



Wednesday 22 October 2003

Pre-Merger Agreement signed by Kyrgoil Holding Corporation and Petroleum Development Associates

Kyrgoil Holding Corporation ('Kyrgoil') (TSX: 'KGO') and Petroleum Development Associates (Oil and Gas) Limited ('PDA') today announced that they have signed a Pre-Merger Agreement under which they will merge the companies. The name of the merged company will be Kyrgoil Holding Corporation. As part of the transaction, Kyrgoil shareholders will be issued shares of the merged company representing, in the aggregate, approximately 35% of the overall combined shareholdings of the merged company, in exchange for their Kyrgoil common shares. PDA shareholders will be issued, in the aggregate, approximately 65% of the shares of the merged company in exchange for their PDA shares. These may decrease as a result of a proposed private placement by PDA, closing at the time of the merger, with anticipated proceeds of US\$3-5M at the merger price. Completion of the merger is subject to customary closing conditions, including shareholder and regulatory approvals. The merger is anticipated to close on or before January 2004.

PDA is engaged in oil and natural gas exploration and extraction in Indonesia, Spain and the United Kingdom. For the purposes of the merger, PDA's assets were valued at approximately US\$13 million, including a 10% working interest in Lematang PSC in Sumatra, Indonesia. Kyrgoil's assets were valued at approximately US\$7.2 million, including its principal asset, a 50% interest in Kyrgyz Petroleum Company ('KPC'), which operates an oil refinery in the Kyrgyz Republic.

In addition, Kyrgoil and Kyrgoil's majority shareholder, Petrofac Resources International Ltd ('Petrofac'), today announced that they have signed a Share Purchase Agreement under which Petrofac has agreed to buy Kyrgoil's 50% interest in KPC. The purchase price of US\$4,000,000 (plus contingent payments) will be satisfied by a cash payment of US\$1,000,000, with the US\$3,000,000 balance being satisfied by the cancellation of Kyrgoil common shares (or if closing occurs after the merger is completed, shares in the merged company) held by Petrofac. Completion of the sale is subject to customary closing conditions, including shareholder and regulatory approval. The sale is expected to close on or before 30 April 2004.

Further information concerning PDA and the proposed transactions will be provided to Kyrgoil shareholders in a management information circular to be mailed to shareholders in connection with a special meeting of shareholders called to consider the proposed transactions, presently anticipated to be held in December 2003.

