

PETROKAZAKHSTAN INC  
Form SC13E4F  
June 14, 2004

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As filed with the Securities and Exchange Commission on June 14, 2004

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## U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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### SCHEDULE 13E-4F

Issuer Tender Offer Statement Pursuant to Section 13(E)(1) of the  
Securities Exchange Act of 1934

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#### PETROKAZAKHSTAN INC.

*(Exact name of Issuer as specified in its charter)*

**Province of Alberta, Canada**

*(Jurisdiction of Issuer's Incorporation or Organization)*

#### PETROKAZAKHSTAN INC.

*(Name of Person(s) Filing Statement)*

**Class A Common Shares, no par value**

*(Title of Class of Securities)*

**71649P102**

*(CUSIP Number of Class of Securities)*

**Suite 1460, Sun Life Plaza, North Tower**

**140-4th Avenue S.W.**

**Calgary, Alberta,**

**Canada T2P 3N3**

**(403)-221-8435**

*(Name, address (including zip code) and telephone number (including area code) of person authorized to receive notices and communications on behalf of the person(s) filing statement)*

**June 11, 2004**

*(Date tender offer first published, sent or given to security holders)*

#### CALCULATION OF FILING FEE

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Transaction Valuation	Amount of Filing Fee
US\$118,160,000(1)	US\$14,970.88(1)

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(1)

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The fee has been calculated pursuant to the instructions for Schedule 13E-4F as prescribed by Section 13(e)(3) of the Securities Exchange Act of 1934, as amended, based on the purchase of up to 4,000,000 Class A Common Shares at the maximum cash offer price of Cdn\$160,000,000 per share and based on an exchange rate of Cdn\$1.00 to USD\$0.7385, the inverse noon buying rate in The City of New York for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York on June 9, 2004.

o

Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid:

Registration No.:

Filing Party:

Form:

Date Filed:

**PART I**

**INFORMATION REQUIRED TO BE SENT TO SHAREHOLDERS**

**Item 1. Home Jurisdiction Documents**

1. Offer to Purchase and Circular dated June 11, 2004
2. Letter of Transmittal
3. Notice of Guaranteed Delivery
4. Letter to Shareholders
5. Letter to Optionholders
6. Form of Broker Letter to Clients

**Item 2. Informational legends**

See the cover of the Offer to Purchase and Circular.

**OFFER**  
by  
**PETROKAZAKHSTAN INC.**

**TO PURCHASE FOR NOT MORE THAN C\$160,000,000 IN CASH  
UP TO 4,000,000 OF ITS CLASS A COMMON SHARES  
AT A PURCHASE PRICE NOT LESS THAN C\$40 PER CLASS A COMMON SHARE**

PetroKazakhstan Inc. ("PetroKazakhstan" or the "Corporation") invites its shareholders ("Shareholders") to deposit Class A Common Shares (the "Shares") of the Corporation pursuant to (i) auction tenders at prices specified by the depositing Shareholders of not less than C\$40 per Share ("Auction Tenders"), or (ii) purchase price tenders ("Purchase Price Tenders"), in either case upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which together constitute the "Offer"). Under a Purchase Price Tender, a depositing Shareholder does not specify a price but rather agrees to have the Shareholder's Shares purchased at the Purchase Price determined as provided herein. Shareholders who deposit Shares without making a valid Auction Tender or Purchase Price Tender election will be deemed to have made a Purchase Price Tender.

**The Offer expires at 5:00 p.m. (Toronto time) on July 19, 2004, unless extended (the "Expiration Date").** PetroKazakhstan reserves the right to withdraw the Offer and not take up and pay for any Shares deposited under the Offer unless certain conditions are satisfied. See Section 5 of the Offer, "Certain Conditions of the Offer".

PetroKazakhstan will determine a single price per Share (that is not less than C\$40 per Share) (the "Purchase Price") that it will pay for Shares properly deposited pursuant to the Offer, taking into account the number of Shares deposited pursuant to Auction Tenders and Purchase Price Tenders, the prices specified by Shareholders making Auction Tenders and the price at which Shares deposited pursuant to Purchase Price Tenders are deemed to have been deposited. Shares deposited by Shareholders pursuant to Auction Tenders will not be purchased by PetroKazakhstan pursuant to the Offer if the price specified by Shareholders is greater than the Purchase Price determined by the Corporation. Shareholders who wish to deposit Shares, but who do not wish to specify a price at which such Shares may be purchased by the Corporation, should make a Purchase Price Tender. Shares deposited pursuant to Purchase Price Tenders will be deemed to have been deposited at a price of C\$40 per Share.

The Purchase Price will be the lowest price at or above C\$40 per Share that will enable PetroKazakhstan to purchase the maximum number of deposited Shares having an aggregate purchase price not exceeding C\$160,000,000.

*This document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to, nor will deposits be accepted from or on behalf of, Shareholders in any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the laws of such jurisdiction. However, PetroKazakhstan may, in its sole discretion, take such action as it may deem necessary to extend the Offer to Shareholders in such jurisdiction.*

June 11, 2004 (cover continued on pages ii-iv)

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Each Shareholder who has properly deposited Shares pursuant to an Auction Tender at or below the Purchase Price or pursuant to a Purchase Price Tender and who has not withdrawn such Shares will receive the Purchase Price, payable in cash (subject to applicable withholding taxes), for all Shares purchased upon the terms and subject to the conditions of the Offer, including the provisions relating to pro ration described below. PetroKazakhstan will first accept for purchase Shares properly deposited by any Shareholder who beneficially holds, as of the Expiration Date, fewer than 100 shares and who deposits all such Shares at or below the Purchase Price or pursuant to a Purchase Price Tender.

If more Shares are deposited for purchase at the Purchase Price than can be purchased for C\$160,000,000, the deposited Shares will be purchased on a *pro rata* basis according to the number of Shares deposited (or deemed to be deposited) by the depositing Shareholders (with adjustments to avoid the purchase of fractional Shares), except that deposits by Shareholders who own fewer than 100 shares, or "Odd Lots", will not be subject to pro ration. See Section 2 of the Offer, "Number of Shares; Pro Ration".

PetroKazakhstan will return all Shares not purchased under the Offer, including Shares deposited pursuant to an Auction Tender at prices greater than the Purchase Price and Shares not purchased because of pro ration.

As of May 31, 2004, there were 80,594,666 Shares issued and outstanding and, accordingly, the Offer may result in the purchase by PetroKazakhstan of up to 4,000,000 Shares, approximately 5% of the total number of issued and outstanding Shares.

PetroKazakhstan's Shares are listed and posted for trading on the Toronto Stock Exchange (the "TSX"), the New York Stock Exchange (the "NYSE"), the London Stock Exchange and the Frankfurt Stock Exchange under the symbol "PKZ". On May 3, 2004, the last full Trading Day prior to the announcement of the Offer, the closing price per Share on the TSX was C\$37.85 and the closing price per Share on the NYSE was US\$27.57. On June 10, 2004, the last full Trading Day prior to the mailing of the Offer, the closing price per Share on the TSX was C\$36.77 and the closing price per Share on the NYSE was US\$27.15.

**Neither PetroKazakhstan nor its Board of Directors makes any recommendation to any Shareholder as to whether to deposit or refrain from depositing Shares. Each Shareholder must decide for itself whether to deposit Shares under the Offer. Shareholders are urged to consult their own investment and tax advisors and make their own decisions whether to deposit Shares to the Offer and, if so, how many Shares to deposit and at what price or prices.**

**Shareholders should carefully consider the income tax consequences of accepting the Offer. See Section 8 of the Circular, "Income Tax Consequences".**

Any Shareholder desiring to deposit all or any portion of the Shareholder's Shares under the Offer should either complete and sign the Letter of Transmittal in accordance with the instructions in such Letter of Transmittal and deliver it, together with all other required documents, to Computershare Trust Company of Canada, as depositary (the "Depositary"), and either deliver the certificates for such Shares to the Depositary as set forth in Section 3 of the Offer, "Procedure for Depositing Shares", or request that the Shareholder's broker, dealer, commercial bank, trust company or other nominee to effect the transaction for the Shareholder. Any Shareholder having Shares registered in the name of a broker, dealer, commercial bank, trust company or other nominee should contact such person or institution if the Shareholder desires to deposit such Shares. Any Shareholder who desires to deposit Shares, and whose certificates for such Shares are not immediately available on a timely basis, may deposit such Shares by following the procedures for guaranteed delivery set forth in Section 3 of the Offer, "Procedure for Depositing Shares - Guaranteed Delivery".

*All dollar references in the Offer and the Circular are in Canadian dollars (C\$), except where otherwise indicated. All dollar references in the Annual Information Form and the Annual Report on Form 40-F incorporated herein by reference are to United States dollars, except where otherwise indicated.*

### INFORMATION FOR UNITED STATES SHAREHOLDERS ONLY

This Offer is made by PetroKazakhstan, a foreign issuer, for its own securities, and while the Offer and the Circular are subject to the disclosure requirements of the Province of Alberta, Canada, the province under the laws of which PetroKazakhstan is incorporated, and the other provinces of Canada, Shareholders should be aware that in some respects those disclosure requirements are different from those of the United States. PetroKazakhstan's financial statements referenced in this Offer and the Circular have been prepared in accordance with Canadian generally accepted accounting principles, and are subject to Canadian auditing and auditor independence standards, which differ in some respects from accounting principles and auditing standards generally accepted in the United States, and these differences may be material. The significant differences between Canadian and United States generally accepted accounting principles as they apply to PetroKazakhstan are set forth in Note 21 to the Consolidated Annual Financial Statements of PetroKazakhstan contained in its 2003 Annual Report.

The enforcement by Shareholders of civil liabilities under U.S. securities laws may be adversely affected by the fact that PetroKazakhstan is incorporated under the laws of Alberta, Canada and that all of its officers and directors are residents of countries other than the United States. Enforcement of civil liabilities under U.S. securities laws may further be adversely affected by the fact that none of the experts named in the Offer are residents of the United States. Shareholders should be aware that the acceptance of the Offer will have certain tax consequences under United States and Canadian law, and should consult their tax advisors with respect to those consequences in considering this Offer.

Shareholders should be aware that PetroKazakhstan or its affiliates, directly or indirectly, may bid or make purchases of the Shares subject to the Offer during the period of the Offer, as permitted by applicable Canadian laws or regulations, or provincial laws or regulations.

PetroKazakhstan has filed with the Securities and Exchange Commission (the "SEC") an Issuer Tender Offer Statement on Schedule 13E-4F with respect to the Offer pursuant to Section 13(e)(1) of the *Securities Exchange Act of 1934*, as amended (the "Exchange Act"), and Rule 13e-4(g) promulgated thereunder.

### AVAILABLE INFORMATION

In addition to the requirements of applicable securities laws in Canada, PetroKazakhstan is subject to the informational requirements of the Exchange Act and in accordance therewith files periodic reports and furnishes other information with the SEC relating to its business, financial condition and other matters. PetroKazakhstan has filed an Issuer Tender Offer Statement on Schedule 13E-4F with the SEC. Such material and periodic reports filed and other materials furnished by PetroKazakhstan may be inspected and copied at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains such material, periodic reports and other information that PetroKazakhstan files or furnishes with the SEC electronically. The address of this Internet site is <http://www.sec.gov>.

### INFORMATION FOR UNITED KINGDOM SHAREHOLDERS ONLY

A Share constitutes a "controlled investment" for the purposes of the promotion restriction under Section 21 of the *Financial Services and Markets Act 2000* (the "FSMA") and, accordingly, the Offer cannot be promoted in the United Kingdom to the general public by any person not authorized by the Financial Services Authority under the FSMA.

This document must not be acted on or relied on by any persons in the United Kingdom who are not Shareholders of PetroKazakhstan and any investment or investment activity described or referred to in this document is available only to Shareholders and will be engaged in only with Shareholders.

This document is required to be communicated by securities laws in Canada and the United States and is communicated or caused to be communicated and will be communicated or caused to be communicated only to Shareholders of PetroKazakhstan in accordance with Articles 29 and 67 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001.

If a Shareholder has any doubt about the content of this document and/or any action that the Shareholder should take, such Shareholder is strongly advised to seek independent financial advice immediately from a stockbroker, solicitor, accountant or other independent financial advisor who specializes in advising on investment in securities. Nothing in this document constitutes investment, tax, legal or other advice by PetroKazakhstan or the Dealer Manager (if retained pursuant to Section 13, "Soliciting Dealer Group", of the Circular). This document has not been reviewed, authorized or otherwise approved by the United Kingdom Financial Services Authority or any other regulatory body in the United Kingdom.

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## SUMMARY

*This summary is qualified in its entirety by reference to the full text and more specific details in the Offer and the Circular.*

<b>Expiration Date</b>	5:00 p.m. (Toronto time) on July 19, 2004 or such later date and time to which the Offer may be extended by PetroKazakhstan.
<b>Payment Date</b>	Subject to the terms and conditions of the Offer, PetroKazakhstan will take up and pay for Shares as soon as practicable and, in any event, not later than ten days after the Expiration Date.
<b>Currency of Payment</b>	The Purchase Price will be denominated in Canadian dollars. Amounts payable to depositing Shareholders will be in Canadian dollars. Shareholders have the option to receive payment in United States dollars. See Section 6 of the Offer, "Acceptance for Payment and Payment for Shares Payment".
<b>How to Tender Shares</b>	<p>Shareholders wishing to deposit Shares may do so either pursuant to (i) Auction Tenders, or (ii) Purchase Price Tenders. Shareholders who tender without making a valid Auction Tender or Purchase Price Tender will be deemed to have made a Purchase Price Tender.</p> <p><i>Auction Tender:</i> Each Shareholder making an Auction Tender must specify the minimum price (of not less than C\$40 per Share, in increments of C\$0.10 per Share thereafter) at which such Shareholder is willing to have the Shareholder's Shares purchased by PetroKazakhstan.</p> <p><i>Purchase Price Tender:</i> Under a Purchase Price Tender, a depositing Shareholder does not specify a price but rather agrees to have the Shareholder's Shares purchased at the Purchase Price determined as provided herein.</p>
<b>Delivery Procedure</b>	<p>Any Shareholder desiring to deposit all or any portion of the Shareholder's Shares under the Offer should complete and sign the Letter of Transmittal in accordance with the instructions in such Letter of Transmittal and deliver it, together with all other required documents, to the Depositary, along with the share certificates for such Shares, as set forth in Section 3 of the Offer, "Procedure for Depositing Shares", or request that the Shareholder's broker, dealer, commercial bank, trust company or other nominee effect the transaction for such Shareholder. <b>Any Shareholder having Shares registered in the name of a broker, dealer, commercial bank, trust company or other nominee should contact such person or institution if the Shareholder desires to deposit such Shares.</b> Any Shareholder who desires to deposit Shares and whose certificates for such Shares are not immediately available may deposit such Shares by following the procedures for guaranteed delivery set forth in Section 3 of this Offer, "Procedure for Depositing Shares Guaranteed Delivery".</p>
<b>Purchase Price</b>	PetroKazakhstan will determine a single Purchase Price, which will not be less than C\$40 per Share, taking into account the number of Shares deposited pursuant to Auction Tenders and Purchase Price Tenders, the prices specified by Shareholders making Auction Tenders and the price at which Shares deposited pursuant to Purchase Price Tenders are deemed to have been deposited. Shares deposited pursuant to Purchase Price Tenders will be deemed to have been deposited at a price of C\$40 per Share for purposes of determining the Purchase Price.



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All Shares purchased by PetroKazakhstan will be purchased at the Purchase Price, including Shares deposited at or below the Purchase Price pursuant to Auction Tenders and Shares deposited pursuant to Purchase Price Tenders.

PetroKazakhstan will return all Shares not purchased under the Offer, including Shares deposited pursuant to an Auction Tender at prices greater than the Purchase Price, Shares not purchased because of pro ration and Shares not accepted for Purchase.

The Purchase Price will be the lowest price (of not less than C\$40 per Share) that will allow PetroKazakhstan to purchase the maximum number of deposited Shares having an aggregate purchase price not exceeding C\$160,000,000. See Section 1 of the Offer, "Purchase Price".

### **Number of Shares to be Purchased**

PetroKazakhstan will purchase Shares under the Offer up to a maximum aggregate purchase price of C\$160,000,000. Since the Purchase Price will only be determined after the Expiration Date, the number of Shares that will be purchased will not be known until after the Expiration Date. If the Purchase Price is determined to be C\$40 per Share, the minimum purchase price under the Offer, the maximum number of shares that may be purchased under the Offer is 4,000,000.

### **Pro ration**

If the aggregate purchase price for Shares properly deposited by the Expiration Date pursuant to Auction Tenders at prices at or below the Purchase Price or pursuant to Purchase Price Tenders exceeds C\$160,000,000, then the deposited Shares will be purchased on a *pro rata* basis according to the number of Shares deposited (or deemed to be deposited) at or below the Purchase Price by the depositing Shareholders (with adjustments to avoid the purchase of fractional Shares), except that deposits by Shareholders who own Odd Lots will not be subject to pro ration. See Section 2 of the Offer, "Number of Shares; Pro Ration".

### **Odd Lots**

PetroKazakhstan will accept for purchase without pro ration all Shares deposited by any Shareholder owning fewer than 100 Shares as of the close of business on the Expiration Date, provided such Shareholder deposits prior to the Expiration Date all such Shares pursuant to an Auction Tender at or below the Purchase Price or pursuant to a Purchase Price Tender, and in either case checks (or ticks) the Odd Lots box in either the Letter of Transmittal or the Notice of Guaranteed Delivery. See Section 2 of the Offer, "Number of Shares; Pro Ration".

### **Brokerage Commissions**

None.

### **Conditions of the Offer**

PetroKazakhstan reserves the right to withdraw the Offer and not take up and pay for Shares deposited thereunder unless the conditions described in Section 5 of the Offer are satisfied or waived. See Section 5 of the Offer, "Certain Conditions of the Offer".

### **Withdrawal Rights**

Deposited Shares may be withdrawn at any time by a Shareholder if the Shares have not been taken up by PetroKazakhstan or if the Shares have not been paid for by PetroKazakhstan within three business days of being taken up. See Section 4 of the Offer, "Withdrawal Rights".

### **Tax**

**Shareholders should carefully consider the income tax consequences of accepting the Offer. See Section 8 of the Circular, "Income Tax Consequences".**

**Position of PetroKazakhstan and Directors**

Neither PetroKazakhstan nor its Board of Directors makes any recommendation to any Shareholder as to whether to deposit or refrain from depositing Shares. Each Shareholder must decide for itself whether to deposit Shares under the Offer. **Shareholders are urged to consult their own investment and tax advisors and make their own decisions whether to deposit Shares to the Offer and, if so, how many Shares to deposit, and at what price or prices.**

**Acceptance of the Offer**

The directors and senior officers of the Corporation who beneficially own, directly or indirectly, or exercise control or direction over Shares have advised the Corporation that they do not have a present intention to accept the Offer, except for Bernard F. Isautier, Chairman of the Board, President, Chief Executive Officer and a director of the Corporation, and Jacques Lefèvre, a director of the Corporation, who have each indicated that they are considering tendering pursuant to the Offer up to the total number of respective Shares that they hold or control and Nurlan Kapparov, a director of the Corporation, who has indicated that he intends to tender 100,000 Shares pursuant to the Offer. See Section 5 of the Circular, "Ownership of PetroKazakhstan's Securities Acceptance of the Offer".

**Further Information**

For further information regarding the Offer, Shareholders may contact the Depositary or consult their broker. The addresses and telephone number of the Depositary are set out in the Letter of Transmittal and on the back cover of this Offer.

**NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY RECOMMENDATION ON BEHALF OF PETROKAZAKHSTAN AS TO WHETHER SHAREHOLDERS SHOULD DEPOSIT OR REFRAIN FROM DEPOSITING SHARES PURSUANT TO THE OFFER. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFER OTHER THAN AS SET FORTH IN THIS OFFER OR IN THE LETTER OF TRANSMITTAL. IF GIVEN OR MADE, ANY SUCH RECOMMENDATION OR ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY PETROKAZAKHSTAN.**

## DEFINITIONS

*In the Offer and the Circular, including the Summary, unless the subject matter or context is inconsistent therewith, the following terms have the meanings set forth below:*

"**Auction Tender**" means a deposit of Shares made by a Shareholder pursuant to the Offer where that Shareholder specifies a tender price (of not less than C\$40 per Share, in increments of C\$0.10 per Share thereafter) at which that Shareholder is willing to have all such deposited Shares purchased by the Corporation;

"**Board of Directors**" means the board of directors of PetroKazakhstan;

"**Circular**" means the issuer bid circular accompanying and forming part of the Offer;

"**Corporation**" means PetroKazakhstan Inc.;

"**Depositary**" means Computershare Trust Company of Canada;

"**Deposited Shares**" means Shares validly deposited pursuant to the Offer;

"**Eligible Institution**" means a Canadian Schedule I chartered bank, a major trust company in Canada, a member of the Securities Transfer Agents Medallion Program (STAMP), a member of the Stock Exchange Inc. Medallion Signature Program (SEMP) or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP). Members of these programs are usually members of a recognized stock exchange in Canada or the United States, members of the Investment Dealers Association of Canada, members of the National Association of Securities Dealers or banks and trust companies in the United States;

"**Exchange Act**" means the United States *Securities Exchange Act of 1934*, as amended;

"**Expiration Date**" means 5:00 p.m. (Toronto time) on July 19, 2004, unless PetroKazakhstan, in its sole discretion, extends the period during which the Offer is open, in which event the term "**Expiration Date**" shall refer to the latest time and date at which the Offer, as so extended by PetroKazakhstan, will expire;

"**FSE**" means the Frankfurt Stock Exchange;

"**Letter of Transmittal**" means the letter of transmittal in the form accompanying the Offer;

"**LSE**" means the London Stock Exchange;

"**Notice of Guaranteed Delivery**" means the notice of guaranteed delivery in the form accompanying the Offer;

"**NYSE**" means the New York Stock Exchange;

"**Odd Lot**" means a shareholding of fewer than 100 Shares in the aggregate;

"**Offer**" means the offer by PetroKazakhstan to purchase for not more than C\$160,000,000 in cash up to 4,000,000 Shares hereunder at a Purchase Price not less than C\$40 per Share, together with the related Letter of Transmittal;

"**PetroKazakhstan**" means PetroKazakhstan Inc.;

"**Purchase Price**" means the price per Share (of not less than C\$40 per Share) that PetroKazakhstan will pay for Shares properly deposited pursuant to the Offer, taking into account the number of Shares deposited pursuant to Auction Tenders and Purchase Price Tenders, the prices specified by Shareholders making Auction Tenders and the price at which Shares deposited pursuant to Purchase Price Tenders are considered to have been deposited;

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"**Purchase Price Tender**" means a deposit of Shares (or deemed deposit) made by a Shareholder where that Shareholder does not specify a price for the purchase of Shares by PetroKazakhstan but rather agrees to have their Shares purchased for the Purchase Price as determined under the Offer. Shares deposited pursuant to Purchase Price Tenders will be deemed to have been deposited at a price of C\$40 per Share;

"**SEC**" means the United States Securities and Exchange Commission;

"**Shareholder**" means a shareholder of PetroKazakhstan;

"**Shares**" means the Class A common shares of PetroKazakhstan;

"**Tax Act**" means the *Income Tax Act* (Canada), as amended;

"**Trading Day**" means any day on which trading occurs on the TSX or the NYSE;

"**TSX**" means the Toronto Stock Exchange; and

"**UKLA**" means the United Kingdom Listing Authority, being the United Kingdom Financial Services Authority in its capacity as a competent authority under the *Financial Services and Markets Act 2000* in the United Kingdom.

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## OFFER TO PURCHASE

### To the Holders of Shares of PetroKazakhstan Inc.:

PetroKazakhstan hereby invites its Shareholders to deposit Shares pursuant to (i) Auction Tenders at prices of not less than C\$40 per Share, in increments of C\$0.10 per Share thereafter, as specified by such Shareholders, or (ii) Purchase Price Tenders, in either case, upon the terms and subject to the conditions set forth in this Offer. Shareholders who deposit Shares without making a valid Auction Tender or Purchase Price Tender election will be deemed to have made a Purchase Price Tender. A Shareholder who wishes to deposit Shares but does not wish to specify a price at which the Shares may be purchased by PetroKazakhstan should make a Purchase Price Tender.

**THE OFFER IS NOT CONDITIONAL UPON ANY MINIMUM NUMBER OF SHARES BEING DEPOSITED. THE OFFER IS, HOWEVER, SUBJECT TO CERTAIN OTHER CONDITIONS. SEE SECTION 5 OF THE OFFER, "CERTAIN CONDITIONS OF THE OFFER".**

All Shareholders who have properly deposited and have not withdrawn their Shares pursuant to an Auction Tender at prices at or below the Purchase Price or pursuant to Purchase Price Tenders will receive the Purchase Price, payable in cash (but subject to applicable withholding taxes), for all Shares purchased, upon the terms and subject to the conditions of the Offer, including the provisions relating to pro ration described herein.

PetroKazakhstan will return all Shares not purchased under the Offer, including Shares deposited pursuant to an Auction Tender at prices greater than the Purchase Price and Shares not purchased because of pro ration. Depositing Shareholders will not be obligated to pay any brokerage fees or commissions or, except as set forth in Section 6 of the Offer, "Acceptance for Payment and Payment for Shares", stock transfer taxes on the purchase of Shares by PetroKazakhstan pursuant to the Offer.

**Neither PetroKazakhstan nor its Board of Directors makes any recommendation to any Shareholder as to whether to deposit or refrain from depositing Shares. Each Shareholder must decide for itself whether to deposit Shares and, if so, how many Shares to deposit and at what price or prices. Shareholders are urged to consult their own investment and tax advisors.**

**The accompanying Circular and Letter of Transmittal contain important information and should be read carefully before making a decision with respect to the Offer.**

### 1. PURCHASE PRICE

As promptly as practicable following the Expiration Date, PetroKazakhstan will, upon the terms and subject to the conditions of the Offer, determine the Purchase Price (which will be not less than C\$40 per Share) that it will pay for Shares properly deposited pursuant to the Offer, taking into account the number of Shares deposited pursuant to Auction Tenders and Purchase Price Tenders, the prices specified by depositing Shareholders pursuant to Auction Tenders and the price at which Shares deposited pursuant to Purchase Price Tenders are deemed to have been deposited. Shares deposited pursuant to Purchase Price Tenders will be deemed to have been deposited at a price of C\$40 per Share for purposes of determining the Purchase Price.

PetroKazakhstan will determine a single Purchase Price per Share, being the lowest price (of not less than C\$40 per Share), that will allow it to purchase the maximum number of deposited Shares having an aggregate purchase price not exceeding C\$160,000,000. As promptly as practicable thereafter, PetroKazakhstan will publicly announce the Purchase Price, and upon the terms and subject to the conditions of the Offer (including the pro ration provisions described herein), all Shareholders who have properly deposited and not withdrawn their Shares pursuant to Auction Tenders at prices at or below the Purchase Price or pursuant to Purchase Price Tenders will receive the Purchase Price, payable in cash (but subject to applicable withholding taxes), for all Shares purchased. The Purchase Price will be denominated in Canadian dollars.

### 2. NUMBER OF SHARES; PRO RATION

As of May 31, 2004, there were 80,594,666 Shares outstanding. The maximum of 4,000,000 Shares that PetroKazakhstan is offering to purchase represents approximately 5% of the total number of Shares outstanding as of May 31, 2004.

If the aggregate purchase price (calculated at the Purchase Price) for Shares properly deposited by the Expiration Date (and not withdrawn in accordance with Section 4 of the Offer, "Withdrawal Rights") pursuant to Auction Tenders at or below the Purchase Price or pursuant to Purchase Price Tenders is less than or equal to C\$160,000,000, PetroKazakhstan will, upon the terms and subject to the conditions of the Offer, purchase at the Purchase Price all Deposited Shares.

If the aggregate purchase price (calculated at the Purchase Price) for Shares properly deposited by the Expiration Date (and not withdrawn in accordance with Section 4 of the Offer, "Withdrawal Rights") pursuant to Auction Tenders at or below the Purchase Price or pursuant to Purchase Price Tenders exceeds C\$160,000,000, then the Deposited Shares will be purchased on a *pro rata* basis according to the number of Shares deposited (or deemed to be deposited) at or below the Purchase Price by the depositing Shareholders (with adjustments to avoid the purchase of fractional shares), except that Odd Lot deposits will not be subject to pro ration. For the purposes of the foregoing, an Odd Lot deposit is a deposit by a Shareholder owning in the aggregate fewer than 100 Shares as of the close of business on the Expiration Date, who deposits all such Shares pursuant to an Auction Tender at or below the Purchase Price or pursuant to a Purchase Price Tender prior to the Expiration Date, and in either case checks (or ticks) the "Odd Lots" box in either the Letter of Transmittal or the Notice of Guaranteed Delivery. As set forth above, Odd Lots will be accepted for purchase before any pro ration. Odd Lot holders therefore have the opportunity to sell their Shares without incurring brokerage commissions that they may otherwise incur if they were to sell their Shares in a transaction on the stock exchanges on which the Shares are listed.

**As described in Section 6 of the Offer, "Acceptance For Payment And Payment For Shares", the number of Shares that PetroKazakhstan will purchase from a Shareholder who is a United States Holder (as defined in Section 8 of the Circular, "Income Tax Consequences Certain United States Federal Income Tax Consequences to United States Holders") may affect the United States federal income tax consequences to the Shareholder of such purchase and therefore may be relevant to a Shareholder's decision whether to deposit Shares.**

### 3. PROCEDURE FOR DEPOSITING SHARES

*Proper Deposit of Shares.* To deposit Shares pursuant to the Offer, (i) the certificates for all deposited Shares in proper form for transfer, together with a properly completed and duly executed Letter of Transmittal (or a manually executed photocopy thereof) with any required signatures, guaranteed (where necessary) by an Eligible Institution, and any other documents required by the Letter of Transmittal, must be received by the Depository, at one of its addresses set forth on the back cover of this Offer, by the Expiration Date, or (ii) the guaranteed delivery procedure described below must be followed.

**A Shareholder who wishes to deposit Shares under the Offer and whose certificate is registered in the name of an investment dealer, stock broker, bank, trust company or other nominee should immediately contact such nominee in order to take the necessary steps to be able to deposit such Shares under the Offer.**

**The Canadian Depository for Securities Limited in Canada and the Depository Trust Company in the United States will each be issuing instructions to their respective participants as to the method of depositing Shares under the terms of the Offer.**

In accordance with Instruction 5 of the Letter of Transmittal, each Shareholder desiring to deposit Shares pursuant to the Offer must indicate, in the box captioned "Type of Tender" on such Letter of Transmittal and, if applicable, the Notice of Guaranteed Delivery, (a) whether Shares are deposited pursuant to an Auction Tender or a Purchase Price Tender, (b) if an Auction Tender is made, the price (of not less than C\$40 per Share in increments of C\$0.10 thereafter) at which such Shares are being deposited, and (c) whether the Shareholder is making an Odd Lot deposit.

Shares deposited pursuant to an Auction Tender will only be taken up if the price specified in the Auction Tender is equal to or less than the Purchase Price.

A Shareholder desiring to deposit Shares in separate lots at a different price for each lot must complete a separate Letter of Transmittal (and, if applicable, a Notice of Guaranteed Delivery) for each lot and price at which the Shareholder is depositing Shares. The same Shares cannot be deposited pursuant to both an Auction Tender and a Purchase Price Tender, or pursuant to an Auction Tender at more than one price.

*Signature Guarantees.* No signature guarantee is required on the Letter of Transmittal, if (i) the Letter of Transmittal is signed by the registered holder of the Shares exactly as the name of the registered holder appears on the certificate deposited therewith and payment is to be made directly to such registered holder, or (ii) Shares are deposited for the account of an Eligible Institution. See Instruction 1 of the Letter of Transmittal. In all other cases, all signatures on the Letter of Transmittal must be guaranteed by an Eligible Institution. If a certificate representing Shares is registered in the name of a person other than the signer of a Letter of Transmittal, or if payment is to be made, or certificates representing Shares not purchased or deposited are to be issued to a person other than the registered owner, the certificate must be endorsed or accompanied by an appropriate stock power, in either case signed exactly as the name of the registered owner appears on the certificate with the signature on the certificate or stock power guaranteed by an Eligible Institution.

*Method of Delivery.* **The method of delivery of Shares and all other required documents is at the option and risk of the depositing Shareholder.** If certificates for Shares are to be sent by mail, registered mail with return receipt requested, properly insured, is recommended and the mailing must be made sufficiently in advance of the Expiration Date to permit delivery to the Depositary on or prior to such date. **Delivery will only be made upon actual receipt of such Shares by the Depositary.**

*Guaranteed Delivery.* If a Shareholder wishes to deposit Shares pursuant to the Offer and cannot deliver certificates for such Shares or time will not permit all required documents to reach the Depositary at one of its addresses set forth on the back cover of this Offer by the Expiration Date, such Shares may nevertheless be deposited if all of the following conditions are met:

- (a) such deposit is made by or through an Eligible Institution;
- (b) a properly completed and duly executed Notice of Guaranteed Delivery substantially in the form provided by PetroKazakhstan (indicating the type of deposit, whether an Odd Lot election is being made and, in the case of an Auction Tender, the price at which the Shares are being deposited, and the currency election, if applicable) is received by the Depositary at its mailing address in Toronto, Ontario as set out in the Notice of Guaranteed Delivery prior to the Expiration Date; and
- (c) the certificates for all Deposited Shares in proper form for transfer, together with a properly completed and duly executed Letter of Transmittal relating to such Shares, with signatures guaranteed if so required in accordance with the Letter of Transmittal, and any other documents required by the Letter of Transmittal, are received by the Depositary at its Toronto, Ontario address as set out in the Notice of Guaranteed Delivery before 5:00 p.m., Toronto time, by the third Trading Day after the Expiration Date.

The Notice of Guaranteed Delivery may be delivered by hand or transmitted by facsimile transmission or mail to the facsimile number or the mailing address of the Depositary in Toronto, Ontario as set out therein and must include a guarantee by an Eligible Institution in the form set forth in the Notice of Guaranteed Delivery.

**Notwithstanding any other provision hereof, payment for Shares deposited and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of certificates for such Shares, a properly completed and duly executed Letter of Transmittal (or a manually executed photocopy thereof) relating to such Shares, with signatures guaranteed if required and any other documents required by the Letter of Transmittal.**

*Determination of Validity.* All questions as to the number of Shares to be accepted, the price to be paid therefor, the form of documents and the validity, eligibility (including time of receipt) and acceptance for payment of any deposit of Shares, will be determined by PetroKazakhstan, in its sole discretion, which determination shall be final and binding on all parties. PetroKazakhstan reserves the absolute right to reject any or all deposits of Shares judged by it not to be in proper form or which, in the opinion of its counsel, may be unlawful for it to accept under the laws of any jurisdiction. PetroKazakhstan also reserves the absolute right to waive any of the conditions of the Offer or any defect or irregularity in any deposit of Shares. No deposit of Shares will be deemed to be properly made until all defects and irregularities have been cured or waived. None of PetroKazakhstan, the Depositary or any other person will be under any duty to give notification of any defect or irregularity in deposits or incur any liability for failure to give any such notice. PetroKazakhstan's

interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the Notice of Guaranteed Delivery) will be final and binding.

Under no circumstances will interest be paid by PetroKazakhstan by reason of any delay in making payment to any person using the guaranteed delivery procedures, and the payment (including the payment of accrued interest on Deposited Shares up to, but not including, the date upon which payment for Deposited Shares pursuant to the Offer is to be made by PetroKazakhstan) for Shares deposited pursuant to the guaranteed delivery procedures will be the same as that for Shares delivered to the Depositary on or prior to the Expiration Date, even if the Shares to be delivered pursuant to the guaranteed delivery procedures are not so delivered to the Depositary, and therefore payment by the Depositary on account of such Shares is not made, until after the date the payment for the Deposited Shares accepted for payment pursuant to the Offer is to be made by PetroKazakhstan.

*Formation of Agreement.* The proper deposit of Shares pursuant to any one of the procedures described above will constitute a binding agreement between the depositing Shareholder and PetroKazakhstan, effective as of the Expiration Date, upon the terms and subject to the conditions of the Offer.

*Prohibition on "Short" Tenders.* It is a violation of Section 14(e) of the Exchange Act, and Rule 14e-4 promulgated thereunder, for a person, including any Shareholder, directly or indirectly, to deposit any Shares for a person's own account unless, at the time of the deposit and at the end of the pro ration period, such person, (i) has a net long position equal to or greater than the amount of (x) the Shares deposited or (y) other securities immediately convertible into, exercisable, or exchangeable for the amount of the Shares deposited and upon acceptance of such person's deposit, will acquire such Shares for deposit by conversion, exercise or exchange of such other securities, and (ii) will deliver or cause such Shares to be delivered in accordance with the terms of the Offer. Section 14(e) and Rule 14e-4 provide a similar restriction applicable to the deposit or guarantee of deposit on behalf of another person. The deposit of Shares to PetroKazakhstan pursuant to any procedures described herein will constitute a representation by such Shareholder that, (i) such Shareholder has a net long position in the Shares being deposited within the meaning of Rule 14e-4, and (ii) the deposit of such Shares complies with Rule 14e-4.

#### 4. WITHDRAWAL RIGHTS

Except as otherwise provided in this Section, deposits of Shares pursuant to the Offer will be irrevocable. Shares deposited pursuant to the Offer may be withdrawn by the relevant Shareholder, (i) at any time prior to the Expiration Date, (ii) at any time, if the Shares have not been taken up by PetroKazakhstan before actual receipt by the Depositary of a notice of withdrawal in respect of such Shares, or (iii) within three business days of being taken up, if the Shares have been taken up but not paid for by PetroKazakhstan.

For a withdrawal to be effective, a written notice of withdrawal must be received in a timely manner by the Depositary at the place of deposit of the relevant Shares. Any such notice of withdrawal must be signed by or on behalf of the person who signed the Letter of Transmittal that accompanied the Shares being withdrawn and must specify the name of the person who deposited the Shares to be withdrawn, the name of the registered holder, if different from that of the person who deposited such Shares, and the number of Shares to be withdrawn. If the certificates have been delivered or otherwise identified to the Depositary then, prior to the release of such certificates, the depositing Shareholder must submit the serial numbers shown on the particular certificates evidencing the Shares to be withdrawn and the signature on the notice of withdrawal must be guaranteed by an Eligible Institution, except in the case of Shares deposited by an Eligible Institution. **A withdrawal of Shares deposited pursuant to the Offer can only be accomplished in accordance with the foregoing procedure. The withdrawal will take effect only upon actual receipt by the Depositary of the properly completed and executed written notice.**

**All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by PetroKazakhstan, in its sole discretion, which determination shall be final and binding. None of PetroKazakhstan, the Depositary or any other person shall be obligated to give any notice of any defects or irregularities in any notice of withdrawal and none of them shall incur any liability for failure to give any such notice.**

Any Shares properly withdrawn will thereafter be deemed not to have been deposited for purposes of the Offer. However, withdrawn Shares may be redeposited prior to the Expiration Date by again following any of the procedures described in Section 3 of the Offer, "Procedure for Depositing Shares".

If PetroKazakhstan extends the period of time during which the Offer is open, is delayed in its purchase of Shares or is unable to purchase Shares pursuant to the Offer for any reason, then, without prejudice to PetroKazakhstan's rights under the Offer, the Depositary may, subject to applicable law, retain on behalf of PetroKazakhstan all Deposited Shares, and such Shares may not be withdrawn except to the extent depositing Shareholders are entitled to withdrawal rights as described in this Section 4.

## 5. CERTAIN CONDITIONS OF THE OFFER

Notwithstanding any other provision of the Offer, PetroKazakhstan shall not be required to accept for purchase, purchase or pay for any Shares deposited and may terminate or cancel the Offer or may postpone the payment for Shares deposited if at any time before the payment for any such Shares, any of the following events shall have occurred (or shall have been determined by PetroKazakhstan to have occurred) which, in PetroKazakhstan's sole judgment in any such case and regardless of the circumstances, makes it inadvisable to proceed with the Offer or with such acceptance for purchase or payment:

- (a) there shall have been threatened, instituted or pending any action or proceeding by any government or governmental authority or regulatory or administrative agency in any jurisdiction, or by any other person in any jurisdiction, before any court or governmental authority or regulatory or administrative agency in any jurisdiction, (i) challenging or seeking to cease trade, make illegal, delay or otherwise directly or indirectly restrain or prohibit the making of the Offer, the acceptance for payment for some or all of the Shares by PetroKazakhstan or otherwise directly or indirectly relating in any manner to or affecting the Offer, or (ii) that otherwise, in the sole judgment of PetroKazakhstan, has or may have a material adverse effect on the Shares or the business, income, assets, liabilities, condition (financial or otherwise), properties, operations, results of operations or prospects of PetroKazakhstan or its subsidiaries taken as a whole or has or may materially impair the contemplated benefits of the Offer to PetroKazakhstan;
- (b) there shall have been any action or proceeding threatened, pending or taken or approval withheld or any statute, rule, regulation, stay, decree, judgment or order or injunction proposed, sought, enacted, enforced, promulgated, amended, issued or deemed applicable to the Offer or PetroKazakhstan or any of its subsidiaries by any court, government or governmental authority or regulatory or administrative agency in any jurisdiction that, in the sole judgment of PetroKazakhstan might, directly or indirectly, result in any of the consequences referred to in clauses (i) or (ii) of paragraph (a) above or would or might prohibit, prevent, restrict or delay consummation of or materially impair the contemplated benefits of the Offer to PetroKazakhstan;
- (c) there shall have occurred, (i) any general suspension of trading in, or limitation on prices for, securities on any securities exchange or in the over-the-counter market in Canada, the United States or the United Kingdom, (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in Canada, the United States or the United Kingdom (whether or not mandatory), (iii) the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving Kazakhstan, Canada, the United States or the United Kingdom, (iv) any limitation by any governmental, regulatory or administrative authority or agency or any other event that, in the sole judgment of PetroKazakhstan, might affect the extension of credit by banks or other lending institutions, (v) any change in the general political, market, economic or financial conditions that has or may have a material adverse effect on PetroKazakhstan's business, operations or prospects or the trading in, or value of, the Shares, or (vi) any decline in any of the S&P/TSX Composite Index, the Dow Jones Industrial Average or the Standard and Poor's 500 Industrials Index by an amount in excess of 10%, measured from the close of business on June 10, 2004;
- (d) any change or changes shall have occurred (or any development shall have occurred involving any prospective change or changes) in the business, assets, liabilities, properties, condition (financial or otherwise), operations, results of operations or prospects of PetroKazakhstan or its subsidiaries that, in

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the sole judgment of PetroKazakhstan, have or may have material adverse significance with respect to PetroKazakhstan or its subsidiaries taken as a whole;

- (e) the Corporation shall have concluded, in its sole judgment, that exemptions from the proportionate take up, specification of number of securities to be taken up and valuation requirements under applicable securities legislation in Canada are not available on acceptable terms to the Corporation for the Offer and, if required under any such legislation, the Corporation shall not have received exemptions from or waivers of the appropriate courts or securities regulatory authorities from such requirements in respect of the Offer; or
- (f) any change shall have occurred or been proposed to the Tax Act that, in the sole judgment of the Corporation, is detrimental to PetroKazakhstan or a Shareholder.

Any waiver of a condition by PetroKazakhstan, or the withdrawal of the Offer by PetroKazakhstan, shall be deemed to be effective on the date on which notice of such waiver or withdrawal is delivered or otherwise communicated to the Depositary. PetroKazakhstan, after giving notice to the Depositary of any waiver of a condition or the withdrawal of the Offer, shall forthwith thereafter make a public announcement of such waiver or withdrawal and provide or cause to be provided notice of such waiver or withdrawal to the TSX, the NYSE, the LSE, the FSE and the Canadian and U.S. securities regulatory authorities. If the Offer is withdrawn, PetroKazakhstan shall not be obligated to take up, accept for purchase or pay for any of the deposited Shares, and the Depositary will return all certificates for deposited Shares and Letters of Transmittal and any related documents to the parties by whom they were deposited.

The foregoing conditions are for the sole benefit of PetroKazakhstan and may be asserted by PetroKazakhstan, in its sole discretion, regardless of the circumstances (including any action or inaction by PetroKazakhstan) giving rise to any such conditions, or may be waived by PetroKazakhstan, in its sole discretion, in whole or in part at any time. The failure by PetroKazakhstan at any time to exercise its rights under any of the foregoing conditions shall not be deemed a waiver of any such right, the waiver of any such right with respect to particular facts and circumstances shall not be deemed a waiver with respect to any other facts and circumstances and each such right shall be deemed an ongoing right which may be asserted at any time or from time to time. Any determination by PetroKazakhstan concerning the events described in this Section shall be final and binding on all parties.

### 6. ACCEPTANCE FOR PAYMENT AND PAYMENT FOR SHARES

Promptly after it has determined the Purchase Price in accordance with Section 1 of the Offer, "Purchase Price", PetroKazakhstan will publicly announce the Purchase Price and will take up and pay for Shares to be purchased pursuant to the Offer as soon as practicable after the Expiration Date, but in any event not later than ten days after such time. PetroKazakhstan will pay for such Shares within three business days after taking up the Shares.

*Number of Shares.* For purposes of the Offer, PetroKazakhstan will be deemed to have accepted for payment, subject to pro ration, Shares deposited and not withdrawn pursuant to Auction Tenders at or below the Purchase Price and pursuant to Purchase Price Tenders if, as and when PetroKazakhstan gives oral (to be confirmed in writing) or written notice to the Depositary of its acceptance of such Shares for payment pursuant to the Offer.

*Payment.* The Purchase Price payable by PetroKazakhstan, and thus the amount owing to any depositing Shareholder, will be denominated in Canadian dollars. If a depositing Shareholder wishes to receive payment for Shares deposited and purchased in United States dollars, the box captioned "U.S. Dollar Election" in the Letter of Transmittal and, if applicable, on the Notice of Guaranteed Delivery, must be completed. Otherwise, payment will be received in Canadian dollars. The Depositary will determine the amount payable to Shareholders receiving United States dollar payment at the United States dollar equivalent of the relevant Canadian dollar amount calculated at the average of the noon spot rates of exchange quoted by the Bank of Canada for the three business days next preceding the payment date (the "Exchange Rate").

Payment for Shares accepted for purchase pursuant to the Offer will be made by depositing the aggregate Purchase Price for such Shares with the Depositary, which will act as agent for the depositing Shareholders for

the purpose of receiving payment from PetroKazakhstan and transmitting such payment to the depositing Shareholders. Under no circumstances will interest be paid by PetroKazakhstan or the Depositary to persons depositing Shares by reason of any delay in paying for any Shares or otherwise.

In the event of pro ration of Shares deposited pursuant to Auction Tenders and Purchase Price Tenders, PetroKazakhstan will determine the pro ration factor and pay for those Deposited Shares accepted for payment as soon as practicable after the Expiration Date. However, PetroKazakhstan does not expect to be able to announce the final results of any such pro ration for at least three Trading Days after the Expiration Date.

Certificates for all Shares not purchased, including all Shares deposited pursuant to Auction Tenders at prices in excess of the Purchase Price, Shares not purchased due to pro ration, and Shares not accepted for purchase will be returned as soon as practicable after the Expiration Date or termination of the Offer without expense to the depositing Shareholder.

The Offer provides Shareholders with the opportunity to sell their Shares without incurring brokerage commissions.

PetroKazakhstan will pay all stock transfer taxes, if any, payable on the transfer to it of Shares purchased pursuant to the Offer. If, however, payment of the Purchase Price is to be made to any person other than the registered owner, or (in the circumstances permitted by the Offer) if Shares not deposited or not accepted for purchase are to be registered in the name of any person other than the registered owner, or if deposited certificates are registered in the name of any person other than the person signing the Letter of Transmittal, the amount of all stock transfer taxes, if any (whether imposed on the registered owner or such other person), payable on account of the transfer to such person will be deducted from any Purchase Price payable to the registered owner unless evidence satisfactory to PetroKazakhstan of the payment of such taxes or exemption therefrom is submitted.

The Purchase Price for Shares deposited and purchased will be paid by cheque issued to the order of, and certificate(s) representing Shares not deposited or not purchased under the Offer will be issued to, the person signing the relevant Letter of Transmittal or to the order of such other person as identified by the person signing such Letter of Transmittal, by properly completing the box captioned "Special Payment Instructions" in such Letter of Transmittal. In the absence of an address being provided, cheques or certificates will be forwarded to the address of the person as shown on the share register for the Shares.

The Depositary will forward cheques and certificates representing all Shares not purchased by first-class mail to the person signing the relevant Letter of Transmittal or to such other person or such other address as identified by the person in such Letter of Transmittal (unless, in the case of a cheque, the person signing the Letter of Transmittal instructs the Depositary to hold such cheque for pick-up) by properly completing the box captioned "Special Delivery Instructions" in such Letter of Transmittal. See Section 8 of the Offer, "Payment in the Event of Mail Service Interruption", in the event of real or possible mail service interruption.

## **7. EXTENSION AND VARIATION OF THE OFFER**

PetroKazakhstan expressly reserves the right, in its sole discretion, and regardless of whether or not any of the conditions specified under Section 5 of the Offer, "Certain Conditions of the Offer", shall have occurred, at any time or from time to time, to extend the period of time during which the Offer is open or to vary the terms and conditions of the Offer by giving written or oral notice (to be confirmed in writing) of extension or variation to the Depositary and by causing the Depositary to provide, where required by law, as soon as practicable thereafter, a copy of the notice in the manner set forth under Section 10 of the Offer, "Notice", to all Shareholders. Promptly after giving notice of an extension or variation to the Depositary, PetroKazakhstan will make a public announcement of the extension or variation and provide or cause to be provided notice of such extension or variation to the TSX, the NYSE, the LSE, the FSE and the Canadian and U.S. securities regulatory authorities. Any notice of extension or variation will be deemed to have been given and be effective on the day on which it delivered or otherwise communicated to the Depositary at its principal office in Toronto, Ontario.

Where the terms of the Offer are varied, the period during which Shares may be deposited pursuant to the Offer shall not expire before ten days after the notice of variation has been given to holders of Shares unless otherwise permitted by applicable law. During any such extension or in the event of any variation, all Shares previously deposited and not taken up or withdrawn will remain subject to the Offer and may be accepted for

purchase by PetroKazakhstan in accordance with the terms of the Offer, subject to Section 4 of the Offer, "Withdrawal Rights". An extension of the Expiration Date or a variation of the Offer does not constitute a waiver by PetroKazakhstan of its rights under Section 5 of the Offer, "Certain Conditions of the Offer".

If, prior to the Expiration Date, a variation in the terms of the Offer increases the consideration offered to Shareholders by PetroKazakhstan, in its sole discretion, such increase shall be applicable to all Deposited Shares that are taken up pursuant to the Offer.

Notwithstanding the foregoing, the Offer may not be extended by PetroKazakhstan if all the terms and conditions of the Offer have been complied with, except those waived by PetroKazakhstan, unless PetroKazakhstan first takes up and pays for all Shares properly deposited under the Offer and not withdrawn.

PetroKazakhstan also expressly reserves the right, in its sole discretion, (i) to terminate the Offer and not to accept for purchase any Shares not theretofore accepted for purchase upon the occurrence of any of the conditions specified in Section 5 of the Offer, "Certain Conditions of the Offer", or (ii) at any time or from time to time, to amend the Offer in any respect, including increasing or decreasing the number of Shares PetroKazakhstan may purchase or the range of prices it may pay pursuant to the Offer.

Any such extension, delay, termination or amendment will be followed as promptly as practicable by a public announcement thereof. Without limiting the manner in which PetroKazakhstan may choose to make any public announcement, except as provided by applicable law, PetroKazakhstan shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release through its usual news wire services, Canada NewsWire Ltd. and Regulatory News Service.

If PetroKazakhstan makes a material change in the terms of the Offer or the information concerning the Offer, it will extend the time during which the Offer is open to the extent required under applicable Canadian and United States securities legislation.

#### **8. PAYMENT IN THE EVENT OF MAIL SERVICE INTERRUPTION**

Notwithstanding the provisions of the Offer, cheques in payment for Shares purchased under the Offer and certificates for any Shares to be returned will not be mailed if PetroKazakhstan determines that delivery by mail may be delayed. Persons entitled to cheques or certificates which are not mailed for this reason may take delivery at the office of the Depositary at which the deposited certificates for the Shares were delivered until PetroKazakhstan has determined that delivery by mail will no longer be delayed. PetroKazakhstan will provide notice as provided under Section 10 of the Offer, "Notice", of any determination not to mail under this Section as soon as reasonably practicable after such determination is made. The deposit of cheques with the Depositary in these circumstances will constitute delivery to the persons entitled to them.

#### **9. LIENS; DIVIDENDS**

Shares acquired pursuant to the Offer shall be acquired by PetroKazakhstan free and clear of all liens, charges, encumbrances, security interests, claims, restrictions and equities whatsoever, together with all rights and benefits arising therefrom, provided that any dividends or distributions which may be declared, paid, issued, distributed, made or transferred on or in respect of such Shares to Shareholders of record on or prior to the date upon which the Shares are taken up and paid for under the Offer shall be for the account of such Shareholders.

Each Shareholder of record on that date will be entitled to receive that dividend or distribution, whether or not such Shareholder deposits Shares pursuant to the Offer.

#### **10. NOTICE**

Any notice to be given by PetroKazakhstan or the Depositary under the Offer will be deemed to have been properly given if it is mailed by first-class mail, postage prepaid, to the registered holders of Shares at their respective addresses as shown on the share registers maintained in respect of the Shares and will be deemed to have been received on the first business day following the date of mailing. These provisions apply despite, (i) any accidental omission to give notice to any one or more Shareholders, and (ii) an interruption of mail service in Canada, the United States or the United Kingdom following mailing. In the event of an interruption of mail service following mailing, PetroKazakhstan will use reasonable efforts to disseminate the notice by other means, such as publication. In the event that post offices in Canada, the United States or the United Kingdom are not



open for deposit of mail, or there is reason to believe that there is or could be a disruption in all or any part of the postal service, any notice which PetroKazakhstan or the Depositary may give or cause to be given under the Offer will be deemed to have been properly given and to have been received by Shareholders if it is issued by way of a news release and if it is published once in the National Edition of the Globe & Mail or the National Post, in a French language daily newspaper of general circulation in Montreal, in the Wall Street Journal, and in the Financial Times in the United Kingdom.

#### 11. OTHER TERMS

- (a) No broker, dealer or other person has been authorized to give any information or to make any representation on behalf of PetroKazakhstan other than as contained in the Offer, and, if any such information or representation is given or made, it must not be relied upon as having been authorized by PetroKazakhstan.
- (b) It is a term of the Offer that for the purposes of subsection 191(4) of the Tax Act the "Specified Amount" in respect of each share shall be C\$37.85.
- (c) The Offer and all contracts resulting from the acceptance thereof shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
- (d) PetroKazakhstan, in its sole discretion, shall be entitled to make a final and binding determination of all questions relating to the interpretation of the Offer, the validity of any acceptance of the Offer, the *pro rata* entitlement of each depositing Shareholder, if applicable, and the validity of any withdrawals of Shares.
- (e) The Offer is not being made to, nor will deposits of Shares be accepted from or on behalf of, Shareholders residing in any jurisdiction in which the making of the Offer, the acceptance thereof or the transactions contemplated thereby would not be in compliance with the laws of such jurisdiction. PetroKazakhstan may, in its sole discretion, take such action as it may deem necessary to make the Offer in any such jurisdiction and to extend the Offer to Shareholders in any such jurisdiction.

The accompanying Circular, together with the Offer, constitutes the issuer bid circular required under Canadian and United States securities legislation with respect to the Offer.

*The accompanying Circular contains additional information relating to the Offer.*

June 11, 2004

**PETROKAZAKHSTAN INC.**

Bernard F. Isautier  
*President and Chief Executive Officer*

## CIRCULAR

This Circular is supplied with respect to the accompanying Offer to Purchase by PetroKazakhstan to purchase for not more than C\$160,000,000 in cash up to a maximum of 4,000,000 of its Shares at a Purchase Price not less than C\$40 per Share. Words and terms used in this Circular, unless otherwise defined herein, are defined and have the same meaning as in the Offer to Purchase. The terms and conditions of the Offer to Purchase are incorporated into and form part of this Circular. Reference is made to the Offer to Purchase for details of the terms and conditions of the Offer.

### 1. CERTAIN INFORMATION CONCERNING PETROKAZAKHSTAN

PetroKazakhstan Inc. (PetroKazakhstan Inc. and its subsidiaries are collectively hereinafter referred to as "PetroKazakhstan" or the "Corporation"), formerly known as Hurricane Hydrocarbons Ltd. ("Hurricane"), was incorporated on September 5, 1986 under the *Business Corporations Act* (Alberta). Initially, Hurricane was incorporated as a subsidiary of Brana Oil & Gas Ltd. ("Brana"), which was at the time a public oil and gas company listed on the Alberta Stock Exchange. In 1987 Brana declared a dividend-in-kind to its shareholders of 1,530,259 Hurricane Class A Shares.

The registered head office of the Corporation is located at Suite 1460, Sun Life Plaza, North Tower, 140-4<sup>th</sup> Avenue S.W., Calgary, Alberta, Canada T2P 3N3. The telephone number of the Corporation at its head office is (403) 221-8435, the fax number is (403) 221-8425 and its web site is <http://www.petrokazakhstan.com>. Information contained on PetroKazakhstan's web site is not part of this Circular or the Offer to Purchase. The Corporation also has representative offices in Windsor, the United Kingdom and Almaty, Kazakhstan.

PetroKazakhstan is a vertically integrated, international energy company engaged in the acquisition, exploration, development and production of oil and gas, the refining and export of crude oil, and the marketing of crude oil and refined products in the Republic of Kazakhstan. The Corporation's business consists of upstream and downstream operations.

The Corporation's upstream operations consist of exploration and production activities. All crude oil from the production activities is either refined by the downstream operations and sold primarily within Kazakhstan or exported directly from the upstream operations.

The Corporation's exploration activities involve exploration and exploratory drilling for new reserves in areas in which it holds exploration licenses. The Corporation owns a 100% interest in exploration licenses for areas covering approximately 465,000 acres and is currently finalizing a 75% farm-in interest in an exploration licence covering approximately 1,060,082 acres (795,062 acres net to PetroKazakhstan). To date, exploration on these lands has resulted in the discovery of two new fields. The Corporation's exploration program in 2003 was primarily focused on assessing deeper stratigraphic prospects.

The Corporation's upstream production activities involve the production of oil from existing reserves. The Corporation owns interests in 11 fields, all of which are located in the South Turgai Basin in south central Kazakhstan.

The discussions previously reported between PetroKazakhstan and its joint venture partners for the acquisition of the remaining 50% participation interest in Kazgermunai Limited Liability Partnership which it does not currently own were being undertaken pursuant to an agreed timetable. That timetable has now expired. PetroKazakhstan is nonetheless continuing to pursue such acquisition and the necessary consents for the potential transaction. Kazgermunai Limited Liability Partnership owns the Akshabulak, Nurali and Aksai Fields and PetroKazakhstan's current 50% participation interest accounts for 31.6% of its total proved and probable reserves.

The Corporation's downstream business consists of refining, marketing and trading activities. All crude oil from the upstream operations that is not exported is sold to the downstream operations for refining at the Corporation's refinery, which is located in Shymkent and has been operating since 1987. Crude oil production from producing fields is, and is expected to continue to be, the primary source of crude oil for the Shymkent refinery.

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The Corporation's refining and marketing activities involve the operation of the Shymkent refinery and the marketing of the refined products it produces. The refined products produced at the Shymkent refinery include heating fuel, gasoline, diesel fuel and jet fuel primarily for the Kazakhstani domestic market.

The Corporation's trading activities include crude oil exports from the refinery at Shymkent, which serves as a crude oil distribution hub.

The Corporation is authorized to issue an unlimited number of Shares and Class B Redeemable Preferred Shares. As of May 31, 2004 there were 80,594,666 Shares issued and outstanding. No Class B Redeemable Preferred Shares have been issued. The holders of Shares are entitled to one vote for each Share held.

*Additional Information.* PetroKazakhstan is subject to the information and reporting requirements of Canadian securities laws and the rules of the TSX, the NYSE, the UKLA, the LSE, the FSE and the Exchange Act and in accordance therewith files periodic reports and other information with securities regulatory authorities in Canada, the TSX, the NYSE, the SEC, the UKLA, the LSE and the FSE relating to its business, financial condition and other matters. PetroKazakhstan is required to disclose in such reports certain information, as of particular dates, concerning PetroKazakhstan's directors and officers, their compensation, stock options granted to them, the principal holders of PetroKazakhstan's securities and any material interest of such persons in transactions with PetroKazakhstan. The Corporation files reports, statements and other information with the Canadian Securities Administrators which may be accessed on the SEDAR web site (<http://www.sedar.com>).

*U.S. Securities Laws.* PetroKazakhstan has also filed with the SEC an Issuer Tender Offer Statement on Schedule 13E-4F with respect to the Offer pursuant to Section 13(e)(1) of the Exchange Act and Rule 13e-4(g) promulgated thereunder. The Offer in the United States will be made on the terms and subject to the conditions of the Offer in Canada. In addition to the requirements of applicable securities laws in Canada, PetroKazakhstan is subject to the informational requirements of the Exchange Act and in accordance therewith files periodic reports and furnishes other information with the SEC relating to its business, financial condition and other matters. Such material and periodic reports filed and other materials furnished by PetroKazakhstan may be inspected and copied at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains such material, periodic reports and other information that PetroKazakhstan files or furnishes with the SEC electronically (<http://www.sec.gov>).

*Incorporation of Certain Information by Reference.* The Corporation's Annual Information Form for the financial year ended December 31, 2003 dated May 19, 2004 filed with the Canadian Securities Administrators is specifically incorporated by reference into, and forms an integral part of, this Offer to Purchase and Circular.

The Corporation's annual report on Form 40-F for the financial year ended December 31, 2003 filed by the Corporation with the SEC after the date of this Offer to Purchase and Circular and prior to the termination of this Offer is deemed to be incorporated by reference into this Offer to Purchase and Circular.

Any statement contained in this Offer to Purchase and Circular or in a document incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Offer to Purchase and Circular to the extent such original statement is modified or superseded by a statement contained in any subsequently filed document incorporated by reference. When that happens, the modified or superseded part of the original statement shall not constitute a part of this Offer to Purchase and Circular, except as so modified or superseded.

PetroKazakhstan will provide each Shareholder or other person to whom the Offer to Purchase and Circular is delivered, without charge, upon the written or oral request of such person, a copy of all of the foregoing documents incorporated herein by reference. Requests for such documents should be directed to Ihor P. Wasylkiw, Vice President, Investor Relations, at Suite 1460, Sun Life Plaza, North Tower, 140-4<sup>th</sup> Ave. S.W., Calgary, Alberta T2P 3N3, telephone number (403) 221-8435. A copy of all of the foregoing documents, as and when filed, may also be obtained in the manner described above under " Additional Information" and " U.S. Securities Laws."

*Exchange Rates.* The following table sets forth (i) the rates of exchange of the Canadian dollar, expressed in U.S. dollars, in effect at the end of each of the periods indicated, (ii) the average of exchange rates in effect on

the last day of each month during such periods, and (iii) the high and low exchange rates during such periods, in each case, based on the noon spot rate of the Bank of Canada.

	Five Months Ended May 31, 2004	Year Ended (US\$)				
		2003	2002	2001	2000	1999
Rate at end of period	0.7335	0.7738	0.6331	0.6279	0.6666	0.6929
Average Rate during period	0.7450	0.7159	0.6372	0.6448	0.6728	0.6746
High	0.7879	0.7738	0.6618	0.6695	0.6973	0.6929
Low	0.7159	0.6350	0.6199	0.6242	0.6413	0.6537

On May 3, 2004, the last full Trading Day prior to the announcement of the Offer, the noon spot rate of the Bank of Canada was C\$1.00 = US\$0.7279. On June 10, 2004, the last full Trading Day prior to the mailing of the Offer, the noon spot rate of the Bank of Canada was C\$1.00 = US\$0.7370.

## 2. PURPOSE AND EFFECT OF THE OFFER

PetroKazakhstan believes that purchasing Shares under the Offer represents an effective use of PetroKazakhstan's financial resources and is in the best interests of the Corporation for the following reasons:

- (a) PetroKazakhstan believes that the Offer is the most equitable and efficient means to distribute an aggregate of C\$160,000,000 to its Shareholders that provides Shareholders with an option to elect whether to participate in the distribution;
- (b) the Offer provides Shareholders who are considering the sale of all or a portion of their Shares the opportunity to determine the price at which they are willing to sell their Shares if such Shares are deposited pursuant to an Auction Tender, or the opportunity to deposit their Shares without specifying a price pursuant to a Purchase Price Tender and, in either case, if any such Shares are purchased pursuant to the Offer, to sell such Shares for cash without the usual transaction costs associated with market sales. Shareholders whose Shares are not purchased under the Offer will realize a proportionate increase in their equity interest in PetroKazakhstan if Shares are purchased pursuant to the Offer; and
- (c) Shareholders owning fewer than 100 Shares whose Shares are purchased pursuant to the Offer will avoid the payment of brokerage commissions, which may be applicable on a sale of their Shares in a transaction on the stock exchanges on which the Shares are traded.

**Neither PetroKazakhstan nor its Board of Directors makes any recommendation to any Shareholder as to whether to deposit or refrain from depositing Shares. Each Shareholder must decide for itself whether to deposit Shares under the Offer. Shareholders are urged to consult their own investment and tax advisors and make their own decisions whether to deposit Shares and, if so, how many Shares to deposit and at what price or prices.**

*Background to the Offer.* Senior management of PetroKazakhstan determined that pursuing a potential substantial issuer bid would be an efficient use of PetroKazakhstan's financial resources for the reasons set out above and discussed in detail the potential transaction with PetroKazakhstan's advisors.

The Board of Directors considered the proposed Offer and whether it would be in the best interests of the Corporation and its Shareholders. In evaluating the Offer, the Board of Directors gave careful consideration to a number of factors, including the following:

- (a) the view of management that the Offer is the most equitable and efficient means to distribu