

**Materials for the KazMunaiGas Exploration Production JSC (“Company”)  
annual general meeting to be held on 29 May 2012 at 10-30am at  
The Orda Hall, Rixos President Hotel, 7, Kunayev Street, Astana, Kazakhstan,  
with the following agenda:**

1. Approval of annual consolidated financial statements for 2011.
2. Approval of procedure for distribution of net income of the Company for 2011 and amount of dividend per common share and per preferred share of the Company for 2011.
3. Approval of annual report of the Company for 2011.
4. Review of appeals from shareholders against Company’s and its officers’ actions, and results of such review in 2011.
5. Report on compensation package for members of the Board of Directors and the Management Board in 2011.
6. Approval of report on performance of the Board of Directors and the Management Board in 2011.
7. Termination of powers of a member of Company’s Board of Directors.
8. Appointment of a member of Company’s Board of Directors.

**1. Approval of annual consolidated financial statements for 2011.**

In accordance with paragraph 11.1.10 of the Company Charter, approval of annual financial statements of the Company falls within the exclusive competence of general meeting of shareholders. In accordance with LSE and KASE requirements the Company shall disclose information about itself and its activities, and announce consolidated financial statements by year-end.

In accordance with International Auditing Standards, Ernst & Young have audited consolidated financial statements of the Company for 2011 ("Financial Statements") and prepared their opinion based on the audit.

The key Financial Statements indicators for 2011 are as follows:

income is KZT 721,194,169 thousand;

share of results of associates and joint ventures is KZT 84,276,312 thousand;

production expenses are KZT 117,465,026 thousand;

taxes other than on income are KZT 284,027,851 thousand;

depreciation, depletion and amortization is KZT 45,494,136 thousand;

selling, general and administrative expenses are KZT 100,173,285 thousand;

exploration expenses are KZT 5,985,224 thousand;

loss on disposal of fixed assets is KZT 4,043,980 thousand;

finance revenue less finance costs is KZT 21,620,976 thousand;

foreign exchange gain / (loss) is KZT 2,690,153 thousand;

profit before tax is 272,592,108 thousand;

profit is KZT 208,930,886 thousand.

The annual consolidated financial statements are available either at [www.kmgep.kz](http://www.kmgep.kz) or upon request of the shareholders.

**Resolution:**

**To approve annual consolidated financial statements for 2011.**

## **2. Approval of procedure for distribution of net income of the Company for 2011 and amount of dividend per common share and per preferred share of the Company for 2011.**

In accordance with subparagraph 3) of paragraph 3 of Article 44 of the Kazakh Stock Corporation Act as well as subparagraph 3) of paragraph 10.28 of the Charter of KazMunaiGas EP JSC the materials for agenda of the annual general shareholders meeting shall include recommendations of the Board of Directors on procedure for distribution of net income of the company for the past financial year and the amount of dividend for the year per common share and per preferred share of the company. In accordance with paragraph 8.1 of the Company Charter, the record date of this list may not be fixed earlier than 10 (ten) calendar days after the date of decision on dividend payment. The beginning of dividend payment shall be decided on the date at least 30 (thirty) calendar days after the record date of the shareholders entitled for dividends.

At the meeting of the Board of Directors held on 13 March 2012 the annual general shareholders meeting was recommended by the Board to have the following procedure of distributing the Company's net profit and the amount of dividend per one common share and per one preferred share of the Company for the year 2011:

In view of the aforesaid, and given the recommendations of the Company's Board, the annual general meeting of shareholders is recommended to approve the following procedure for distribution of net income of the Company for 2011 and amount of dividend per common share and per preferred share of the Company for 2011:

1) the amount of dividend for the year 2011 per common share of the Company is 1,300.00 tenge (including amount of tax payable under Kazakh laws);

2) the amount of dividend for the year 2011 per preferred share of the Company is 1,300.00 tenge (including amount of tax payable under Kazakh laws);

3) to distribute the net income for the reporting financial year in the amount of 208,930,886 thousand tenge as reported in the audited consolidated financial statements for 2011 in the following manner:

- to distribute as dividends the amount equal to the product of the dividend amount for the year 2011 per one common share and one preferred share and the number of corresponding common shares as at the record date of a list of shareholders entitled to receive dividends;

- to leave the balance at the disposal of the Company.

4) the list of shareholders entitled to dividends shall be fixed on 11 June 2012 at 12-00 am;

5) the dividends will start to be paid on 16 July 2012;

6) the procedure for and the form of dividends payment is according to the list of shareholders entitled to dividends by money transfer to bank accounts of the shareholders.

### **Resolution:**

**1. To approve the following procedure for distribution of Company's net income: name: 17 Kabanbay Batyr Ave., 010000, Astana, KazMunaiGas Exploration Production JSC; bank details: Tax registration number 620100210124, IBAN KZ656010111000022542, SWIFT HSBKKZKX, Halyk Bank of Kazakhstan, Astana regional branch - for 2011 and the amount of dividend for 2011 per common share and per preferred share of the Company:**

**1) the amount of dividend for the year 2011 per common share of the Company is 1,300.00 tenge (including amount of tax payable under Kazakh laws);**

**2) the amount of dividend for the year 2011 per preferred share of the Company is 1,300.00 tenge (including amount of tax payable under Kazakh laws);**

**3) to distribute the net income for the reporting financial year in the amount of 208,930,886 thousand tenge as reported in the audited consolidated financial statements for 2011 in the following manner:**

**- to distribute as dividends the amount equal to the product of the dividend amount for the year 2011 per one common share and one preferred share and the number of corresponding common shares as at the record date of a list of shareholders entitled to receive dividends;**

**- to leave the balance at the disposal of the Company.**

**4) the list of shareholders entitled to dividends shall be fixed on 11 June 2012 at 12-00 am;**

**5) the dividends will start to be paid on 16 July 2012;**

**6) the procedure for and the form of dividends payment is according to the list of shareholders entitled to dividends by money transfer to bank accounts of the shareholders.**

**2. Mr. Alik Aidarbayev, Company CEO, Management Board chairman, shall take all reasonable efforts required for implementation of this resolution in accordance with laws of the Republic of Kazakhstan.**

**3. Approval of annual report of the Company for 2011.**

In accordance with paragraph 10.29 and paragraph 12.2.41 of section 12 of the Company Charter, and in compliance with UKLA's Disclosure and Transparency Rules, and to adhere to the corporate governance standards recommended by KMG EP's Code on Corporate Governance, annual report shall be prepared by the Company's Management Board, shall be approved and submitted to general meeting of shareholders for consideration by the Company's Board of Directors.

The 2011 Annual Report is hereby brought to the attention of shareholders for approval.

The key sections of the 2011 Draft Annual Report include:

- Statement from Chairman of the Board of Directors;
- Statement from the CEO;
- Corporate Governance report (subject to adjustment once Board performance report is submitted);
- Review of financial standing and financial and economic performance in 2011;
- Risks;
- Company's consolidated financial statements for the year ended 31 December 2011.

The annual report of the Company for 2011 is available at: [www.kmgep.kz](http://www.kmgep.kz) or upon request of the shareholders.

**Resolution:**

**To approve annual report of the Company for 2011.**

**4. Review of appeals from shareholders against Company's and its officer' actions, and results of such review in 2011.**

In accordance with paragraph 2 of article 35 of the Law of the Republic of Kazakhstan on Joint-Stock Companies and paragraph 10.3 of the Company Charter, the annual general meeting of shareholders shall review applications from the shareholders in relation to activities of the Company and its officials as well as results of such review. There were no such applications from Company's shareholders in relation to activities of the Company or its officials in 2011.

**Resolution:**

**To take note of the information.**

**5. Report on compensation package for members of the Board of Directors and the Management Board in 2011.**

In 2011, only the independent directors from amongst the Board of Directors were compensated for their work in the Board of Directors and committees under the Board. The total compensation to the independent directors was US\$ 812,500 less taxes (KZT 132,710,000 including taxes), including: US\$277,500 less taxes (KZT 45,326,000 including taxes) to Paul Manduca, US\$267,500 less taxes (KZT 43,692,000 including taxes) to Edward Walshe, US\$267,500 less taxes (KZT 43,692,000 including taxes) to Philip Dayer.

The compensation for the independent directors has been determined by annual general meeting of shareholders on 25 May 2010. It includes the annual compensation, compensation for attending a meeting of the Board of Directors, compensation for attending Board meetings by telephone and video conference calls, compensation for attending meetings of independent directors, and compensation for chairing the audit committee, remuneration committee and strategic planning committee of the Company's Board of Directors.

The remaining members of the Board of Directors shall not be compensated as members but are entitled to reimbursement of costs related to such appointment.

**Resolution:**

**To take note of the information.**

## **6. Approval of report on performance of the Board of Directors and the Management Board in 2011.**

In accordance with paragraph 9.1 of Bylaws on the Company's Board of Directors, the Board of Directors submits a report including full information about matters that were reviewed by Board of Directors and the Management Board along with annual report and consolidated financial statements of the Company.

Board of Directors

As of 31 December 2011 the Board of Directors comprised the following eight members:

Sisengali Utegaliyev	Acting chairman of the Board of Directors;
Alik Aidarbayev	Member of the Board of Directors (CEO);
Yerzhan Zhangaulov	Member of the Board of Directors;
Askar Balzhanov	Member of the Board of Directors;
Asiya Syrgabekova	Member of the Board of Directors;
Philip Dayer	Independent Director;
Paul Manduca	Independent Director;
Edward Walshe	Independent Director.

Following the extraordinary general meeting of shareholders held on 31 March 2011, the Board of Directors has made the following decisions:

- Early termination of powers of Mr. Tolegen Bozzhanov, a member of the Company's Board of Directors;
- Appointment of Mr. Sisengali Utegaliyev as a member of the Company's Board of Directors.

Following the annual general meeting of shareholders held on 5 May 2011, the Board of Directors has made the following decisions:

- Early termination of powers of Mr. Kenzhebek Ibrashev, a member of the Company's Board of Directors;
- Appointment of Mr. Alik Aidarbayev as a member of the Company's Board of Directors. Pursuant to resolution of the Board of Directors, Mr. Alik Aidarbayev has been appointed chairman of Company's Board of Directors.

On 22 December 2011 Mr. Askar Balzhanov, Chairman of the Company's Management Board, stepped down from his office. Mr. Alik Aidarbayev who had been Chairman of the Company's Board of Directors, was appointed Chairman of the Company's Management Board.

On 27 February 2012 at an extraordinary general meeting of shareholders it was resolved that powers of Mr. Askar Balzhanov be terminated before the term expires and that Mr. Lyazzat Kiinov be appointed new member of the Board of Directors.

On 13 March 2012 pursuant to resolution of the Board of Directors Mr. Lyazzat Kiinov was appointed Chairman of the Company's Board of Directors.

As of 13 March 2012 the Company's Board of Directors comprised of:

- Lyazzat Kiinov, Chairman of the Management Board of National Company KazMunayGas, Chairman of the Board of Directors
- Alik Aidarbayev, Chief Executive Officer, Chairman of the Management Board of KMG EP
- Yerzhan Zhangaulov, General Manager, Legal, National Company KazMunayGas
- Asiya Syrgabekova, Finance Director, National Company KazMunayGas
- Sisengali Utegaliyev, Deputy General Director, KazTransOil



- Paul Manduca, Independent Director of KMG EP
- Edward Walshe, Independent Director of KMG EP
- Philip Dayer, Independent Director of KMG EP

Early termination of powers of Sisengali Utegaliyev, a member of the Company's Board of Directors and appointment of Mr. Timur Bimagambetov, a member of the Board of Directors is on the agenda of the annual general meeting of shareholders.

Meetings of the Board of Directors are held regularly and as needed. In 2011 the Board of Directors held 20 meetings including 7 meetings in person, 10 meetings by votes in writing, and 3 meetings by conference call.

Over the year the Board of Directors reviewed the following matters among other things:

- Acquisition of oil and gas assets by the Company: 100% share in Karpovskiyi Sevenyi JSC; 50% share in Ural Group Limited (Fyodorovskiy block); 100% subsoil use rights under four subsoil use contracts for exploration of hydrocarbons in Kazakhstan (Temir, Teresken, Karaton, Sarkamys);

- Share buyback programme;
- Risk Management Policy;
- Risk Insurance Programme;
- Approval of budgets and business plans;
- Approval of strategic map for 2011;
- Sponsorship and charity policy;
- Preliminary approval of consolidated financial statements of the Company for the last year,

- Interaction with affiliates, the subsidiaries of NC KMG;
- Closing related party transactions;
- Matters pertaining to the competence of superior bodies of subsidiaries;
- Compliance-related matters;
- Treasury Policy;
- Information Disclosure Policy;
- Compliance with UK Bribery Act;
- Appointment of Chairman of the Board of Directors;
- Setting up Committees under the Board of Directors;
- Labour issues;
- Appointment of Chairman of the Management Board and members of the Management Board;

- Fixing wages and salaries and bonuses for Management Board members;
- The Board of Directors and Management Board performance report for 2010;
- The Board of Directors performance report for 2010;
- Review of plans and reports made by Internal Audit team, progress made in implementing the recommendations given by the Internal Audit team;
- Summarizing results of the key performance indicators (KPI) of the Management Board members, the head of Internal Audit team and the Company Secretary;
- Personnel-related issues of Internal Audit team and Company Secretary;
- Awarding options according to the Option Programme.

In 2011 the Board of Directors approved the following documents:

- Regulations for Remuneration of employees;
- Risk Management Policy;
- Policy on Dealing in Securities;

- Information Disclosure Policy;
- Internal regulatory documents for internal audit;
- Amendments to the Treasury Policy;
- Regulations for branches of Company's subsidiaries.

Also, the Board of Directors reviewed and recommended to general meeting of shareholders to introduce amendments to the Company Charter.

The Audit, Remuneration, Nominations, and Strategic Planning Committees acted in accordance with respective regulations.

#### Audit Committee.

In 2011 the Audit Committee comprised independent directors only, in particular they were Paul Manduca (Chairman of the Committee), Philip Dayer and Edward Walshe. Appointments to the Audit Committee shall be for a period of up to three years extendable by no more than two additional three-year periods by resolution of the Board of Directors, so long as members continue to be independent. The Audit Committee bears responsibility, inter alia, for any reports containing Company's financial information, monitoring of the risk management system and internal controls as well as for involvement of the Company's auditors into this process. It shall also receive information from the Company's internal audit service which observes compliance with internal control procedures. In particular, the Committee shall review issues of compliance with laws, accounting standards, applicable rules of UK Listing Agency (UKLA) and Kazakhstan Stock Exchange (KASE), providing for effective internal controls.

The Audit Committee shall periodically review certain major acquisition and disposal transactions, and deal with any matters which the Board may refer to the Audit Committee.

Annually at meeting of general meeting of shareholders, the Chairman of the Audit Committee shall report on Audit Committee's performance and respond to any question matters in relation to Audit Committee's performance through the Chairman of the Board of Directors.

During 2011 the Audit Committee held 9 meetings. The Audit Committee reviewed the following matters:

- Financial statements  
Preparation of financial statements in accordance with IFRS;  
Approval of quarterly and annual financial statements for disclosing at Kazakhstan and London Stock Exchanges;
- Taxation matters
- Internal control and risk management system:
- Internal audit  
Action plan of Internal Audit has been reviewed and approved  
Assessment of internal audit efficiency  
Action plan of Audit Committee for 2010 has been reviewed and approved
- Cash flow forecast
- Compliance with Treasury Policy
- Job specification for a nominee to the position of Chief Accountant and Deputy Chief Accountant
- Compliance  
Policy on Dealing in Securities  
Information Disclosure Policy  
Compliance with UK Bribery Act

### Remuneration Committee

In 2011 the Remuneration Committee comprised independent directors only, in particular they were Philip Dayer (Chairman of the Committee), Paul Manduca and Edward Walshe.

The Remuneration Committee is responsible for monitoring of the existing Company's remuneration system for the Board of Directors members, CEO, Management Board members and other Company's employees, including analysis of remuneration policy as compared with other companies.

Also the Remuneration Committee is responsible for development and provision of recommendations to the Board of Directors as per the principles and criteria for determining amount and conditions of remuneration and compensation payments to the Board of Directors' members, CEO and Company's Management Board members and also as per approval of conditions for of Company's option plans and other long term motivation programs for directors and employees of the Company.

The Remuneration Committee supervises coordination of the Company's remuneration policy and the existing Company's remuneration system with the Company's strategy and the situation at the labour market.

The Remuneration Committee supervises due disclose of information in relation to remunerations and compensations to the members the Management Board and Board of Directors of the Company in accordance with legislation of Kazakhstan, Listing Rules and internal documents of the Company.

Besides, the Remuneration Committee monitors implementation of decisions of general meeting of shareholders in terms of determining the amount and order of remuneration payment to the members of the Board of Directors of the Company.

The Remuneration Committee shall regularly report to the Board of Directors on its performance, and, apart from that, annually ensure compliance with the Regulations for the Remuneration Committee by the Remuneration Committee reporting to the Board of Directors.

In 2011 the Remuneration Committee reviewed the following matters:

- determining wages and salaries and bonuses for Management Board members;
- summarizing results of the key performance indicators (KPI) of the Management Board members, Head of Internal Audit team and the Company Secretary;
- Remuneration and approval of key performance indicators (KPI) for members of the Management Board, employees of the Internal Audit Service and the Company Secretary
- Option Programme-related matters
- Recommendations on introduction of bonus payment based on implementation of cost management projects

### Nominations Committee

In 2011 the Nominations Committee comprised the Chairman of the Board of Directors Alik Aidarbayev (Chairman of the Committee from 28 June 2011), Askar Balzhanov (Chairman of the Committee until 28 June 2011), Edward Walshe, Paul Manduca and Philip Dayer.

The Nominations Committee bears responsibility for increase in effectiveness and quality of performance of the Board of Directors when selecting professionals for substitution of position in the bodies of the Company, as well as for provision of succession when replacing officials of the Company, determination of criteria for selecting members of the Board of Directors, CEO, members of the Management Board and Company Secretary.

The Nominations Committee deals with the following matters: changing the composition of the Board of Directors and Management Board; termination of powers of and

appointment of the company secretary, retirement and appointment of additional and substituting directors.

During 2011 the Committee held 2 meetings. The Nominations Committee reviewed the following matters:

- Recommendation to appoint a member of the Board of Directors
- Recommendation to appoint a member of the Management Board

#### Strategic Planning Committee

In 2011 the Strategic Planning Committee comprised Edward Walshe (Chairman of the Committee), Kenzhebek Ibrashev (until 5 May 2011), Askar Balzhanov, Alik Aidarbayev (from 28 June 2011).

The Strategic Planning Committee bears responsibility for development and provision of recommendations to the Board of Directors of the Company on the issues regarding determination of priority trends of activities of the Company and its development strategy.

During 2011 the Strategic Planning Committee held 5 meetings. The Strategic Planning Committee reviewed the following matters:

- Strategic map for 2011 and the list of key performance indicators (KPI)
- Acquisitions and opportunities for international expansion
- Functional strategies
- Update on future exploration programme
- Petrochemical project

#### Management Board

In 2011 Company's Management Board comprised top management, including CEO and his deputies.

The members of the Management Board are as follows as of 31 December 2011:

Alik Aidarbayev	CEO and Chairman of the Management Board;
Vladimir Miroshnikov	First Deputy CEO for Operations – Head of Operational Management Group in Aktau;
Zhanneta Bekezhanova	Deputy CEO for Economics and Finance
Askar Aubakirov	Deputy CEO for Corporate Development and Asset Management
Bagitkali Bisseken	Deputy CEO, Operations
Taras Khituov	Managing Director for Human Resources and Social Policy
Kiikbay Yeshmanov	Director of Ozenmunaigas
Zhumabek Zhamauov	Director of Embamunaigas

In 2011 pursuant to resolution of Company's Board of Directors the following amendments were made to the membership of the Management Board:

- On 5 May 2011 a resolution was adopted to appoint Mr. Bagitkali Bisseken, Deputy CEO, Operations, as a member of the Management Board.
- On 22 December 2011 a resolution was adopted to terminate the powers of Mr. Askar Balzhanov, CEO, Management Board chairman, and to appoint Mr. Alik Aidarbayev as CEO, Management Board chairman.

The Management Board is an executive body which administers current activities of the Company. In 2011 the Management Board of the Company held 46 planned and unplanned meetings.

In 2011 the Management Board of the Company reviewed the following important matters regarding Company operations:

- Approval of transactions on acquisition of shares and 100% subsoil use rights in a number of oil-and-gas companies in Kazakhstan
- Approval of project of the Company's involvement in public licensing round in Vietnam
- Approval of projects to acquire 100% shares in a number of foreign companies
- Approval of mid-term production programme of KazMunaiGas Exploration Production JSC for 2011-2015
- Approval of related party transaction, a deed of merger between KazMunaiGas Exploration Production JSC and NBK LLP
- Approval of KazMunaiGas Exploration Production JSC Production Plan for 2012-2016.
- Approval of 2012 Budget and Business Plan for 2012-2016
- Approval of a series of procedures regulating internal activities of the Company in accordance with international standards

The Management Board makes decisions on other matters in relation to Company's performance which do not fall within the exclusive competence of general meeting of shareholders, Board of Directors and officials of the Company.

**Resolution:**

**To approve the report of the Board of Directors and the Management Board of the Company for 2011.**

**7. Termination of appointment of a member of Company's Board of Directors.**

On 12 March 2012 the Company received a letter from its majority shareholder, National Company KazMunayGas, with a recommendation to terminate the powers of Sisengali Utegaliyev as a member of the Board of Directors (letter No. 101-26/1467).

In accordance with clause 11.1.8 of the Company Charter determination of headcount and terms of office of the Board of Directors, appointment of its members and early termination of their powers fall within the exclusive competence of general meeting of shareholders.

**Resolution:**

**To terminate the powers of Sisengali Utegaliyev as a member of the Company's Board of Directors before the end of term.**

**8. Appointment of a member of Company's Board of Directors.**

On 12 March 2012 the Company received a letter from its major shareholder, National Company KazMunayGas, with a recommendation to appoint T. Bimagambetov as a member of the Board of Directors (letter No. 101-26/1467).

In accordance with clause 11.1.8 of the Company Charter determination of headcount and terms of office of the Board of Directors, appointment of its members and early termination of their powers fall within the exclusive competence of general meeting of shareholders.

**Resolution:**

**To appoint T. Bimagambetov as a member of the Company's Board of Directors.**

Information about the nominee to the Board of Directors of  
KazMunaiGas Exploration & Production

1. Full name: Timur Bimagambetov
2. Name of nominating shareholder: National Company KazMunayGas
3. Number of shares owned by the nominee: 0
4. Education: Higher Education  
Graduated from Kazakh Polytechnical Institute, studied between 1973 and 1978
5. Affiliation to the Company: None
6. Places of employment and job titles the nominee had within the last three years, and job titles the nominee had within the last five years in governing bodies of other legal entities:  
2 February 2012 to Present - Deputy Chairman of Management Board for Production and Technical Development  
2008-2009 - General Director of N Operating Company LLP, Aktau  
March 2003 - Executive Director of National Company KazMunayGas
7. Nominee's relationship with affiliates and counterparties: none
8. Possession of unexpunged or unspent convictions: none
9. Nominee's consent to the appointment to the Board: yes