

## **JSC KazMunaiGas Exploration Production to Acquire a 50% Stake in Nations Energy**

*Astana, 3 October 2007.* JSC KazMunaiGas Exploration Production (“KMG EP” or the “Company”) announced today that its Board of Directors has approved a series of transactions to acquire a 50% beneficial interest in CITIC Canada Energy Limited (“CCEL”) 100 % owner of CITIC Canada Petroleum Limited (“CCPL” - formerly Nations Energy Company Ltd) from CITIC Group (“CITIC”) for approximately US\$930 million including purchase consideration of US\$875.5 million and US\$54.5 million of financing costs. The acquisition is subject to certain regulatory approvals and is expected to be completed before the end of the year.

The purchase of a 50% interest in CCEL by KMG EP is based on an option granted by CITIC to JSC National Company KazMunaiGas (“NC KMG”) in December 2006 and transferred to KMG EP in May 2007. The purchase consideration of approximately US\$ 875.5 million represents 50% of the amount paid by CITIC to the previous owners of CCPL in December 2006.

CCPL’s main asset is 94.6% of the share capital and 100% of voting control of JSC “Karazhanbasmunai” (“KBM”), a large oil and gas company developing the Karazhanbas field in the western part of Kazakhstan. Total proven reserves of KBM as of January 1, 2007 amounted to approximately 363.8 million barrels of oil according to a Miller and Lents reserve report. Oil production from the field in 2006 was 2.3 million tonnes (42.7 kbopd).

Part of the total acquisition consideration in the amount of US\$150 million will come from KMG EP’s own funds and will be entitled to receive a preferred return of US\$26.2 million p.a. from the project . CITIC will provide limited recourse financing to the purchaser to finance the remaining balance of the purchase consideration and other financing charges at a cost comparable to KMG EP’s own cost of financing. Management structure of CCEL and CCPL as well as underlying assets will include representatives of both shareholders. Important matters, including related party transactions, annual workplan, budget, significant financial commitments and significant supply contracts will require unanimous approval.

Commenting on the deal, Mr. Askar Balzhanov, Chief Executive Officer of KMG EP, said: “With the acquisition of Karazhanbasmunai we continue to implement our growth strategy by adding another 10% to our current production level. The deal demonstrates our ability to expand our domestic asset base on attractive terms. We are working closely with CITIC with the goal to improve performance of Karazhanbas field”.

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### Notes to Editors:

KMG EP is the 2<sup>nd</sup> largest Kazakh oil producing company with over 9.5 mmt (192 kbopd) of crude production in 2006 and 203.2 mmt (1.5 billion bbl) of proved and probable reserves at the end of 2006. The Company’s shares are

listed on Kazakhstan Stock Exchange and the GDRs are listed on London Stock Exchange. The Company raised approximately US\$2 billion in its IPO in September of 2006.

National Company KazMunaiGas represents the state's interests in the Kazakh oil and gas industry and is involved, through its subsidiaries, in various aspects of the oil and gas business from exploration and production to transportation, refining, marketing and services. NC KMG owns approximately 61% of the ordinary shares of KMG EP.

CITIC Canada Petroleum Limited (formerly Nations Energy Company Ltd) was formed in 1996 as a private Canadian company to pursue international oil and gas E&P projects around the world. In 1997, Nations Energy acquired 94.6% of the share capital representing 100% of voting control of JSC "Karazhanbasmunai" from the Government of Kazakhstan. JSC Karazhanbasmunai holds 100% of the mineral rights until June 2020 to develop the Karazhanbas oil and gas field in the western part of Kazakhstan.

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