

## **Debentureholders back Caspian, Convert Debt to Equity**

CALGARY (Alberta, Canada) April 7, 2011 — A new debenture agreement allows Caspian Energy Inc. to proceed with oil production and drilling projects in Kazakhstan, Caspian CEO William Ramsay said today.

The agreement, ratified by debentureholders and the Board of Caspian, requires approval by the Toronto Stock Exchange and Caspian shareholders. A vote of shareholders is scheduled to be held May 18, 2011 in Toronto.

“This agreement is a vote of confidence by debentureholders, who are already significant shareholders and are now opting to increase their equity position,” Ramsay said. “We take this as strong endorsement of our development plan and prospects for 2011.

This new arrangement removes an issue of uncertainty around the maturity of the debentures that we believe was impeding the recognition of value in our stock price,” he said. The deal erases a March 2, 2011 deadline for repayment of debentures totalling US\$16 million, plus interest accrued from March 1, 2006.

“This immediately converts nearly half our total debt to equity and resets the price of conversion of our remaining debt to 28 cents per share, opening the prospect that Caspian can become debt free with a modest gain on the current stock price.

We’re now in position to increase production from wells in our East Zhagabulak field and to drill on clearly identified targets, both there and in our wider North Block exploration area,” Ramsay said.

“Upon completion of the sale of 10% of Aral Petroleum Capital LLP (“Aral”) announced on November 5, 2010, our new partner in the joint venture will undertake to secure up to \$80 million (US) toward an aggressive development and exploration plan to be initiated in the second quarter of this year,” he said. The plan includes:

- New pumps for two producing wells that should increase gross production to nearly 1,000 barrels per day from the East Zhagabulak field, where the partnership holds a 25-year production licence from the Government of Kazakhstan;
- Drilling two infill wells, one between the two existing producers and another to the south; and,
- Drilling a new well on a seismic anomaly within the Sakramabas trend, offsetting a successful well on the same structure by a neighbouring producer.

“Within the North Block we have further high-priority targets at West Kozdesay, Baktygaryn, Greater Zhagabulak IV and V and near Urikhtau, which we plan to pursue in 2012,” Ramsay said.

“Our agreement with the debentureholders enables all of this to move forward in a logical fashion.”

The new agreement restructures an earlier arrangement with debentureholders regarding the USD 16 million, 10-per-cent per annum, convertible debentures, which matured on March 2, 2011. It was mutually agreed to restructure the existing debentures as follows:

- Convert 44% of the principal amount plus accrued interest into common shares of Caspian at a price of \$0.19 per common share (this aggregates US\$ 9,790,753 convertible to common shares)
- Amend the existing Debentures to an amount of US\$ 12,460,958, with a conversion price of \$0.28 per common share, a floor price (minimum conversion price) of \$0.10 per common share and a 24 -month maturity date
- Hold interest at 10% per annum, payable in cash quarterly, or at the election of the holders in stock at a 5-per-cent discount to the 20-day Volume Weighted Average Price (“VWAP”) plus ½ share purchase warrant (two-year life) at a 30-per-cent premium to the 20-day VWAP.

Debentures are held by Firebird Global Master Fund, Ltd., Firebird Aurora Fund, Ltd., RAB Energy Fund Limited and RAB Octane (Master) Fund Limited.

Upon completion of the new partnership agreement, Caspian Energy Inc., through its subsidiary Caspian Energy Ltd., will own 40% of Aral, the operating entity in Kazakhstan and holder of the 25-year production licence on East Zhagabulak. Aral also owns the three-year exploration agreement for the North Block. The new partner will hold 60% of Aral.

“Today’s agreement with Caspian’s debentureholders gives the partners unfettered access to our assets in Kazakhstan,” Ramsay said. “It opens the way for us to transform our partnership from a pure explorer into a material producer of oil in a matter of months and to convert further exploration targets to production in 2012.”

*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 (resulting in it holding a 40% interest), 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 and shareholder 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.*

**For further information, please contact Caspian Energy Inc.:**

**William Ramsay**

President and Chief Executive Officer

447-73663-1378

**Brian Korney**

Chief Financial Officer