



**ASX: CIG**

**31 July 2012**

## **June Quarterly Activity Report**

Perth-based exploration company Caspian Oil & Gas Limited (ASX: CIG) reports its activities for the June 2012 quarter.

### **Highlights**

In line with the Company's strategy of assessing new opportunities and following a period of due diligence, Caspian Oil & Gas has entered into a Heads of Agreement for the purchase of Equus Resources Limited. Equus has the right to acquire the highly prospective Naltagua Copper Project in Chile. Subject to shareholder approval, the acquisition of Equus is targeted for completion in early September 2012.

### **Kyrgyz Republic Oil**

- The Mailisu III #6 well was put into production in late May 2012. After an initial flush production, the well is producing at around 10 barrels of oil per day. To end June the well has produced 360 barrels of oil.
- As previously announced, a majority of the Kyrgyz oil and gas exploration permits expire at the end of December 2012 and, despite extensive negotiations with the Government, the permits will not be renewed thus bringing their 10 year tenure to an end. The flow rates and revenue from the production licences continue to decline, making a shutdown or disposal of the Kyrgyz operations inevitable in the near term.

### **Minerals**

- Caspian holds an 8% interest, being carried to feasibility plus US\$500,000 on completion of a feasibility study, in Burey Gold Limited's Mansounia project located in Guinea, West Africa. On 21 June 2012, Burey announced a resource upgrade at Mansounia:
  - An upgrade to the Mansounia gold resource in Guinea has significantly enhanced the quality and size of the resource. Resource now stands at 52 million tonnes at 0.8g/t gold for **1,294,000 ounces of gold, using a 0.4g/t gold cut-off;**
  - This is an increase of approximately 56% on the previous estimate (May 2009) of 36.5 million tonnes at 0.7g/t gold for 829,700 ounces, using a 0.4g/t Au gold cut-off
  - The majority of the resource is hosted in near surface relatively soft saprolite (clay rich) material. The latest drilling has identified numerous primary lode units where the gold grade is generally higher than for the saprolite material.
  - The resource remains open in a number of directions and potential exists to increase the resource defined in the project area.

Burey has reported that this substantial increase in mineral resources provides further encouragement for a development proposal for the Mansounia Gold Deposit, which is presently the subject of an independent review to appraise development options.

**Table A: Mansounia May 2012 Mineral Resource estimate at an assigned 0.4g/t Au cut-off**

Material Type	Indicated		Inferred		Total		
	Tonnes (Mt)	Au (g/t)	Tonnes (Mt)	Au (g/t)	Tonnes (Mt)	Au (g/t)	Ounces
Haematitic Laterite	3.3	0.6	3.3	0.5	6.6	0.6	123,000
Limonitic Laterite	2.8	0.7	2.7	0.5	5.4	0.6	108,000
Oxide	-	-	20.0	0.8	20.0	0.8	488,000
Transitional	-	-	10.1	0.8	10.1	0.8	260,000
Fresh	-	-	9.9	1.0	9.9	1.0	315,000
<b>Total</b>	<b>6.1</b>	<b>0.7</b>	<b>45.9</b>	<b>0.8</b>	<b>52.0</b>	<b>0.8</b>	<b>1,294,000</b>

- Negotiations to sell the subsidiary holding Caspian's Ghana gold and diamond leases are still in progress.

### September Quarter Plans

- Completion of the acquisition of Equus Resources Limited and commencement of exploration at the Naltagua Copper Project. Equus has planned a drill program at Naltagua and is currently in the process of obtaining the necessary environmental clearances before drilling can commence.

### Kyrgyz Republic Oil Projects

#### Operations

Following the removal of stuck perforation guns from the Mailisu III #6 well bore in the Kyrgyz Republic and acidisation, the well was put into production. After an initial flush production, the well is producing at around 10 barrels of oil per day. To end June the well has produced 360 barrels of oil.

The Mailisu III field is held by 70%-owned Caspian Oil subsidiary South Derrick LLC.

#### Licences and Farmout

As noted in the last Quarterly Report, farm-out efforts were not yielding results as a consequence of the inability to extend the tenure of the exploration permits. With production revenues declining and the early promise from Mailisu III #6 not coming to fruition, a shutdown or disposal of the Kyrgyz operations is inevitable in the near term.

## **Mineral Assets**

Caspian Oil & Gas retains a number of mainly African minerals related assets. These assets include shares in listed gold producers and explorers, royalty interests and gold and diamond projects in Ghana, Ivory Coast, Guinea and the Democratic Republic of Congo (DRC).

The Company has continued to fund its activities by the sale of shares in listed minerals companies. At June 30 2012 the market value of Caspian's listed minerals company shares was \$1.44 million.

Caspian owns the Osenase, Pramkese and Asamankese exploration licences in Ghana, which are prospective for alluvial and hard rock diamonds and gold. The Company is in discussion with a party for the potential sale of its subsidiary company which owns these relatively grass roots but prospective exploration licences.

Caspian holds 0.5% royalties on production from Perseus Mining Ltd's Tengrela Gold Project in Côte d'Ivoire and Grumesa Gold Project in Ghana, both of which are moving towards possible development over the next two years and will be expected to provide an initial cash flow of around US\$1.3m per year from end 2013 if current gold prices are maintained.

Burey Gold Ltd is farming into Caspian's Mansounia gold projects in Guinea. A resource upgrade was released in June at the Company's Mansounia Gold Project, representing a 56% increase on the previous resource to 1,294,000 ounces of gold, using a 0.4g/t gold cut-off.

Caspian also has a joint venture on two diamond exploration licences at Tshikapa in the Democratic Republic of Congo which is funded by its joint venture partner, Delrand Resources Limited.

Details in relation to the proposed acquisition of Equus Resources Limited and its Naltagua Copper Project are contained in the Company's announcement dated 23 July 2012.

### **For further information please contact:**

**Graeme Parsons**

**Colin Carson**

**Telephone: +61 448 187 149**

**Telephone: +61 8 9380 6789**

**Email: [parsonsg@caspianogl.com](mailto:parsonsg@caspianogl.com)**

**Email: [carsonc@caspianogl.com](mailto:carsonc@caspianogl.com)**

### **More information is available on the Company's website [www.caspianogl.com](http://www.caspianogl.com)**

The information in this report that relates to oil and gas exploration results and hydrocarbon reserves is based on information compiled by Mr Graeme Parsons, who is a petroleum geoscientist. Mr Parsons is a Director and full-time employee of the Company. Mr Parsons has more than 30 years' experience in this discipline and he consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Exploration results and mineral resources referred to at the Mansounia Project above are obtained from public records of Burey Gold Limited, the operator of the project.