

**Materials for the Annual General Meeting of Shareholders of
KazMunaiGas Exploration & Production
24 May 2016**

Pursuant to resolution passed by the Board of Directors of KazMunaiGas Exploration & Production (“Company”) on 30 March 2016, the annual general meeting of shareholders (“AGM”) of the Company is going to be held on 24 May 2016 at 10:00AM at: 1st floor (left wing), Garden conference hall, Hilton Garden Inn Astana, 15 Kabanbay Batyr, 010000, Astana, Kazakhstan, with the following agenda:

- (1) counting commission of the Company;
- (2) approval of annual financial statements for 2015;
- (3) a procedure for distribution of net income of the Company and the size of dividend per Company share;
- (4) approval of Company’s annual report for 2015;
- (5) review of complaints made by shareholders as to Company’s or its officers’ actions, and results of such review in 2015;
- (6) report on compensation package for members of the Board of Directors and the Management Board in 2015;
- (7) performance of the Board of Directors and the Management Board in 2015; and
- (8) amendments to the Company’ Charter.

1. Counting Commission of the Company

Pursuant to subclause 4) of Article 36:1 of the Kazakh Stock Corporation Act, and subclause 7) of Article 11:1 of the Company's Charter, general meeting of shareholders has exclusive authority over setting the number of members on the Commission and the term of the Commission, and election and removal of members to the Commission.

As employment contract between the Company and Mr Yerden Raimbekov, a member and the Chair of the Counting Commission, has been terminated, we recommend that he is removed from the Commission and that Ms Lyazzat Nurmagambetova, the Compliance Officer, is elected instead as a member of the Counting Commission for the term of the entire Counting Commission.

We would also recommend that Ms Nurmagambetova is elected as chair of the Commission as well.

Resolution:

- 1. remove Mr Yerden Raimbekov, a member and the Chair of the Counting Commission, from the Commission**
- 2. elect Ms Lyazzat Nurmagambetova, the Compliance Officer, as a member and chair of the Counting Commission for the term of the entire Counting Commission.**

2. Approval of annual financial statements for 2015

Pursuant to subclause (10) Article 11:1 of the Company's Charter, approval of annual consolidated financial statements and annual report of the Company is within the exclusive authority of the general meeting of shareholders.

In accordance with requirements of the London Stock Exchange and the Kazakhstan Stock Exchange, Ernst & Young has audited the consolidated financial statements of the Company for 2015. Pursuant to subclause (6) Article 12:2 of the Company's Charter, the Audit Committee Charter, the Audit Committee and the Board of Directors have reviewed and endorsed those financial statements on 23 February 2016.

The key figures in the Financial Statements for 2015 are as follows:

- revenue: 529,812 million tenge (~530 bn);
- share of losses in results of associates and joint ventures: 20,062 million tenge (~20 bn);
- production expenses – 225,049 million tenge (~225 bn);
- taxes other than on income – 181,501 million tenge (~181 bn);
- property, plant and equipment impairment – 4,358 million tenge (~4 bn);
- depreciation, depletion and amortization – 20,110 million tenge (~20 bn);
- selling, general and administrative expenses – 118,601 million tenge (~118 bn);
- impairment of VAT recoverable – 46,753 million tenge (~47 bn);
- exploration expenses – 1,892 million tenge (~1.9 bn);
- loss on disposal of fixed assets – 260 million tenge;
- finance income less finance costs – 11,095 million tenge (~11 bn);
- foreign exchange gain – 448,869 million tenge (~449 bn);
- profit before tax – 371,190 million tenge (~371 bn);
- net profit – 243,669 million tenge (~243 bn).

The Company's annual consolidated financial statements and auditor's report are available either at www.kmgep.kz or provided upon request from shareholders.

Resolution:

Approve the annual financial statements of the Company for 2015.

3. a procedure for distribution of net income of the Company and the size of dividend per Company share

In accordance with subclause (3) Article 44:3 of Kazakhstan Stock Corporation Act (the “Act”) and subclause (3) of Article 10:28 of the Company’s Charter, materials for the annual general meeting of shareholders shall include recommendations of the Board of Directors on procedure for distribution of Company’s net income for the past financial year and amount of dividend for the year per ordinary share and per preferred share of the Company. Pursuant to Article 8:1 of the Company’s Charter, the record date of shareholders entitled to dividends may not be set less than ten (10) calendar days after the date of decision on dividend payment. The beginning of dividend payment shall commence no less than thirty (30) calendar days after the record date of the shareholders entitled to dividends.

On 30 March 2016, the Board of Directors recommended to the annual general meeting of shareholders to approve the procedure for distribution of Company’s net income and amount of dividend per ordinary share and per preferred share of the Company for 2015.

Based on the aforesaid and proposal from the Company’s Board of Directors, the annual general meeting of shareholders is recommended to approve the following procedure for distribution of Company’s net income for 2015 and the amount of dividend per ordinary share and per preferred share of the Company for 2015:

- (1) the amount of dividend for 2015 per ordinary share of the Company is zero (0) tenge;
- (2) the amount of dividend for 2015 per preferred share of the Company is twenty-five (25) tenge (including taxes payable under the laws of Kazakhstan);
- (3) distribute the net income earned by the Company for the year 2015 in compliance with audited consolidated financial statements in the following manner:
 - pay the dividend in the amount that is equal to the product of the dividend amount for the year 2015 per preferred share by the number of relevant outstanding shares as at the record date of shareholders entitled to dividends;
 - keep the remaining cash with the Company.
- (4) the list of shareholders entitled to dividends shall be fixed on 3 June 2016 at 11.59p.m. (23:59 hrs);
- (5) the payment of dividends will start on 4 July 2016; and
- (6) the manner in which the dividends will be paid is wire transfer to bank accounts of shareholders as per the list of shareholders entitled to dividends.

Resolution:

1. Approve the following procedure for distribution of net income of the Company (full name: Joint Stock Company KazMunaiGas Exploration Production; located at: Kabanbay Batyr 17, 010000, Astana, Republic of Kazakhstan; bank details: BIN 040340001283, IBAN KZ656010111000022542, SWIFT HSBKKZKX, JSC Halyk Bank of Kazakhstan, Astana Regional Branch) for 2015 and the amount of dividend for 2015 per ordinary share and per preferred share of the Company:

- (1) the amount of dividend for 2015 per ordinary share of the Company is zero (0) tenge;**
- (2) the amount of dividend for 2015 per preferred share of the Company is twenty-five (25) tenge (including taxes payable under the laws of Kazakhstan);**
- (3) distribute the net income earned by the Company for the year 2015 in compliance with audited consolidated financial statements in the following manner:**

- pay the dividend in the amount that is equal to the product of the dividend amount for the year 2015 per preferred share by the number of relevant outstanding shares as at the record date of shareholders entitled to dividends;
- keep the remaining cash with the Company.

- (5) the list of shareholders entitled to dividends shall be fixed on 3 June 2016 at 11.59p.m. (23:59 hrs);
 - (6) the payment of dividends will start on 4 July 2016;
 - (7) the manner in which the dividends will be paid is wire transfer to bank accounts of shareholders as per the list of shareholders entitled to dividends.
2. that Mr Kurmangazy Iskazyev, the Chief Executive Officer and the chair of the Management Board of the Company, takes steps required for this resolution to be implemented.

4. Approval of Company's annual report for 2015

Pursuant to Article 10:29 and subclause (41) Article 12:2 of the Company's Charter, and in accordance with UKLA's Disclosure and Transparency Rules and corporate governance standards recommended by the Company's Code on Corporate Governance, the annual report has been prepared by the Company's Management Board and approved and presented to the general meeting of shareholders by the Company's Board of Directors.

The 2015 annual report is hereby brought to the attention of shareholders.

- About us
- Chairman's statement
- Interview with the CEO
- Operational activities overview
- Operating and financial review
- Risk factors
- Social policy
- Corporate Governance Information
- Consolidated Financial Statements for the year ended 31 December 2015

The Company's annual report for 2015 is available at www.kmgep.kz or provided upon request from shareholders.

Resolution:

Approve the Company's annual report for 2015.

5. Review of complaints made by shareholders as to Company's or its officers' actions, and results of such review in 2015

Pursuant to subclause (3) of Article 35:2 of the Kazakh Stock Corporation Act and Article 10:3 of the Company's Charter, the annual general meeting of shareholders shall review complaints from shareholders in relation to actions taken by the Company or its officers as well as results of such review.

The following complaints were made by Company's shareholders in 2015:

1. Request from Asyl Invest made on 8 January 2015 with suggestions on how to increase Company's market value. Formal response with explanations was made on 13 February 2015;
2. Request from Asyl Invest made on 14 January 2015 asking to provide them with data on highly liquid assets. Formal response was made on 15 January 2015. Explanations and data were provided;
3. Letter from Dosym Yenkebayev, a minority shareholder, of 27 March 2015 with a complaint about infringement upon interests of minority shareholders. Formal response with explanations was made on 21 April 2015;
4. Collective request from East Capital, Franklin Resources, Metage Capital, Prosperity Capital Management, Skagen Funds, TKB-BNP Paribas Investment Partners made on 23 March 2015 with a suggestion to pay a special dividend. Formal response with explanations was made on 21 April 2015;
5. Request from Prosperity Capital Management made on 1 July 2015 asking how KMG EP comes up with oil sales price for the domestic market and how it was going to use its cash pile. Formal response signed by Mr Christopher Hopkinson, the Chair of the Board of Directors of KMG EP, was made on 15 July 2015. Furthermore, formal explanation was provided to Mr Dauren Yerdebay, the Deputy Chair of the Management Board at Samruk Kazyna.

Resolution:

Take note of the report.

6. Report on compensation package for the members of the Board of Directors and the Management Board in 2015

In 2015, only the independent directors from amongst the directors were compensated for their involvement in the performance of the Board of Directors and its Committees. The total amount of compensation to the independent directors was 244,823.24 thousand tenge including taxes, specifically: 80,665.31 thousand tenge to Edward Walshe including taxes; 82,893.69 thousand tenge to Philip Dayer including taxes; and 81,264.24 thousand tenge to Alastair Ferguson including taxes. The compensation for the independent directors has been determined by annual general meeting of shareholders held on 13 April 2015. This includes annual bonus, fees for attending meetings of the Board of Directors, fees for attending Board meetings via telephone or video conference, fees for attending meetings of independent directors, and compensation for chairing meetings of the Audit Committee, the Remuneration Committee and the Strategic Planning Committee of the Company's Board of Directors.

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

Resolution:

Take note of the report.

7. Performance of the Board of Directors and the Management Board in 2015

Pursuant to subclause 3-2) of Article 44:3 of the Kazakh Stock Corporation Act, subclause 5) of Article 10:28 of the Charter of KazMunaiGas Exploration & Production (“Company”), and subclause 9.1 of Article 9 Assessment of Board’s performance of the Terms of Reference of Board of Directors of KazMunaiGas Exploration & Production, along with the annual report and the consolidated financial statements of the Company, the Board of Directors shall present a report on performance of the Board of Directors and the Management Board, including full information about matters that are to be decided upon by the Board of Directors or by the Management Board.

As at 31 December 2015, the Company’s Board of Directors comprises eight people including three independent directors.

In 2015 there were some small changes in the membership of the Company’s Board of Directors because of staff changes in the management of National Company KazMunaiGas (“NC KMG”), the majority shareholder, and of the Company. New directors were elected to the Company’s Board of Directors as per resolutions passed by general meeting of Company’s shareholders on 13 January, on 13 April, and 26 November 2015.

During 2015 the Board of Directors held 58 meetings including 14 regular meetings, and 44 meetings held by correspondence. The Company’s Board of Directors reviewed matters related to management, routine planning and control that are within their remit. The Company’s Board of Directors reviewed the involvement of Samruk and NC KMG in management of Company’s cash, Company’s involvement in the Transformation Programme, and disclosures as part of implementation of provisions of the Charter of the Transformation for the Upstream Sector of NC KMG. An amended and restated Risk Management Policy of the Company was approved.

Apart from that, the Company’s Board of Directors reviewed some related party transactions, Company’s involvement in other companies’ business, the number of people on the Internal Audit, the term of the Internal Audit and the head of the Internal Audit.

The Company’s Chief Executive reports on Company’s state of business at each regular meeting. The Company’s broker reports on Company’s stock market at each regular meeting. Other regular reports include the number of shareholders, and disclosure requirements.

During 2015 an Independent Committee of the Board of Directors was making decisions on matters associated with acquisition, purchase and/or delisting of shares and/or other securities on KASE or any other foreign stock exchange where the underlying asset is Company’s shares. The Independent Committee comprises only independent directors of the Company: Mr Philip Dayer, Mr Edward Walshe, and Mr Alastair Ferguson. As per the terms of reference for the Independent Committee, the Company purchased advisory services from Brunswick, HSBC, Rothschild’s, Linklaters and a Kazakh legal company that are associated with acquisition, purchase and/or delisting of shares and/or other securities on KASE or any other foreign stock exchange where the underlying asset is Company’s shares.

The Audit Committee, the Remunerations Committee, the Nominations Committee, and the Strategic Planning Committee were acting as per their terms of reference.

During 2015, the Audit Committee held 15 meetings where it reviewed the following issues: Internal Audit and its head; Approval of consolidated interim financial statements of the Company; Selection of an audit firm for the Company; Risk management and internal controls; Forecasts of Company cash flows; Treasury Policy compliance; and Compliance.

The Remuneration Committee held seven meetings, and reviewed, inter alia, the following issues: The amount of salaries and terms of remuneration and bonuses for members of the Management Board, employees of the Internal Audit Team, and the Company Secretary; and Matters related to the Option Plan.

The Nominations Committee held five meetings where the following issues were reviewed: election of new directors to the Company’s Board of Directors; removal and

appointment of Company's Chief Executive Officer (Chair of the Management Board); and membership of the Board's committees.

The Strategic Planning Committee held four meetings where the following issues were reviewed: Company's strategic initiatives programme for 2015-2016 (as part of the approved Company's strategic growth plan); approval of adjusted corporate key performance indicators with targets for 2015; potential projects for acquisition of oil and gas assets.

The Management Board is an executive authority and regulates the Company's current activities. In 2015, 36 meetings of the Management Board were held on a regular basis and as necessary. During 2015, the Management Board addressed the most critical matters that related to Company's operations, internal procedures and controls, management risks, and rules and regulations that govern business processes, and matters to do with amendments to subsoil use contracts, and changes to the organizational structure of the Company, and addressed some matters that the Board of Directors had authority over but that required endorsement by the Management Board according to the Company's Charter. The Management Board endorsed annual production programme, Company's budget, and business plan for 2016-2020. The Company rendered sponsorship within the approved budget as per resolutions of its Management Board (to low-income families, community funds, children and pensioners for health resort treatment, etc.)

The Management Board makes decisions on other matters of the Company's operations that are not required to be solely addressed by a general meeting of shareholders, the Board of Directors or other officers of the Company.

Pursuant to clause 9.2 of Article 9 of the Terms of Reference of the Company's Board of Directors, Assessment of Board's performance, to improve corporate governance and performance of the Board of Directors, in 2015 the Board of Directors was assessed by the Company by circulating questionnaires among the directors. No comprehensive assessment of performance of the Company's Board by a third party was made in 2015. This will be done in 2017.

The questionnaires revealed the positive dynamics of the structure and the role of the Board, the high quality of document support for the Board, the good interaction with the top management of the Company, and good communication within the Board.

It was decided that the Board should focus on better performance of its committees, enhancing the role and responsibilities of the Board in making strategic decisions, regularly review and compare the performance of the Board with that of its peers.

Resolution:

Take note of the report.

8. Amendments to the Company' Charter

The current version of the Charter of the Company does not contain directors' indemnity provisions.

At the moment protection available to directors' of KMG EP is limited only to terms of the directors' and officers' (D&O) liability insurance policy, currently provided by JSC Halyk-Kazakhinstrakh.

The IPO Prospectus sets out indemnity for Company's officers including Directors.

We would recommend that the Company considers providing directors with indemnity provisions similar to the indemnity set out in the IPO Prospectus that would:

1. have a more accurate translation of the English IPO Prospectus;
2. specify that no indemnity would be provided in the event of a fraud, wilful default or wilful negligence.

These amendments have been reviewed and approved by the Company's Board of Directors (Minutes No.9 dated 13 April 2016).

Pursuant to subclause 1) of Article 11:1 of the Company's Charter, general meeting of shareholders has exclusive authority over making amendments to the Charter and over approval of amended and restated Charter.

Resolution:

- 1. to approve the amendments to the Company's Charter attached hereto; and**
- 2. that Mr. Kurmangazy Iskazyev, the Company's CEO and Management Board Chair, makes sure that these amendments are duly registered by Kazakh justice authorities.**

End of resolutions.

For more details, please either visit the office of KazMunaiGas Exploration & Production at office 507, Kabanbay Batyr 17, Astana, from 9:00AM to 6:30PM or go to the Company's website: www.kmgep.kz.

Amendment to be introduced to the charter of KazMunaiGas Exploration & Production

1. In Section 12 BOARD OF DIRECTORS:

1) add clause 12:32 to read as follows:

«12.32. Subject to the provisions of the Joint Stock Company Law but without prejudice to any indemnity to which a Director may otherwise be entitled, every Director or other officer of the Company shall be indemnified out of the assets of the Company against any liability incurred by him/her in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his/her part) or in which he/she is acquitted or in connection with any application in which relief is granted to him/her by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company provided that such liability is not a direct or indirect result of fraud, willful misconduct or negligence on the part of a Director or any other officer of the Company».

CEO

Kurmangazy Iskazyev