

**Materials for the Extraordinary General Meeting of Shareholders of
KazMunaiGas Exploration Production Joint Stock Company
to be held on 14 February 2017 at 10:30AM**

Agenda of the meeting:

1. Terms and quantum of fees payable to directors and reimbursement of the directors for any costs they may incur while discharging their duties.

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Pursuant to clause (8) of Article 11:1 of the Company's Charter, the general meeting of shareholders has exclusive authority over determining the number of members on the Board of Directors and their terms of office; election of members to and their removal from the Board of Directors; approval of terms of reference for the Board of Directors, and over setting the terms and quantum of fees payable to directors and over reimbursement of the directors for any costs they may incur while discharging their duties.

The Board of Directors recommended that the general meeting of shareholders considers revising the terms and quantum of fees payable to the independent non-executive directors ("INED").

The KMG EP INED fees were last revised in 2010, six years ago. They were revised at that time in conjunction with the search for a new INED and when the then 2010 fees had not been reviewed during the four years since the IPO in 2006. At the time of the IPO and again in 2010, the fees payable to the INEDs of KMG EP were set at a level significantly higher than the INED fees payable to the KMG NC INEDs to recognise the facts that: the KMG EP INEDs have significant regulatory responsibilities associated with the GDR listing on the London Stock Exchange; and, specific responsibilities to protect the interests of minority shareholders. By contrast, the KMG NC INEDs have no such regulatory responsibilities and only have Samruk Kazyna as a single professional shareholder.

Since 2010 the responsibilities (and time commitments) of the KMG EP INEDs have dramatically grown as a result of the: putative takeover offer from KMG NC in 2014; long standing dispute throughout 2015 regarding the price paid to KMG EP for domestic oil sales; and, 2016 proposals from KMG NC to amend the Relationship Agreement with the consequence of weakening minority shareholder protections. These corporate events have shown that the role of an INED at KMG EP is high profile and, in recent times, reluctantly confrontational. Those job characteristics will deter many quality candidates from applying for the role of a KMG EP INED without a significant financial inducement to compensate for the enhanced reputational risk now associated with the role.

The KMG EP INEDs received no additional compensation for the non-routine time commitment devoted to dealing with the 2014 putative takeover offer or for their work enforcing the cost plus three percent formula or for successfully defending the interests of minority shareholders at the time of the 2016 EGM proposals. As a result of the putative takeover offer and the EGM proposals, the KMG EP INEDs now command the respect of the overwhelming majority of the minority shareholders and are held up in the international press as effective in promoting and protecting corporate governance in the Republic of Kazakhstan. They are an asset for KMG EP.

The KMG NC INEDs were awarded substantial fee increases that took effect from 2014 and which more than doubled their then total compensation when the combined effects of the increases in their basic fee and committee fees were aggregated. (Detailed information about the

KMG NC fee increases can be provided but it is publicly available by comparing their disclosed remuneration in 2013 and 2014).

Preliminary discussions with headhunters have indicated that the hitherto dysfunctional relationship between KMG NC and KMG EP combined with the negative image that recent KMG EP events have created for listed Kazakh companies, mean that a significant financial inducement will now be required to attract a worthwhile replacement KMG EP INED.

Objectives of new fee proposal

The attached fee schedule is designed to: (a) increase the basic INED remuneration; (b) mirror the KMG NC committees and their fee structures; (c) recognise the role of a 'Senior Independent Director' as required by current international governance codes; (d) broaden the current attendance fees to cover meetings with Samruk Kazyna or Kazakh government officials when those meetings are not combined with a KMG EP board meeting; (e) and, provide a mechanism to compensate the KMG EP INEDs for their additional work in the event of another takeover event or governance EGM.

The revised fee proposal should take effect from 1 January 2016 so that the INEDs can be compensated for their work relating to the August EGM and recognise the fact that their fees have not been revised since 2010. This will result in a backlog of fees being paid in respect of 2016 for their basic and committee fees and for work on the EGM.

This revised schedule has been endorsed by the KMG EP Board of Directors in their resolution No.46 that was adopted on 13 December 2016.

The following resolution is proposed to shareholders:

- 1. to recommend the general meeting of shareholders sets out the following compensation to Directors of the KMG EP Board of Directors — independent directors with effect from 1 January 2016:**
 - (1) Annual fee** **200,000 US dollars per annum;**
 - (2) Senior Independent Director (in addition to the fees specified in subclause 1 of clause 1 of this resolution);** **60,000 US dollars**
 - (3) Attending a meeting of the Board of Directors, fee per meeting:**

Physical attendance	15,000 US dollars per meeting;
Telephone/Video Link Attendance (conference call)	2,000 US dollars per meeting;
 - (4) Committee Chairmanship, per annum:**

Audit Committee Chairmanship	60,000 US dollars;
Audit Committee Membership	30,000 US dollars;
Strategic Planning Committee Chairmanship	25,000 US dollars;
Strategic Planning Committee Membership	12,500 US dollars;
Remuneration Committee Chairmanship	25,000 US dollars;
Remuneration Committee Membership	12,500 US dollars;
Nominations Committee Chairmanship	25,000 US dollars;
Nominations Committee Membership	12,500 US dollars;
 - (5) INED Meeting Fee** **2,500 US dollars per meeting**
- 2. that the Chair of the Company's Board of Directors signs engagement letters with the independent directors on the above terms.**

End of resolutions.

Detailed information can be obtained at the offices of KazMunaiGas Exploration Production at Office 507, Kabanbay Batyr 17, Astana, from 9-00am to 6-30pm or on the Company's website: www.kmgep.kz.