PETROKAZAKHSTAN INC
Form 6-K
July 30, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

For the month of July 29, 20003

PetroKazakhstan Inc.

(Translation of registrant s name into English)

140-4th Avenue S.W. #1460, Calgary Alberta, Canada T2P 3N3

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form20-F or Form40-F:

Form20-F |_| Form40-F |X|

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes |_| No |X|

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant, , has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: July 29, 2003
PetroKazkhstan Inc.

By:

/s/ Ihor Wasylkiw

Ihor Wasylkiw
Vice President Investor Relations

NEWS RELEASE

FOR IMMEDIATE RELEASE - July 29, 2003
FOR: PetroKazakhstan Inc.
SUBJECT: Financial Results for the Second Quarter Ending June 30, 2003

CALGARY, Alberta - PetroKazakhstan Inc. (PetroKazakhstan) announces its financial results for the three months ending June 30, 2003. **All amounts are expressed in U.S. dollars unless otherwise indicated.**

HIGHLIGHTS:

- Second consecutive quarter of record earnings and cash flow
- KAM pipeline completed and operational
- Record crude oil export shipments
- Increasing quarterly production of 145,066 barrels of oil per day
- New reserves found in Aryskum and Maibulak fields
- Gas utilization project progressing and on schedule

FINANCIAL HIGHLIGHTS:

(in millions of US$ except per share amounts)	Six Months ended June 30		Three Months ended June 30	
	2003	2002	2003	2002
Gross Revenue	$ 498.7	$ 320.7	$ 252.1	$ 177.4
Net income	136.4	56.9	68.2	33.8
Per share (basic)	1.74	0.70	0.87	0.42
Per share (diluted)	1.67	0.67	0.84	0.40

Cash flow	180.0	81.3	91.0	45.3
Per share (basic)	2.29	1.00	1.17	0.56
Per share (diluted)	2.20	0.96	1.12	0.53
Weight Average Shares Outstanding				
Basic	78,538,671	80,911,226	78,000,877	81,196,383
Diluted	81,676,831	84,405,177	81,173,957	84,690,334
Shares Outstanding at End of Period	77,653,139	81,371,497	77,653,139	81,371,497

PetroKazakhstan is pleased to announce its financial results for the second quarter of 2003 with $68.2 million of net income, a 101.8% increase over the quarter ended June 30, 2002 and $91.0 million of cash flow, a 100.8% increase over the quarter ended June 30, 2002. This represents basic net income per share of $0.87 and basic cash flow per share of $1.17 for the quarter. The comparable figures for the quarter ended June 30, 2002 were $0.42 basic net income per share and $0.56 basic cash flow per share.

For the six months ended June 30, 2003 net income was $136.4 million, a 139.7% increase over the same period of 2002, and cash flow of $179.9 million, a 121.3% increase over the same period of 2002. This represents basic net income per share of $1.74 and basic cash flow per share of $2.29. The comparable figures for the six months ended June 30, 2002, were net income per share of $0.70 and basic cash flow per share of $1.00.

PetroKazakhstan s second quarter 2003 average production was 145,066 barrels of oil per day (bopd). This represents a 23.1% increase as compared to 117,844 bopd in the second quarter of 2002.

The Company s share repurchase program, in effect since August 7, 2002 will terminate on August 6, 2003. The Company is in the process of renewing the repurchase program for a second year.

UPSTREAM OPERATIONS REVIEW

KAM Pipeline

The 177 kilometre, 16-inch pipeline from Kumkol to Druzhaly via the KAM fields has been completed and now operational with the first railcars loaded on June 20th. The pipeline is capable of transporting and loading into rail cars 140,000 bopd and negates some 1,300 kilometres of pipeline and rail transportation currently in use. This material development has shown transportation cost savings in the region of $2.40 to $2.50 per barrel for the initial shipments. These cost savings may vary depending on the ultimate destination of future shipments. Full utilisation of this facility is expected to be achieved in the third quarter of 2003 providing additional transportation and marketing capacity and flexibility in addition to the cost savings.

Production

During the first quarter of 2003, PetroKazakhstan s production volumes totaled 13.20 million barrels or an average of 145,066 barrels of oil per day (bopd). This represents a 23.1% increase over the second quarter 2002 production of 117,844 bopd and a 3.1% increase over the first quarter of 2003 production rates of 140,765 bopd. Adverse transportation conditions restricted crude oil exports, necessitating production restrictions in the early part of the second quarter. In addition, a temporary production injunction from the authorities, which has since been lifted, reduced production from the Aryskum field by some 9,000 bopd. Due to these deferrals in the first half of the year, the Company considers that the average production over the full year will now be in the region of 155,000 bopd representing a 14.1% increase over 2002 average production of 135,842. The revised production target for 2003 represent a 6.1% reduction from the original 2003 target of 165,000 bopd. For the week ending July 26, 2003, production had increased to approximately 162,000 bopd.

PetroKazakhstan currently has 8 service rigs operating that are conducting repair and maintenance work on wells to optimize daily production.

Kumkol Facilities and Fields

Construction started on 2 new Free Water Knockout (FWKO) facilities. When commissioned later in the third quarter of 2003, these facilities will further enhance the fluid handling capabilities within the field as water production gradually increases.

Additional down hole pumps are due to be installed in Kumkol South and South Kumkol wells, which will result in production increases.

An additional high pressure pump has been installed in the Kumkol South Water Injection Facility and will result in an increased injection capacity of over 20,000 barrels per day. Final electrical and instrumentation connections are in progress and will be completed in July.

Exploration

The exploration of the Company s 260 D1 license, in which we are targeting previously unexplored stratigraphic plays continued on the discovery field, North Nurali, with the acquisition and interpretation of 3D seismic. The existence of the North Nurali field confirms the Company s opinion that stratigraphic plays work in this region. Well locations have now been clearly identified and the first of three appraisal wells to delineate the field will be started in July. Four additional exploration wells, targeting stratigraphic plays in the basin, are planned for 2003; three in deep prospects and one shallow. All wells are expected to be completed by the first quarter of 2004.

Gas Utilization

The 55 megawatt gas power plant at Kumkol is 96.0% complete and on schedule for commissioning during the third quarter of 2003. This project will enable PetroKazakhstan to utilize associated produced gas and to establish a more reliable source of electricity within its fields. Excess electricity will be provided for sale into the Kazakhstan domestic market. The gas utilization project is jointly owned, with PetroKazakhstan and Turgai Petroleum CJSC (Turgai), each having an equal share.

Appraisal and Developments

East Kumkol

Joint Venture agreements with Turgai for the development and operation of the East Kumkol field, which extends unto the Kumkol North license, continue to progress. Production is planned to resume in the fourth quarter of 2003.

KAM Fields

Six new wells were drilled in the KAM fields during the second quarter, three producers in Aryskum and three injectors in Maibulak. The Aryskum wells targeted possible category reserves along the oil rim and were each successful in proving additional reserves and tested at over 1,400 bopd. The three Maibulak well locations, selected for injectors based on 3D seismic and reservoir modeling, have each encountered new multiple productive sections and are being flow tested.

The 6-inch pipeline connecting Kyzylkiya to Aryskum is complete and the upgrade of the processing facility to handle water production is on schedule for completion in the third quarter.

Construction of the Aryskum 8-inch pipeline to the main KAM pipeline is in progress as well as the Aryskum truck offloading facility and oil processing facility. Completion of the Aryskum construction is on schedule for the third quarter.

Equipment has been procured for the Maibulak water injection system; construction is expected to be completed by the end of the third quarter. Pumps have been installed on two producing wells and artificial lift will commence in July.

Kumkol North

A 27 well 2003 drilling program is progressing with 8 wells having been drilled to the end of June. Work has started on a new water injection plant due for commissioning in the third quarter and a new FWKO facility will be on line at the same time.

Kazgermunai

The program designed to increase field production by de-bottlenecking the system continued with the installation of larger export pumps. In addition, construction is underway for a water injection facility to be on-line in the fourth quarter. By the end of the year three production wells will be drilled, one in each of the Nurali, Aksai and Akshabulak East fields. The Company continues to address certain disputes with the joint venture partners regarding the ongoing management and operation of the joint venture.

CRUDE OIL MARKETING & TRANSPORTATION

The operational problems seen in the first quarter of 2003 and for the first month of the second quarter at various ports were vastly improved during the last two months of the second quarter. Shipments of crude increased to 7.04 million barrels or 77,317 bopd (908,352 tonnes) in the second quarter of 2003 compared to 5.25 million barrels or 58,354 bopd (677,983 tonnes) in the first quarter of 2003 and 6.71 million barrels or 73,778 bopd (866,708 tonnes) in the second quarter of 2002. That represents an increase of 34.0% versus the first quarter of 2003 and an increase of 4.8% versus the second quarter of 2002.

Shipments to China increased by approximately 6.0% versus the first quarter of 2003. The Company has also initiated, in late May, shipments to China from the terminal of Atasu, owned and operated by KazTransOil. The use of the Atasu terminal reduces rail distance to the Chinese border by about 435 kilometres, as compared to the southern route via the Company s terminal at Tekesu. Shipments to the Fergana refinery in Uzbekistan, a new outlet, grew in the second quarter of 2003.

Progress on the modifications at the unloading Ray Terminal, located near the Tehran refinery, continues for the Iranian swap. Exports of crude oil by this route are expected to commence in the fourth quarter of 2003. Kumkol crude will be transported by rail from Shymkent through Uzbekistan and Turkmenistan and on to the Tehran refinery via the Sarakhs border crossing station. The swap contract includes compensation to recognise the higher quality of Kumkol crude compared to Iranian Light. A minor amount of work is required at the Ray Terminal to receive Kumkol crude at the Tehran refinery. The work is being financed and carried out by the refining and distribution arm of National Iranian Oil Company (NIOC) and the national railway company.

Crude oil sales volumes recorded in the second quarter of 2003 increased by 17.9% or 1.1 million barrels (142,023 tonnes) as compared to the first quarter of 2003.

Although generally lower than the first quarter of 2003, Brent quotations in the second quarter remained buoyant throughout the quarter despite the cessation of hostilities in Iraq. US oil stocks remained low on the back of the Venezuelan strike and the civil disturbances in Nigeria. In addition the market did not expect a rapid return of Iraqi oil to the market place and this together with the US oil stocks issue kept world prices firm. The average Brent quotation for the second quarter was $26.03 per barrel compared to $31.51 during the first. The spread of the daily average quotations during the second quarter was a little over $6.00 per barrel with a low of $22.88 per barrel and a high of $28.96 per barrel.

REFINING AND REFINED PRODUCT SALES

Refined product sales were up 6.7% in the second quarter of 2003 versus the first quarter of 2003. The opportunity was taken to optimize returns when domestic netbacks were better than export netbacks for short periods during the second quarter. As a result of this opportunity, the maintenance shutdown planned for June 2003 was postponed. The next maintenance shutdown is planned for the fourth quarter of 2003. The refinery processed 7.5 million barrels or 82,659 bopd of crude during the second quarter of 2003 compared to 8.3 million barrels or 91,746 bopd during the first quarter of 2003. No third party crude was processed in either the second quarter of 2003 or second quarter of 2002 while 0.23 million barrels were refined for third parties in the first quarter of 2003 and is included in this production. The reduction in volumes processed is due to higher processing rates during the first quarter required in part as a result of the export problems faced during the first quarter. Comparison to the second quarter of 2002 is not meaningful as the refinery maintenance shutdown took place during that period.

A number of the efficiency improvement programs initiated at the refinery began to yield benefits through improved energy usage and cost reductions. The project to revamp and bring on stream the Vacuum Distillation Unit continues to progress and is on track for completion later in 2003. The completion of this upgrade will allow the refinery to increase its production of higher valued distillates and reduce the overall production of lower value Mazut fuel oil.

Product prices continued to improve in the second quarter versus the first. Weighted average prices were approximately $1.20 per barrel ($9.31 per tonne) better against the first quarter of 2003 and $2.44 per barrel ($18.90 per tonne) better than the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

A full MD&A of the Second Quarter of 2003 is available on the Company s website and can also be obtained on application from the Company.

PetroKazakhstan Inc. is an independent, integrated, international energy company, celebrating its sixth year of operations in the Republic of Kazakhstan. It is engaged in the acquisition, exploration, development and production of oil and gas, refining of oil and the sale of oil and refined products.

PetroKazakhstan shares trade in the United States on the New York Stock Exchange under the symbol PKN. They also trade on the Toronto Stock Exchange under the symbol PKN and on the Frankfurt exchange under the symbol PKZ.

The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.

For further information please contact:

Nicholas H. Gay	**Ihor P. Wasylkiw**
Senior Vice President Finance and CFO	Vice President Investor Relations
+44 (1753) 410-020	(403) 221-8658

This news release contains statements that constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors. You are referred to our Annual Report on Form 20-F and our other filings with the U.S. Securities and Exchange Commission and the Canadian securities commissions for a discussion of the various factors that may affect our future performance and other important risk factors concerning us and our operations.

5

INTERIM CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS (DEFICIT)

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, EXCEPT PER SHARE AMOUNTS)

UNAUDITED

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
REVENUE				
Crude oil	134,175	113,223	276,417	175,786
Refined products	116,959	62,061	217,625	139,445
Processing fees	-	3	449	1,434
Interest and other income	967	2,111	4,244	4,064
	252,101	177,398	498,735	320,729
EXPENSES				
Production	16,893	12,225	34,149	26,413
Royalties and taxes	15,117	9,795	24,631	22,171
Transportation	60,269	36,347	115,272	49,938
Refining	4,393	5,798	7,402	12,327
Crude oil and refined product purchases	16,046	20,549	25,416	38,649
Selling	6,719	4,892	12,190	10,621
General and administrative	12,254	15,330	25,574	27,831
Interest and financing costs	6,867	8,825	21,126	17,250
Depletion and depreciation	19,787	8,852	38,501	17,378
Foreign exchange loss (gain)	(3,428)	(65)	(5,526)	409
	154,917	122,548	298,735	222,987
INCOME BEFORE UNUSUAL ITEM	97,184	54,850	200,000	97,742

	Three Months Ended June 30,		Six Months Ended June 30,	
UNUSUAL ITEM				
Arbitration settlement	-	1,001	-	7,091
INCOME BEFORE INCOME TAXES	97,184	53,849	200,000	90,651
INCOME TAXES (Note 9)				
Current provision	27,080	18,360	63,252	28,348
Future income tax	1,272	1,253	(958)	4,105
	28,352	19,613	62,294	32,453
NET INCOME BEFORE MINORITY INTEREST	68,832	34,236	137,706	58,198
MINORITY INTEREST	621	428	1,271	1,281
NET INCOME	68,211	33,808	136,435	56,917
RETAINED EARNINGS (DEFICIT), BEGINNING OF PERIOD	146,245	(43,265)	78,821	(66,366)
Normal Course Issuer Bid (Note 8)	(10,440)	-	(11,232)	-
Preferred share dividends	(8)	(8)	(16)	(16)
RETAINED EARNINGS (DEFICIT), END OF PERIOD	204,008	(9,465)	204,008	(9,465)
BASIC NET INCOME PER SHARE (Note 10)	0.87	0.42	1.74	0.70
DILUTED NET INCOME PER SHARE (Note 10)	0.84	0.40	1.67	0.67

See accompanying notes to the interim consolidated financial statements.

6

INTERIM CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)
UNAUDITED

	June 30, 2003	December 31, 2002
ASSETS		
CURRENT		
Cash and cash equivalents (Note 4)	224,342	74,796
Accounts receivable (Note 5)	127,192	92,431
Inventory	30,805	40,529
Prepaid expenses	41,121	44,594
Current portion of future income tax asset	9,181	9,049

	June 30, 2003	December 31, 2002
	432,641	261,399
Deferred charges	7,836	5,321
Future income tax asset	23,135	24,529
Property, plant and equipment	455,888	405,479
TOTAL ASSETS	919,500	696,728
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	66,879	96,076
Short-term debt (Note 6)	101,583	25,947
Prepayments for crude oil and refined products	8,244	3,540
	176,706	125,563
Long-term debt (Note 7)	314,766	266,603
Provision for future site restoration costs	6,545	4,167
Future income tax liability	14,794	17,015
	512,811	413,348
Minority interest	12,024	10,753
Preferred shares of subsidiary	80	83
COMMITMENTS AND CONTINGENCIES (Note 13)		
SHAREHOLDERS EQUITY		
Share capital (Note 8)	190,577	193,723
Retained earnings	204,008	78,821
	394,585	272,544
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	919,500	696,728

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)
UNAUDITED

	Three Months Ended June 30, 2003	2002	Six Months Ended June 30, 2003	2002
OPERATING ACTIVITIES				
Net income	68,211	33,808	136,435	56,917
Items not affecting cash:				
Depletion and depreciation	19,787	8,852	38,501	17,378
Amortization of deferred charges	359	466	3,052	625
Minority interest	621	428	1,271	1,281
Other non-cash charges	770	468	1,593	1,007
Future income tax	1,272	1,253	(958)	4,105
Cash flow	91,020	45,275	179,894	81,313
Changes in non-cash operating working capital items	(61,493)	(10,668)	(42,368)	(25,148)
Cash flow from operating activities	29,527	34,607	137,526	56,165
FINANCING ACTIVITIES				
Short-term debt	(33,827)	(482)	16,675	(1,938)
Purchase of common shares (Note 8)	(13,816)	--	(14,848)	--
Long-term debt	34,698	(8,760)	98,808	25,195
Deferred charges paid	(1,150)	--	(3,601)	--
Proceeds from issue of share capital, net of share issuance costs	20	24	470	613
Preferred share dividends	(8)	(8)	(16)	(16)
Cash flow (used in) from financing activities	(14,083)	(9,226)	97,488	23,854
INVESTING ACTIVITIES				
Long-term investment	--	40,000	--	40,000
Capital expenditures	(35,143)	(33,995)	(85,464)	(53,504)
Purchase of preferred shares of subsidiary	(2)	(5)	(4)	(5)
Cash flow (used in) from investing activities	(35,145)	6,000	(85,468)	(13,509)
(DECREASE) / INCREASE IN CASH	(19,701)	31,381	149,546	66,510
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	244,043	99,941	74,796	64,812
CASH AND CASH EQUIVALENTS, END OF PERIOD	224,342	131,322	224,342	131,322

There were no cash equivalents as at June 30, 2003 and December 31, 2002.

See accompanying notes to the interim consolidated financial statements

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS TABULAR AMOUNTS IN THOUSANDS OF DOLLARS, UNLESS OTHERWISE INDICATED)
UNAUDITED

1 SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements of PetroKazakhstan Inc. (PetroKazakhstan or the Corporation) have been prepared by management, in accordance with generally accepted accounting principles in Canada. PetroKazakhstan Inc. was formerly known as Hurricane Hydrocarbons Ltd. Its main operating subsidiaries Hurricane Kumkol Munai (HKM) and Hurricane Oil Products (HOP) were renamed PetroKazakhstan Kumkol Resources (PKKR) and PetroKazakhstan Oil Products (PKOP), respectively. Certain information and disclosures normally required to be included in the notes to the annual financial statements has been omitted or condensed. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in PetroKazakhstan s Annual Report for the year ended December 31, 2002. The accounting principles applied are consistent with those as set out in the Corporation s annual financial statements for the year ended December 31, 2002.

The presentation of certain amounts for previous periods has been changed to conform with the presentation adopted for the current period.

2 SEGMENTED INFORMATION

On a primary basis the business segments are:

Upstream comprising the exploration, development and production of crude oil and natural gas.

Downstream comprising refining and the marketing of refined products and the management of the marketing of crude oil.

Upstream results include revenue from crude oil sales to Downstream, reflected as crude oil purchases in Downstream, as this presentation properly reflects segment results. This revenue is eliminated on consolidation.

3 months ended June 30, 2003

	Upstream	Downstream	Corporate	Eliminations	Consolidated
REVENUE					
Crude oil	162,240	-	-	(28,065)	134,175
Refined products	13,866	110,955	-	(7,862)	116,959
Processing fees	-	-	-	-	-
Interest and other income	197	357	413	-	967
	176,303	111,312	413	(35,927)	252,101

	Upstream	Downstream	Corporate	Eliminations	Consolidated
EXPENSES					
Production	16,893	-	-	-	16,893
Royalties and taxes	14,911	206	-	-	15,117
Transportation	60,244	25	-	-	60,269
Refining	-	4,393	-	-	4,393
Crude oil and refined product purchases	14,816	37,157	-	(35,927)	16,046
Selling	2,490	4,229	-	-	6,719
General and administrative	7,333	4,421	500	-	12,254
Interest and financing costs	6,127	695	45	-	6,867
Depletion and depreciation	15,104	4,651			