

ANNEX I

GUARANTEE AGREEMENT
RELATED TO LOAN NUMBER 4061 KZ

Guarantee Agreement

(Uzen Oil Field Rehabilitation Project)

between

REPUBLIC OF KAZAKHSTAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated July 16, 1999

GUARANTEE AGREEMENT RELATED
TO LOAN NUMBER 4061 KZ

GUARANTEE AGREEMENT

AGREEMENT, dated July 16, 1999, between REPUBLIC OF KAZAKHSTAN (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) by an Assignment and Consent Deed of even date herewith among the Guarantor, the Bank and Closed Joint Stock Company "National Oil and Gas Company "Kazakhoil"" (the Borrower) (the Assignment and Consent Deed), the Guarantor has assigned its rights and obligations under the Loan Agreement and the Borrower has accepted the said assignment and agreed to be bound by the Amended and Restated Loan Agreement attached to the Assignment and Consent Deed;

(B) Bank has agreed to the said assignment on the terms and conditions set forth in the Assignment and Consent Deed, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of the Loan as provided in this Agreement; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Assignment and Consent Deed with the Guarantor and the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

(c) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement, the Preamble to and Section 1.02 of the Loan Agreement, and the Assignment and Consent Deed have the respective meanings therein set forth.

ARTICLE II

Guarantee; Provision of Funds

Section 2.01. The Guarantor declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, without limitation or restriction upon any of its other obligations under the Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan, and the premium, if any, on the prepayment of the Loan, and the punctual performance of all the other obligations of the Borrower, all as set forth in the Loan Agreement.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for the carrying out of the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

ARTICLE III

Other Covenants

Section 3.01. The Guarantor shall take all measures (including, without limitation, the granting of licenses and issuance of approvals) required to enable the Borrower to carry out the Project and to comply with its other obligations under the Loan Agreement. The Guarantor shall refrain from taking any measures which could have a materially adverse affect on the creditworthiness of the Borrower.

Section 3.02. The Guarantor shall permit the Borrower to market crude oil as deemed commercially appropriate by the Borrower.

ARTICLE IV

Representatives of the Guarantor; Addresses

Section 4.01. The Minister of Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 4.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Guarantor:

Ministry of Finance
11, Beibitshilik Street
Astana, 473000
Republic of Kazakhstan

Telex:

251 245 FILIN

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF KAZAKHSTAN

By /s/ Bolat Nurgaliyev

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Judy O'Connor

Acting Regional Vice President
Europe and Central Asia

