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PETROKAZAKHSTAN INC
Form 40-F
April 01, 2005

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2004

Commission File No. 001-31448

PETROKAZAKHSTAN INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

PROVINCE OF ALBERTA, CANADA (PROVINCE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	1311 (PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	NOT APPLICABLE (I.R.S. EMPLOYER IDENTIFICATION NUMBER)
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SUITE 1460, SUN LIFE PLAZA, NORTH TOWER
140-4TH AVENUE S.W.
CALGARY, ALBERTA, CANADA T2P 3N3
(403) 221-8435

(ADDRESS AND TELEPHONE NUMBER OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

CT CORPORATION SYSTEM, 111-8TH AVENUE, NEW YORK, NEW YORK
10011, (212) 894-8940 (NAME, ADDRESS (INCLUDING ZIP CODE) AND TELEPHONE
NUMBER (INCLUDING AREA CODE) OF AGENT FOR SERVICE OF THE
REGISTRANT IN THE UNITED STATES)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
CLASS A COMMON SHARES, NO PAR VALUE	NEW YORK STOCK EXCHANGE

Securities registered or to be registered pursuant to Section 12(g) of the Act:
NONE

Securities for which there is a reporting obligation pursuant to Section 15(d)
of the Act: NONE

For annual reports, indicate by check mark the information filed with this form:

Annual information form Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of
capital or common stock as of the close of the period covered by the annual
report.

AT DECEMBER 31, 2004, 76,223,130 CLASS A COMMON SHARES OF PETROKAZAKHSTAN INC.

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WERE ISSUED AND OUTSTANDING. AT DECEMBER 31, 2004, NO CLASS OF PREFERRED SHARES OF PETROKAZAKHSTAN INC. WERE ISSUED AND OUTSTANDING.

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the Registrant in connection with such Rule. YES NO

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

PRIOR FILINGS MODIFIED AND SUPERSEDED

The Registrant's Annual Report on Form 40-F for the year ended December 31, 2004, at the time of filing with the Securities and Exchange Commission (the "Commission"), modifies and supersedes all prior documents filed pursuant to Sections 13, 14 and 15(d) of the Exchange Act for purposes of any offers or sales of any securities after the date of such filing pursuant to any Registration Statement under the Securities Act of 1933 of the Registrant which incorporates by reference such Annual Report.

PRINCIPAL DOCUMENTS

The following documents have been filed as part of this Annual Report on Form 40-F:

A. ANNUAL INFORMATION FORM

For the Annual Information Form of PetroKazakhstan Inc. ("PetroKazakhstan" or the "Company") for the year ended December 31, 2004, see Exhibit 1 of this annual report on Form 40-F.

B. AUDITED ANNUAL FINANCIAL STATEMENTS

For PetroKazakhstan's consolidated audited financial statements, including the report of the independent registered public accounting firm with respect thereto, see pages FS1 through FS36 of the Company's 2004 Annual Report, which pages are attached hereto and included herein as Exhibit 3. For a reconciliation of PetroKazakhstan's results and financial position from Canadian to United States generally accepted accounting principles, see Note 21-Reconciliation of Results from Canadian GAAP to U.S. GAAP on pages FS32 through FS36 of such 2004 Annual Report.

C. MANAGEMENT'S DISCUSSION AND ANALYSIS

For management's discussion and analysis, see pages 33 through 66 of the Company's 2004 Annual Report, which pages are attached hereto and included herein as Exhibit 2.

CONTROLS AND PROCEDURES

PetroKazakhstan maintains disclosure controls and procedures and internal control over financial reporting designed to ensure that information required to be disclosed in the reports filed under the Exchange Act, as amended, is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. PetroKazakhstan's Chief Executive Officer

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and Chief Financial Officer, after evaluating the effectiveness of PetroKazakhstan's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Form 40-F, concluded that as of such date PetroKazakhstan's disclosure controls and procedures were effective for the purpose for which they were designed.

During the fiscal year ended December 31, 2004, there were no changes in PetroKazakhstan's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, PetroKazakhstan's internal control over financial reporting.

AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors of the Company has determined that Jacques Lefevre is an "audit committee financial expert" (as defined in paragraph 8(b) of General Instruction B to Form 40-F). Mr Lefevre is "independent", as that term is defined in the listing standards of the New York Stock Exchange and Rule 10A-3 of the Securities Exchange Act of 1934.

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CODE OF ETHICS

The Company has adopted a code of ethics (as that term is defined in Form 40-F) that applies to its directors and employees (including its principal executive officer, principal financial officer and controller). The Company will provide any person, upon request to the General Counsel and Corporate Secretary of the Company, with a copy of the code of ethics free of charge. To date, no amendment has been made to the code of ethics, nor there has been any waiver, including implicit waiver, granted from the code of ethics required to be disclosed in this annual report on Form 40-F.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

For the years ended December 31, 2004 and 2003, professional services were performed by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates, including TOO Deloitte & Touche that has served as the principal accountant for the audit of the Company's annual financial statements (collectively, "Deloitte & Touche").

AUDIT FEES: The aggregate audit fees billed by Deloitte & Touche were \$394,011 in the year ended December 31, 2004 and \$646,951 in the year ended December 31, 2003. These fees include amounts for services relating to the listing of the Company on the London Stock Exchange and issuance of comfort letters.

AUDIT-RELATED FEES: The aggregate audit related fees billed by Deloitte & Touche were nil in the year ended December 31, 2004 and \$6,041 in the year ended December 31, 2003.

TAX FEES: The aggregate fees billed by Deloitte & Touche for professional services rendered for tax advice were \$10,175 in the fiscal year ended December 31, 2004 and \$40,671 in the fiscal year ended December 31, 2003.

ALL OTHER FEES: The Company did not incur any fees billed by Deloitte & Touche for services other than the services reported under the captions "Audit Fees", "Audit-Related Fees" and "Tax Fees" above for the years ended December 31, 2004 and 2003.

AUDIT COMMITTEE PRE-APPROVAL:

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Under the terms of its mandate, the Audit Committee pre-approves every engagement by the Company of its accountants to render audit and non-audit services, and therefore no pre-approval policies and procedures have been established for purposes of paragraph (c) (7) (i) (B) of Rule 2-01 of Regulation S-X. In 2004, the Company's accountants did not render any audit-related and non-audit services to the Company. Consequently, the DE MINIMIS exception set out in paragraph (c) (7) (i) (C) of Rule 2-01 of Regulation S-X was not applicable to the Company during 2004.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements required to be disclosed in this annual report on Form 40-F.

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CONTRACTUAL OBLIGATIONS

Summary of Contractual Obligations

(In millions of dollars)

		Total commitments by period		
	Total Commitments	Within 1 year	1-3 years	4-5 years
Long-term debt (1)	134.9	15.5	3.7	1.9
Estimated interest payments (2)	92.8	17.9	36.9	37.6
Operating leases (3)	104.0	43.0	59.8	1.2
Capital leases (3)	-	-	-	-
Future site restoration costs (4)	32.5	-	-	-
Work commitments (5)	6.1	3.5	2.6	-
Purchase obligations (6)	12.2	12.2	-	-
TOTAL CONTRACTUAL OBLIGATIONS	382.5	92.1	103.0	40.7

 (1) See Note 11 in the Company's consolidated financial statements for the year ended December 31, 2004.

(2) Estimated interest payments related to the Company's outstanding debt balances as at December 31, 2004.

(3) Operating leases are mainly for rail cars that the Company uses to transport crude oil, refined oil products and certain equipments used in upstream operations. Although the Company is committed to lease rail cars, the terms of the contracts allow termination with a 30 day notice. The Company has no capital leases.

(4) The Company has an obligation of \$32.5 million for future site restoration costs as at December 31, 2004 which represents the estimated future cash outflows discounted at 8.5%. The total undiscounted estimated cash flows required to settle the obligations are \$77.4 million with the expenditures being incurred over ten years commencing in 2014.

(5) Work commitments are non-discretionary expenditures for seismic and drilling that the Company is contractually committed to under the terms of

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its hydrocarbons licenses.

- (6) Purchase obligations represent contractual obligations for goods and services for which the services have yet to be provided or for which the Company has not yet taken title to the goods. All other purchase commitments are discretionary.

SALES COMMITMENTS

The Company has sales commitments under contracts with two customers to supply an agreed volume of crude oil within the first four months of 2005. The estimated value of these commitments is approximately \$43.1 million.

AUDIT COMMITTEE

The Company has a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee is comprised of James B.C. Doak, Jacques Lefevre and Jan Bonde-Nielsen. Jacques Lefevre chairs the Audit Committee.

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UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. UNDERTAKING

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. CONSENT TO SERVICE OF PROCESS

The Registrant has previously filed a Form F-X in connection with the class of securities in relation to which the obligation to file this report arises.

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SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report on Form 40-F to be signed on its behalf by the undersigned, thereto duly authorized, in the City of Calgary, Province of Alberta, Canada.

PETROKAZAKHSTAN INC.
(Registrant)

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By: /s/ Anthony R. Peart

Name: Anthony R. Peart
Title: Senior Vice President
General Counsel and
Secretary

Date: March 30, 2005

DOCUMENTS FILED AS PART OF THIS REPORT

1. Annual Information Form of the Registrant for the year ended December 31, 2004.
2. Management's Discussion and Analysis of the Registrant for the year ended December 31, 2004.
3. Audited Consolidated Financial Statements of the Registrant as of December 31, 2004 and for each of the three years then ended (NOTE 21 TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE REGISTRANT RELATES TO DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES).

EXHIBITS

- 23.1 Consent of TOO Deloitte & Touche, independent registered public accounting firm.
- 23.2 Consent of McDaniel & Associates Consultants Ltd.
- 31.1 Certification of President and Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14 of the Securities Exchange Act of 1934.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14 of the Securities Exchange Act of 1934.
- 32.1 Certificate Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2003.
- 32.2 Certificate Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2003.