aral also holds a three-year exploration licence for the balance of the property known as the North Block.

Today's announcement means that Aral will be owned 60 per cent by Asia Sixth Energy Resources Limited and 40 per cent by Caspian Energy Inc., through Caspian Energy Ltd. (CEL) after closing of this transaction. Within Aral's new ownership structure, Asia Sixth Energy has assumed the position previously negotiated with AsiaStar Petroleum Limited. Terms of the agreement remain substantially unchanged.

"We've been delayed in closing this transaction due to the change in parties but we're very pleased with the final structure of the agreement and with the ability this deal provides to fund Aral into steady-state commercial production at East Zhagabulak," Ramsay said. "It will also provide the funds required to advance Aral's exploration and development opportunities and unlock their potential."

The Purchase Agreement is subject to approvals from the Toronto Stock Exchange and from the government of Kazakhstan.

In consideration of acquiring a 10 per cent interest in Aral from CEL, Asia Sixth Energy is required to enter into a facility agreement with CEL. Subject to the fulfillment of certain conditions precedent, Asia Sixth Energy will advance up to US\$6 million in loans to CEL in three US\$2 million tranches over a two-year period. "This has the effect of ensuring that Caspian can meet all funding requirements over the next several months for consistent development of these properties," Ramsay said.

Use of Funds

The Facility Agreement enables immediate work on East Zhagabulak production wells. This is accomplished by providing Aral accelerated access to US\$ 2 million, in order to fund upgrades of wells. Such upgrades include the insertion of a downhole pump at Well EZ#301, which will significantly increase the rate of production.

Aral will use new funds to reprocess 3-D seismic lines, previously shot across the East Zhagabulak field, to confirm drilling locations for the new year. Bonus payments will also be made to the Republic of Kazakhstan, pertinent to the recent execution of the 25-year production contract.

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“As part of the new partnership agreement,” Ramsay said, “Asia Sixth Energy will seek a total of US\$80 million in debt financing, on a best efforts basis, that will enable further exploration and development.” He said securing these funds will enable four strategic priorities:

- developing East Zhagabulak;
- sustaining exploratory drilling in prospective North Block areas such as Greater Zhagabulak, Baktygaryn, and Urikhtau areas;
- allowing Aral to drill an offset well to the very promising Sakramabas Block; and,
- ensuring Caspian will not have to provide additional funding for its share of activities in the North Block before full utilization of the US\$ 80 million debt financing or the 3rd anniversary of the closing of this transaction, whichever is earlier.

Background

Caspian is an oil and gas exploration and development company, operating in Kazakhstan where it has a number of targets in the highly prospective Aktobe Oblast of Western Kazakhstan. The Company holds an exclusive licence, which entitles it to explore and develop certain oil and gas properties known as the “North Block,” an area of 3,458 square km, and a production contract for the area known as “East Zhagabulak,” through its interest in Aral.

Cautionary Note:

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 precedent to the sale by Caspian of a 10% interest in Aral, including the ability of the Purchaser to meet its obligations under the foundation agreement to secure US\$80 million in debt financing for Aral, and the limited remedies available to the Company in the event of any such failure of the Purchaser, the impact of general economic conditions, industry conditions, currency fluctuations, 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.

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