

## **CASPIAN ANNOUNCES FINANCIAL RESULTS FOR QUARTER ENDED OCTOBER 31, 2004**

LONDON, December 17, 2004 – Caspian Energy Inc. (AIM and TSX-CEK) today reported on its results for the three months ended October 31, 2004.

On September 21, 2004, Caspian Energy Inc. (formerly Northway Explorations Limited) announced that it had completed a merger with Caspian Energy Ltd. that combined the operations of Caspian Energy Ltd., which included a 50% indirect interest in Aral Petroleum Capital LLP (“Aral”), through which it will have the right to explore and develop certain oil and gas properties known as the North Block, a 2,348 square kilometre area, located in the vicinity of the Kazakh pre-Caspian basin, with its own operations. The results of operations of Northway Explorations Limited and Aral have been included with the results of operations of Caspian Energy Ltd. from September 21, 2004 and June 25, 2004, respectively to the end of this fiscal period and reported as the consolidated results of operations of CEK. Caspian Energy Ltd. is the acquirer for accounting purposes.

For the three months ended October 31, 2004, CEK’s net loss was \$4,572,521. For the period from incorporation on April 13, 2004 to October 31, 2004, CEK’s net loss was \$5,238,194. Large non-cash items equal to \$3,157,292 relating to stock-based compensation charges and \$1,185,222 pertaining to an unrealized foreign exchange loss resulting from holding British pounds Sterling and reporting in Canadian dollars served to increase this figure.

CEK’s operations used \$207,961 in cash for the three months ended October 31, 2004 and \$865,008 in cash for the period from incorporation on April 13, 2004 to October 31, 2004. The benefit of production resulting from the inclusion of Aral’s operational data fully in the three months ended October 31, 2004 contributed to this *pro rata* reduction in cash used.

Oil revenues before transportation costs for the three months ended October 31, 2004 were \$640,781. The growth in pro rata sales over the figure for the period from incorporation on April 13, 2004 to October 31, 2004 resulted from the inclusion of Aral’s data effective June 25, 2004. For the period from incorporation on April 13, 2004 to October 31, 2004, revenues were \$891,521.

For the three months ended October 31, 2004, operating costs totalled \$184,854. Operating expenses averaged \$5.07/barrel since the inclusion of production. For the period from incorporation on April 13, 2004 to October 31, 2004, operating costs were \$257,188. Administrative expenses for the three months ended October 31, 2004 were \$705,818.

Capital expenditures during the three months were \$18,046,461, compared to the overall figure of \$19,248,084 for the period from incorporation on April 13, 2004 to October 31, 2004. Capital expenditures are composed of advances to Aral and the expenditure of funds by Aral.

CEK today filed on SEDAR restated financial statements and MD&A with respect to its October 31, 2004 quarter. The material change made to such documents from the version previously filed relate to the issued and outstanding common shares which was previously overstated by the

5,909,091 common shares of Caspian Energy Ltd. held by Northway Explorations Limited that were cancelled in connection with the Northway – Caspian Energy Ltd. merger and to clarify the number of issued and outstanding options and share purchase warrants. As at October 31, 2004, CEK had 82,623,830 issued and outstanding common shares, 6,138,228 options and 1,688,333 share purchase warrants exercisable at \$0.66 per share. In addition, the restated MD&A adds disclosure regarding CEK's critical accounting estimates and general and administrative expenses incurred during the period and clarifies the disclosure regarding certain of its arrangements in Kazakhstan.

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**CAUTIONARY NOTE**

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