

## PRESS RELEASE

### Reserves Assessment as at 31 December 2012

**Astana, 18 October 2013.** Update from JSC KazMunaiGas Exploration Production (“KMG EP” or the “Company”) about the results of the assessment of reserves prepared by the independent reserve auditing firm Miller and Lents Ltd (“MLL”) as at 31 December 2012.

#### Summary

- MLL was appointed as an independent reserve auditor for KMG EP to conduct the reserves assessment as at December 31, 2012. During the period from 2006 till 2011 the reserves assessment reports were prepared by Gaffney, Cline & Associates (GCA);
- MLL and GCA are international reserves auditors who conduct their audits under the same international framework. However, they have used different assumptions in their analysis that have resulted in a material difference in the 2P reserves of KMG EP;
- According to the MLL report 1P reserves as at 2012 year end increased by 53%, while 2P reserves declined by 34.5% compared to GCA reserves assessment as at the end of 2011;
- The Company believes that there have been no fundamental changes in the physical or geological qualities of the assets. The main reason for the deviation in the reserves assessments is the differing assumptions of MLL and GCA for calculating potential decline rates of certain assets.

#### Reserve report for year ended 31 December 2012

According to the MLL report, Proved plus Probable (2P) Reserves, excluding the stakes in JVs and associates<sup>1</sup> as at 2012 end amount to 148.0 million tonnes (1,092 million barrels). Proved oil Reserves (1P) are 116.8 million tonnes (863 million barrels), Proved plus Probable plus Possible (3P) reserves stand at 183.5 million tonnes (1,352 million barrels).

According to the MLL report, Proved (1P) oil reserves are 53% higher than 1P reserves as of December 31, 2011 as assessed by the independent consultant Gaffney, Cline & Associates (GCA). The increase in 1P reserves is largely due to MLL applying a longer period to estimate 1P reserves.

According to the MLL report, 2P reserves as of December 31, 2012 declined by 34.5% compared to the 2P reserves as of December 31, 2011 assessed by GCA.

The decline in the 2P reserves assessment prepared by MLL is primarily due to higher long-term (after 2021, when the production license at the Company’s largest fields expires) production decline rates at the most likely level of 18% assumed by MLL. The production decline rates assumed by MLL are significantly higher than historical production decline rates as MLL has relied upon results of the preceding three years with the lowest production

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<sup>1</sup> JV Kazgermunai LLP, CCEL, PetroKazakhstan Inc.

levels, which includes 2011 when production rates were hit by labour strikes at Ozenmunaigas. The Company estimates long-term production decline rate at 10-12%. In its year end 2011 reserves assessment GCA assumed decline rates of approximately 7% per annum. Correspondingly, MLL estimated that the economically feasible period of the fields development will end by 2032, whereas GCA estimated that the economically feasible period of the fields development will end by 2050.

The Company used MLL production profile as a basis for the impairment valuation in 2012 and 1H2013.

### **Additional reserves assessments for 2011 and 2012**

Both companies (MLL and GCA) prepared their assessments in accordance with the Petroleum Resources Management System (PRMS) Definitions and Guidelines of the Society of Petroleum Engineers, World Petroleum Council, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers. As stated above, the consulting firms have used different assumptions in their assessments, which led to notable differences in the reserves assessments. Since March 2013 KMG EP has worked with both auditors to reconcile the differences between the reserve assessments and to reach a common understanding of the reliable assessment of the reserves of the Company. Given the inability to reach a consensus between the Company and the auditors of the past two years on the right basis on which to assess the reserves of KMG EP, the Company has decided to appoint a third party to provide additional reserves assessment for 2011 and 2012.

The results of the reserves assessment of this third party for 2011 and 2012 are expected in the first quarter of 2014.

### **The results of MLL assessment of oil Reserves as at 31 December, 2012**

	Mtonnes	MMBbl
Proved (1P)	116,8	863
Proved plus probable (2P)	148,0	1 092
Proved plus probable plus possible (3P)	183,5	1 352

Note: Mtonnes = thousands of tonnes and MMBbl = millions of barrels

### **Notes**

KMG EP is among the top three Kazakh oil and gas producers. Overall production in 2012 was 12.2mt (an average of 247 kbopd) of crude oil, including the Company's share in Kazgermunai, CCEL and PKI. The total volume of proved and probable reserves, as at the end of 2011 was 226mt (1.7bn bbl), including shares in the associates of about 2.1 bn barrels. The Company's shares are listed on the Kazakhstan Stock Exchange and its GDRs are listed on The London Stock Exchange. The Company raised over US\$2bn in its IPO in September 2006. International rating agency Standard & Poor's (S&P) confirmed KMG EP's "BBB-" corporate credit rating in December 2011.

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