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CASPIAN ANNOUNCES COMPLETION OF DEBENTURE AMENDMENTS AND CORPORATE UPDATE

CALGARY (Alberta, Canada) July 11, 2011 — Overwhelming shareholder approval of a restructured debenture agreement is a solid vote of confidence in the exploration and production plans of Caspian Energy Inc. (TSX: CEK) (“**Caspian**”), Chairman and CEO William Ramsay said today.

Caspian resumed production at its East Zhagabulak discovery in June and is preparing to drill two new exploration wells in the region, Ramsay said following the June 30, 2011 special and annual general meeting (AGM) of shareholders in Toronto.

“We’re very pleased with our shareholders’ vote of confidence in our plans and we’re pushing ahead on building production and pursuing the first two of several excellent drilling prospects,” he said. “We have two drilling rigs ready to spud exploration wells and one rig assigned to workovers aimed at maximizing production from our two producing wells in East Zhagabulak.”

Following the AGM, Caspian confirmed the completion of previously announced amendments (the “**Debenture Amendments**”) to its US\$16,000,000 secured convertible debentures issued on March 1, 2006 as originally detailed (the “**Debentures**”).

The Debenture Amendments were approved by Caspian’s shareholders (excluding the Debentureholders [as defined below]) at the AGM and were also conditionally approved by the Toronto Stock Exchange.

The principal terms of the Debenture Amendments are as follows:

- the holders of the Debentures (the “**Debentureholders**”) converted 44% of the principal amount outstanding under the Debentures plus all unpaid interest accrued thereon, being US\$9,790,753, into 49,777,218 common shares of the Corporation (the “**Common Shares**”) at a conversion price of CDN\$0.19 per Common Share (the “**Conversion**”) at an exchange rate of CDN\$1.00/US\$0.96598;
- following the Conversion, an aggregate of US\$12,460,958 is outstanding under the Debentures including principal plus all unpaid interest that has accrued or been capitalized thereon;
- the original maturity date of the Debentures was extended to June 2, 2013 unless the Debentures are converted or repaid in full;
- the conversion price has been adjusted to CDN\$0.28 provided that in the event that the Corporation effects a subsequent offering at a price that is less than the conversion price, the conversion price shall be adjusted to equal such subsequent offering price, subject to a minimum of CDN\$0.10 (and provided further that the consent of the Debentureholders is required in order for the Corporation to effect any subsequent offering at a price of less than CDN\$0.10);
- interest will accrue and be calculated monthly, not in advance, at 10% per annum and shall be payable at the end of each quarter in cash or, at the option of the Debentureholders, the number of Units (as defined below), equal to the applicable interest payable divided by an amount equal to a five percent discount of the volume weighted average (“**VWAP**”) of the Common Shares for the 20 consecutive trading days prior to the date on which the Debentureholders give notice of the conversion,

- subject to adjustment in accordance with the terms of the Debentures;
- units of the Corporation (the “**Units**”) to be issued to the Debentureholders pursuant to the Debentures will be comprised of one Common Share and one-half of one common share purchase warrant of the Corporation (the “**Warrants**”);
- each whole Warrant will be exercisable into one Common Share for a period of two years from issuance at an exercise price equal to a 30% premium of the VWAP of the Common Shares for the 20 consecutive trading days immediately prior to the date of issue of the Warrants; and
- at any time the Debentureholders or the Corporation exercise their conversion rights pursuant to the Debentures, the Debentureholders shall be entitled to receive Common Shares for the principal amounts so converted and Units for all accrued and capitalized interest on the principal amount so converted.

The issuance of the Common Shares and the Units pursuant to the Debenture Amendments materially affect control of the Corporation. Up to an aggregate of 205,964,274 Common Shares and up to 15,788,739 Warrants will be issuable to the Debentureholders pursuant to the Debenture Amendments.

“In the past few months, Caspian has formed a new partnership to share ownership in Aral Petroleum, our operating entity in Kazakhstan, secured a three-rig drilling fleet, resumed production in East Zhagabulak and moved rigs to two new exploration targets in the Greater Zhagabulak region,” Ramsay said. “We hold a 25-year production licence on East Zhagabulak and we’re moving to expand our production rights by proving up further reserves in the weeks and months ahead.”

The company expects further announcements in the near future regarding progress on exploration plans.

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 Petroleum Capital LLP (“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, dependence upon regulatory approvals and the risks inherent in oil and gas exploration and production. 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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