

5 May 2005

CASPIAN ENERGY INC.

Caspian Energy Inc. announces results

Caspian Energy Inc. (the "Company" or "CEK") (TSX and AIM: CEK) announced today its financial results for the period commencing April 13, 2004 and ending January 31, 2005. Its audited financial statements for the period and related management's discussion and analysis have been filed with Canadian securities regulatory authorities and are available for viewing at www.sedar.com. All amounts are expressed in Canadian dollars unless otherwise indicated.

For the period from incorporation on April 13, 2004 to January 31, 2005, CEK's net loss was \$5,001,455. Large non-cash items equal to \$3,629,436 relating to stock-based compensation charges and \$406,270 pertaining to future income taxes in Kazakhstan contributed to this loss.

CEK's operations used \$824,501 in cash for the period from incorporation on April 13, 2004 to January 31, 2005.

Oil revenues before transportation costs for the period from incorporation on April 13, 2004 to January 31, 2005 were \$1,618,511.

For the period from incorporation on April 13, 2004 to January 31, 2005, operating costs were \$545,099 and transportation expenses were \$68,601. Administrative expenses for the same period were \$2,113,461.

Capital expenditures were \$17,314,947, for the period from incorporation on April 13, 2004 to January 31, 2005. Capital expenditures are composed of advances to Aral and the Company's share of the expenditure of funds by Aral.

The Company is an oil exploration and development corporation operating in the Republic of Kazakhstan.

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CAUTIONARY NOTE

Some of the statements and information contained in this news release may include certain estimates, assumptions and other forward-looking information. The actual

performance, developments and/or results of the Company may differ materially from any or all of the forward-looking statements, which include current expectations, estimates and projections, in all or in part attributable to general economic conditions, and other risks, uncertainties and circumstances partly or totally outside the control of the Company, including oil prices, imprecision of reserve estimates, drilling risks, future production of gas and oil, rates of inflation, changes in future costs and expenses related to the activities involving the exploration, development, production and transportation of oil, hedging, financing availability and other risks related to financial activities, and environmental and geopolitical risks. Further information which may cause results to differ materially from those projected in the forward-looking statements is contained in the Company's filings with Canadian securities regulatory authorities. The Company disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

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REVIEW OF OPERATIONS

On September 21, 2004, the Company (formerly known as “Northway Explorations Limited”) announced that it had completed a merger with Caspian Energy Ltd. (“CEL”) that combined its own operations with the operations of CEL, which included a 50% indirect interest in Aral Petroleum Capital LLP (“Aral”), through which CEL has 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.

Upon completion of the merger, CEL became a wholly-owned subsidiary of the Company. However, CEL is deemed to be the acquirer for accounting purposes and the Company is deemed to be a continuation of CEL, such that the financial statements of the Company are those of CEL. Accordingly, the results of operations of the Company and Aral have been included with the results of operations of CEL 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 the Company.

During the year-ended January 31, 2004, Northway wrote-down (by \$1,421,475) its mining properties to \$66,670. This reduction was precipitated by the arm’s-length purchase of an additional 7.5% in the same property at pro rata value from third parties. The Company now holds a 25% interest in this property. This independent assessment of value caused the Company to believe that value in the property had been seriously impaired and account for such reduction appropriately.

Further, Northway, in its July 31, 2004 interim financial statements recognized a gain on the sale of marketable securities equal to \$882,330, justifying its historical carrying cost and reducing the balance in that account to \$80,131. During this fiscal period, the balance was reduced to \$11,731, a carrying cost less than market value of the underlying securities. A gain of approximately \$32,000 was recognized on the disposition and is included in “Other income”. The Company does not currently pursue investments in marketable securities.

On April 27, 2004, CEL raised US\$9,750,000 through the issue and sale of 23,045,454 common shares by way of a private placement. Effective June 25, 2004, CEL acquired a 50% interest in Aral and a temporary 100% beneficial interest in the currently producing well of Aral from Azden Management Limited (“Azden”), in exchange for 16,545,454 common shares of CEL valued at \$9,430,909 and payment of US\$9.0 million in cash.

On September 20, 2004, prior to completion of the merger, CEL completed a private placement of 7,142,000 common shares at a price of \$1.90 per share. On September 21, 2004, concurrently with the closing of the merger, the common shares of the Company were admitted to trading on the Alternative Investment Market (AIM) of the London Stock Exchange (and continue to be listed on the Toronto Stock Exchange) and the Company completed a private placement of 20,218,000 common shares at a price of 0.82 Pounds Sterling per share.

Collectively, the net proceeds raised by the Company and CEL in September of 2004 permit CEL to fund the obligations of Aral relating to a minimum work program pursuant to an exploration contract dated December 29, 2002 that Aral entered into with the Ministry of Energy and Mineral Resources (Republic of Kazakhstan – “ROK”). Under the terms of the work program, Aral has agreed to spend a minimum of US\$20.8 million during the initial three year term of the exploration contract, of which US\$5,159,200 remains to be expended in the calendar year 2005. The expenditures include such things as processing and reinterpretation of geological and geophysical data of prior years, two dimensional and three dimensional seismic shoots and surveys, drilling exploration wells, well reactivations and well surveys and testing.

Under the terms of a shareholders’ agreement dated June 25, 2004, as amended, between CEL, Azden and Aral, CEL is obligated to fund this initial work program. Further, under the terms of this same agreement, CEL has committed to use all reasonable commercial efforts to raise financing of US\$84.0 million to fund the operations of Aral under the exploration contract. Funds are transferred to Aral via monthly instalments. The Company’s strategy is to focus on the operations of Aral and the significant opportunity it presents in the North Block.

On February 18, 2005, the first extension of the “2 + 2 years” option pursuant to the exploration contract was approved by the ROK covering the 2006 and 2007 calendar years. During March 2005, Aral was awarded the exploration rights over an additional 1,110 square kilometre area adjacent to the north and west portions of the North Block.

Terms of Aral’s exploration contract include a 3% royalty during the pilot phase, a 10% fee, based upon sales, after VAT (value-added tax), a 30% corporate income tax and the liability for an excess profits tax based upon a sliding scale (0% – 30%) internal rate of return.

Caspian accesses western capital markets and utilizes western technology to explore and exploit Kazakh assets. The proceeds of the capital issues during the period are being used to fund the exploration program and support pilot production. The operational strategy of the Company is as follows:

- To prove-up the maximum amount of reserves with the minimum number of wells
- To utilize 3-D seismic and international standards and evaluation technology
- To focus initially on the Zhagabulak area in the North Block, where the pilot production exists, and then move to other areas within the North Block
- To position the Company to maximize value to the investor through sales of discovered fields, selected developments, or sale of the North Block

To date, the initial 3-D seismic program covering 400 square kilometres is complete and, as at March 12, 2005, 140 square kilometres has been processed and interpreted with encouraging results. Two 5,000 metre exploration wells are planned for Zhagabulak.

The first well is expected to spud during July 2005 and the second prior to year-end. The wells are expected to cost in the range of US\$ 6.8 million to US\$ 9.2 million depending upon the outcome.

Consolidated Balance Sheet

Expressed in Canadian Dollars

January 31, 2005

Assets

Current assets:

Cash and cash equivalents	\$	43,066,470
Accounts receivable		181,387
Prepays and other deposits		486,992
Other assets		11,731

43,746,580

Property, plant and equipment (note 4) 40,419,409

Accumulated depletion and depreciation (76,139)

40,343,270

\$ 84,089,850

Liabilities and Shareholders' Equity

Current liabilities:

Accounts payable and accrued liabilities \$ 1,366,096

Loan payable (note 8) 7,336,841

Consolidated Statement of Loss and Deficit

Expressed in Canadian Dollars

Period from incorporation on April 13, 2004 to January 31, 2005

Revenues:		
Oil and gas revenue, net	\$	1,618,511
Interest		238,385
Other income		45,764
		1,902,660
Expenses:		
General and administrative		2,113,461
Operating		545,099
Transportation		68,601
Stock-based compensation (note 7)		3,629,436
Unrealized foreign exchange loss		57,642
Depletion, depreciation and accretion		83,606
		6,497,845
Loss before income taxes		(4,595,185)
Future income taxes		406,270
Net loss for the period		(5,001,455)

Retained earnings, beginning of period		-
Deficit, end of period	\$	(5,001,455)
Basic and diluted loss per share (note 6)	\$	(0.09)

Consolidated Statement of Cash Flows

Expressed in Canadian Dollars

Period from incorporation on April 13, 2004 to January 31, 2005

Cash provided by (used in):		
Operating:		
Net loss for the period	\$	(5,001,455)
Add non-cash items:		
Stock-based compensation		3,629,436
Unrealized foreign exchange loss		57,642
Depletion, depreciation and accretion		83,606
Future income taxes		406,270
Changes in non-cash working capital		(680,110)
		(1,504,611)
Financing:		
Issuance of common shares		65,794,363
Share issue expenses		(6,209,585)
		59,584,778
Investing:		
Acquisition of property, plant and equipment		(17,314,947)
Cash acquired on acquisition (note 3)		2,301,250
Changes in non-cash working capital		1,366,096

		(15,013,697)
Increase in cash and cash equivalents		43,066,470
Cash and cash equivalents, beginning of period		-
Cash and cash equivalents, end of period	\$	43,066,470
Interest paid and received:		
Interest paid	\$	-
Interest received	\$	201,811