

CIRCULAR dated 17 June 2016

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If you have sold or otherwise transferred all of your Shares and/or GDRs (as defined below), you should send this document at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. The offer to purchase securities referred to in this document is not being made, and will not be made, directly or indirectly, in, into or from any jurisdiction in which, or to any person to or from whom, it is unlawful to make such offer or invitation or for there to be such participation under applicable securities laws ("Restricted Jurisdiction"). Accordingly, this document should not be forwarded or transmitted in, into or from any such jurisdiction or to any such person. If you have sold or otherwise transferred only part of your holding of Shares and/or GDRs, you should retain these documents.

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**Circular to Shareholders of**

**Joint Stock Company "KazMunaiGas" Exploration**

**Production"**

**PROPOSED CHANGES TO THE**

**RELATIONSHIP AGREEMENT AND CHARTER**

**and**

**OPPORTUNITY FOR JOINT STOCK COMPANY**

**"KAZMUNAIGAS" EXPLORATION**

**PRODUCTION"'S SHARE and GDR HOLDERS TO**

**ACCEPT THE OFFER TO PURCHASE BY JOINT**

**STOCK COMPANY "NATIONAL COMPANY**

**"KAZMUNAYGAS"**

The offer to purchase securities described in this Circular (the "Circular") is conditional upon and will only be made once (i) the management board of Joint Stock Company "KazMunaiGas" Exploration Production ("KMG EP" or the "Company") (the "Management Board") pre-approves the amendments to the Relationship Agreement between the Company and Joint Stock Company "National company "KazMunayGas" ("NC KMG" or the "Offeror") dated 8 September 2006 (the "Relationship Agreement") set forth at Appendix IV to this Circular (the "Management Board Approval"), (ii) the Board of Directors of the Company (the "Board") pre-approves the amendments to the Relationship Agreement set forth at Appendix IV to this Circular and certain amendments to the Charter of the Company (the "Charter") set forth at Appendix V to this Circular (the "Board Approval"), and (iii) the shareholders of the Company adopt all Resolutions (as defined below) at a General Meeting (as defined below) ((i), (ii) and (iii), the "Approval Condition"). The proposed amendments to the Relationship Agreement and the Charter are herein referred to as the "Proposed Amendments".

The effectiveness of the Management Board Approval and the Board Approval is conditional on the approval of the Resolutions and the completion of the Offer Period (as defined herein). Therefore, the Management Board Approval and the Board Approval will be deemed to have been adopted and will come into effect on the second Business Day (as defined herein) following the Expiration Date (as defined below) (the "Pre-approvals Effective Date"). The effectiveness of the Resolutions is conditional on the completion of the Offer Period. Therefore, the Proposed Amendments will be deemed to have been adopted and will only become effective as of the Pre-approvals Effective Date.

Subject to the satisfaction of the Approval Condition, the Offeror will offer to purchase via Open Trade (as defined below) transactions on the Kazakhstan Stock Exchange (the "KASE") and the London Stock Exchange (the "LSE") for cash from each registered holder (each a "Holder" and, collectively, the "Holders"), upon the terms and subject to the further conditions as set forth in this Circular, any and all of the common shares (the "Common Shares"), preferred shares (the "Preferred Shares") and global depositary receipts (each representing 1/6th of one Common Share) (the "GDRs") of the Company (together, the "Securities"). Daily purchases of GDRs on the LSE will be limited to USD50 million per day, save for the Expiration Date, when such limit will not apply. This offer to purchase the Securities is referred to as the "Purchase Offer." See Part IV - "Purchase Offer".

**The Purchase Offer will be undertaken by brokers acting on behalf of the Offeror who will purchase the Securities on exchange. A further communication to the market will commence the Purchase Offer and explain how Holders can have their Securities purchased by the Offeror.**

The Offeror will offer to purchase the Securities at a fixed price of USD47.28 per Common Share in KZT equivalent calculated on a daily basis, USD27.62 per Preferred Share in KZT equivalent calculated on a daily basis and USD7.88 per GDR (the "Consideration"). The Consideration for Common Shares and Preferred Shares will be translated into KZT using the weighted-average US Dollar exchange rate of the morning session of the KASE on the relevant Trade Date (as defined below) and will be paid in KZT.

**This document contains important information relating to the Proposed Amendments. This document also describes the Purchase Offer that will be made upon the terms and subject to the**

**conditions described herein following the satisfaction of the Approval Condition. Holders should read this document carefully before making any decision with respect to their Common Shares, Preferred Shares and/or GDRs. If any Holder is in any doubt as to the action it should take, it is recommended to seek its own legal, tax, accounting and financial advice, including as to any tax consequences, from its broker, bank manager, solicitor, accountant or other independent financial or legal adviser. Any individual or company whose Securities are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if it wishes to vote its Securities or participate in the Purchase Offer.**

**The Offeror is not making any recommendations to the Holders as to whether or not to offer all or any portion of their Securities for purchase. Holders must decide whether to accept the Purchase Offer, and if accepted, the amount of Securities to offer for sale.**

Capitalised words and phrases used in this document shall have the meanings given to them in Appendix VIII. References to times in this document are to Astana time unless otherwise stated.

This document has been prepared for the purpose of complying with Kazakhstan Laws (as defined below) and the information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside Kazakhstan.

The Purchase Offer is subject to the applicable rules and regulations of Kazakhstan.

It may be difficult for US Holders (as defined herein) of Securities to enforce their rights and any claim arising out of the US federal securities laws, since the Offeror and the Company are located outside of the United States, and some or all of their officers and directors are resident outside of the United States. US Holders of Securities may not be able to sue a foreign company or its officers or directors in a foreign court for violations of US securities laws. Further, it may be difficult to compel a foreign company and its affiliates to subject themselves to a US court's judgment.

**Neither this Circular nor any related document has been filed with the US Securities and Exchange Commission, nor has any such document been filed with or reviewed by any US state securities commission or regulatory authority of any country. No authority has passed upon the accuracy or adequacy of the Circular or any related documents, and it may be unlawful and a criminal offence to make any representation to the contrary.**

This Circular does not constitute an offer to sell securities in any jurisdiction.

This Circular does not and will not constitute an offer or an invitation to participate in the Purchase Offer in any Restricted Jurisdiction. The release, publication or distribution of this document in certain jurisdictions may be affected by the laws of relevant jurisdictions. Persons who are subject to the laws of any jurisdiction other than Kazakhstan or are not resident in Kazakhstan will need to inform themselves about, and observe, any applicable requirements.

**Unless otherwise determined by the Offeror and permitted by applicable law and regulation, the Purchase Offer is not being made, directly or indirectly, in or into or by the use of the mails of, or by any other means or instrumentality (including, without limitation, electronic mail, facsimile transmission, telex, telephone, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facility of a national state or other securities exchange of any**

**Restricted Jurisdiction and is not capable of acceptance by any such use, means, instrumentality or facility or from within any Restricted Jurisdiction.**

Accordingly, unless otherwise determined by the Offeror and permitted by applicable law and regulation, copies of this document and any other documentation relating to the Purchase Offer are not being, and must not be, directly or indirectly, mailed, transmitted or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction and persons receiving this document (including, without limitation, custodians, nominees and trustees) must not mail or otherwise forward, distribute or send it in, into or from any Restricted Jurisdiction, as doing so may invalidate any purported offer to purchase Securities under the terms and conditions of the Purchase Offer. Any person (including, without limitation, custodians, nominees and trustees) who would, or otherwise intends to, or who may have a contractual or legal obligation to, forward this document and/or any other related document to any jurisdiction outside Kazakhstan should inform themselves of, and observe, any applicable legal or regulatory requirements of any relevant jurisdiction.

**United States**

The Purchase Offer will be made in compliance with, to the extent applicable, Regulation 14E (“Regulation 14E”) under the US Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Offeror is analysing whether the Purchase Offer is exempt from certain of the requirements of Regulation 14E pursuant to Rule 14d-1(c) or 14d-1(d) under the Exchange Act (the “Cross-Border Tender Offer Exemptions”).

In the event the Offeror determines that the Purchase Offer is exempt from certain of the requirements of Regulation 14E pursuant to a Cross-border Tender Offer Exemption, it and any covered person may rely on any exemption or relief provided for by such Cross-Border Tender Offer Exemption, including any available exemption from the requirements of Rule 14e-5 that permits brokers undertaking the Purchase Offer or their affiliates to acquire, or make arrangements to acquire, Shares or GDRs outside the United States other than pursuant to the Purchase Offer, on or off the KASE or the LSE or otherwise, before or during the Offer Period, so long as those acquisitions or arrangements comply with applicable Kazakhstan Laws and practice and the provisions of such exemption. In such event, information about any such acquisitions or arrangements which is made public in Kazakhstan will be made available, including in the United States.

**United Kingdom**

This Circular is only being distributed to and is only directed at persons who are (i) outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (iii) persons who are holders of the Securities or who otherwise fall within Article 43 of the Order or (iv) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order or (v) any other persons to whom this communication may lawfully be communicated (all such persons together being referred to as “relevant persons”). The Securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.



### **Forward-looking statements**

This document, including information included or incorporated by reference, may contain “forward-looking statements” concerning the Offeror and the Company. All statements other than statements of historical facts included in this document may be forward looking statements. Without limitation, any statements preceded or followed by or that include the words “targets”, “plans”, “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates”, “estimates”, “projects” or words or terms of similar substance or the negative thereof, are forward looking statements. Such forward looking statements involve risks and uncertainties that could significantly affect expected results or outcomes and are based on certain key assumptions. Many factors could cause actual results or outcomes to differ materially from those projected or implied in any forward looking statements. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward looking statements, which speak only as of the date hereof. The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable law.

### **Publication on website**

A copy of this document will be available on the Company’s website at [www.kmgep.kz/eng/index.php](http://www.kmgep.kz/eng/index.php) and the Offeror’s website at [http://www.kmg.kz/en/press/company\\_news](http://www.kmg.kz/en/press/company_news) by no later than 12 noon on the Business Day following the date of this document. For the avoidance of doubt, the contents of those websites are not incorporated into, and do not form part of, this document.

### **Rounding**

Certain figures included in this document have been subject to rounding adjustments.

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## **PART I. LETTER FROM THE OFFEROR TO THE COMPANY SHAREHOLDERS AND GDR HOLDERS**

17 June 2016

*To Common Shareholders, Preferred Shareholders, and GDR Holders*

Dear Shareholder

### **Relationship between JSC "KazMunaiGas" Exploration Production" ("KMG EP" or the "Company") and JSC "National company "KazMunayGas" ("NC KMG")**

#### **Introduction**

This letter sets out the reasons why NC KMG is proposing changes to the Charter and the Relationship Agreement. The Proposed Amendments cover areas of corporate governance, the relationship with NC KMG and certain consequential amendments and relate to, amongst other things:

- the authority and powers of the Independent Non-Executive Directors of KMG EP ("INEDs");
- the authority and powers of the Board;
- the authority and powers of the Management Board; and
- the provisions for voting at extraordinary general meetings.

A detailed explanation of each of the proposed amendments can be found in Appendix I to this letter and NC KMG's reasons for seeking your support in approving them are contained in the section entitled 'Proposed amendments to the Charter and Relationship Agreement with KMG EP', below.

NC KMG believes that these changes are crucial to reduce bureaucracy and duplication, optimise cost and improve focus and decision-making, thereby promoting a turnaround in the operational performance of KMG EP in the interests of all holders of KMG EP shares ("Shares") ("Shareholders") and holders of Common Shares in the form of global depositary receipts ("GDRs") ("GDR Holders")<sup>1</sup>.

If the Proposed Amendments are approved by a simple majority of those minority Shareholders (i.e. all Shareholders holding Common Shares or GDRs excluding NC KMG and legal entities under the control of NC KMG or under common control by a third party together with NC KMG) present and voting (whether in person or by proxy) at the General Meeting, NC KMG will facilitate a full exit for any minority Shareholders, holders of Preferred Shares or GDR Holders who do not want to see through the turnaround of KMG EP, for whatever reason. Further details of this proposal are outlined in the section entitled 'Proposal to purchase GDRs, Common Shares and Preferred Shares' within this letter.

#### **Background**

KMG EP's financial results for the financial year ended 31 December 2015 highlight the scale of the challenges it faces under very difficult trading conditions.

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<sup>1</sup> As provided for in the Depositary Agreement (as defined below) between KMG EP and Deutsche Bank Trust Company Americas in its capacity as depositary (the "GDR Depositary"), GDR Holders may give instructions to the GDR Depositary to vote for or against each of the resolutions to be put to Shareholders regarding the Proposed Amendments.

KMG EP's cash position deteriorated by more than \$700 million in 2015 and \$160 million in the first quarter of 2016. All of KMG EP's operations are currently loss-making and the Company's current business plan foresees a further significant deterioration in the cash position to around \$5 per GDR by 2020. Like all other companies in the oil and gas sector, KMG EP needs to take urgent action to respond to an extremely challenging external environment.

Currently, KMG EP is hampered by excessive bureaucracy, with too many layers of decision-making and considerable duplication, preventing it from taking the difficult decisions that are required at the present time with sufficient pace and focus. The current operating structure is prescribed by and contained in the Charter and Relationship Agreement. Accordingly, delayering the decision-making structure at KMG EP requires changes to be made to the Charter and to the Relationship Agreement.

NC KMG believes that these changes will allow KMG EP to accelerate a turnaround strategy and execute that strategy more effectively. NC KMG is willing to support KMG EP's efforts to turn around its business, and has already put in place a number of initiatives such as the Transformation Initiative and the establishment of the Technical & Research Institute that are making early positive progress in improving performance in NC KMG's other upstream businesses.

There are several priority areas of focus for turning around KMG EP's operational performance in line with the Transformation Initiative for NC KMG Group, which have been identified by the Chairman of the Board:

- Streamlining back office functions, including IT, Finances, Audit, HR, Procurement, Accounting, Legal, Strategy etc.;
- Improving functional discipline management;
- Improving centrally-driven knowledge and technology sharing;
- Increasing the efficiency of well workovers; and
- Focusing the operating model more tightly on five business units: Exploration and Production, Refining and Marketing, Oil Transportation, Gas Transportation, Oilfield Services.

In order to realise the benefits of these work streams and achieve target breakeven levels for 2016 and 2017, NC KMG believes that the full Board needs the authority and powers to drive through the turnaround plan effectively.

Consistent with the terms of the Charter and Relationship Agreement (see in particular clauses 2.2(a), 2.2(c) and 2.3 of the Relationship Agreement), the streamlining of back office functions described above is not intended to reduce KMG EP's control over these parts of the business but is to ensure these functions operate more efficiently. Implementation of the turnaround plan will not impact on KMG EP's ability to continue to comply with its corporate governance obligations or the listing rules.

A more detailed overview of NC KMG's proposed approach to performance improvement in KMG EP is set out in Appendix II to this letter.

### **Proposed amendments to the Charter and Relationship Agreement**

A table detailing the Proposed Amendments is contained in Appendix I to this letter. NC KMG's proposals for changes to the Charter and Relationship Agreement fall into three broad groups.

1. NC KMG wants to improve KMG EP's decision-making and execution by making the main Board the clear executive centre of the business. The Charter and the Relationship Agreement currently necessitate split accountability and multi-layered decision-making in a wide range of areas. The majority of these provisions, particularly those relating to the Management Board, do nothing to enhance protections for minority Shareholders or GDR Holders. They have over time entrenched delay, bureaucracy and duplication in the management structures of KMG EP. Some of the Proposed Amendments seek to remove many of these provisions and so focus decision-making in the main Board, which NC KMG believes is in the interests of Shareholders and GDR Holders.
2. NC KMG believes there are benefits to NC KMG and KMG EP operating in a more integrated way to remove duplication in back office services across the two groups. NC KMG believes that this will enable KMG EP to benefit more fully from the scale, expertise and personnel of the broader KMG group which should in turn lead to cost savings at KMG EP. Some of the Proposed Amendments are needed in order to allow NC KMG and KMG EP to operate in a more integrated way. In this respect, your attention is drawn to the proposal to amend the membership of the Nominations Committee and the process for appointing new INEDs. These changes are designed to ensure that NC KMG will in future be able to have a constructive working relationship with the INEDs in the interest of all Shareholders and GDR Holders. It is important to note that under the proposals, NC KMG will be unable to impose INEDs on KMG EP and the appointment of new INEDs would need the support of the majority of existing INEDs. There is no change to the position or protections of existing INEDs.
3. A number of proposed changes to the Charter and the Relationship Agreement address significant technical shortcomings in the existing documents, including lack of alignment with the Kazakhstan Law "On Joint-Stock Companies" dated 13 May 2003 (as amended from time to time (the "JSC Law")), mistranslations and errors in referencing. While many of these changes are technical, NC KMG believes that they are important to give minority Shareholders and GDR Holders confidence that the protections in the Charter and Relationship Agreement are properly enshrined and legally enforceable. NC KMG also proposes to update the provisions on domestic supply as the existing ones have expired.

Throughout, NC KMG has sought to preserve protections for minority Shareholders, and in some areas has in fact enhanced these protections and the powers of the INEDs. For example, NC KMG proposes to significantly strengthen the powers of the INEDs of KMG EP by requiring their approval for related party transactions of any size. NC KMG has also maintained existing high thresholds for approving further changes to the Charter and de-listing.

### **Proposal to purchase GDRs, Common Shares and Preferred Shares**

NC KMG believes that the changes that it is proposing are in the interests of Shareholders and GDR Holders, who are likely to see further loss of value without them, and that Shareholders and GDR Holders may therefore wish to remain invested.

For those Shareholders (including any holders of Preferred Shares) and GDR Holders, however, who do not wish to see through the turnaround of KMG EP for whatever reason, NC KMG believes that the fairest way forward is to offer them an exit for their share of current cash in the business (with a positive adjustment for a significant outstanding receivable relating to 2015 domestic supply requirements), given that all operations are currently loss-making. This offer is contingent on the changes NC KMG is proposing to the Charter and the Relationship Agreement being approved.

If the Proposed Amendments are approved, NC KMG will offer to purchase KMG EP Shares (Common Shares and Preferred Shares) and GDRs on KASE and LSE for a period of 21 Business Days. To manage liquidity, daily purchases of GDRs on the LSE will be limited to USD50 million per day, save for the final day of the Offer Period, when such limit shall not apply.

On the basis that the Proposed Amendments can be approved by 3 August 2016 (or, in case of the Adjourned General Meeting (as defined below), by 4 August 2016), NC KMG proposes to use the cash position of the Company at the end of Q1 2016 for the share price calculation. If an EGM cannot be held by that date, then NC KMG will use the Q2 cash position of the Company, which is likely to have deteriorated further. Based on the Q1 position, itself some US\$160 million below the Q4 2015 position, NC KMG would offer to purchase at a price of US\$7.88 per GDR and at a price of US\$47.28 per Common Share in KZT equivalent calculated on a daily basis, to be purchased on the LSE and KASE, respectively.

NC KMG is ready to purchase the Preferred Shares that do not carry voting rights at a price of US\$27.62 per Preferred Share in KZT equivalent calculated on a daily basis (also to be purchased on the KASE). This price represents the same premium of 14.12% offered to the holders of the GDRs using a like for like calculation of the 30-day volume weighted average price to 31 March 2016 and the adjusted 31 March 2016 cash position of the Company, adjusted for KZT43,863 million of overdue trade receivables from KMG-RM (as defined below) at 31 March 2016. For Preferred Shares, this premium is similarly applied with reference to the volume weighted average price of Preferred Shares for the 30 days to 31 March 2016, which is intended to ensure that all investors are treated equally.

As a result of these proposals being approved, the Shareholders and the GDR Holders would also have certain rights under the JSC Law to require KMG EP to repurchase their interests in the Company in line with the methodology previously approved by shareholders.

NC KMG is not seeking to acquire any significant additional holding in KMG EP through this offer, only to provide a route for the Shareholders and the GDR Holders who wish to exit. NC KMG is committed to preserving KMG EP's listings and will support KMG EP in complying with its obligations under the Depositary Agreement which require KMG EP to use its best endeavors to maintain, so long as any GDR is outstanding, a listing for the GDRs on the Official List of the UK Financial Conduct Authority and admission to trading on the LSE's market for listed securities.

Finally, if NC KMG's Proposed Amendments are approved, NC KMG seeks, subject to the requirements of applicable laws, to give priority treatment to those who vote in favour of the amendments in any future IPO of NC KMG, whether they remain invested in KMG EP or not.

**NC KMG's recommendation for approval by KMG EP minority Shareholders**

This is a difficult moment for KMG EP. The Company is currently not taking action at the scale or pace required by the external context, as its financial performance demonstrates. Addressing this requires the Company to move to a much more focused operating model with its Board clearly able to prosecute the turnaround plan.

NC KMG's proposals are designed to:

- facilitate the turnaround of KMG EP by consolidating executive powers and accountability within the main Board;
- enhance the operational effectiveness of KMG EP by delayering operational planning and decision-making, in the interests of Shareholders and GDR Holders;
- address significant technical shortcomings in the existing constitutional documents of KMG EP; and
- maintain, and in some areas significantly enhance, proper protections for minority Shareholders and GDR Holders.

NC KMG believes these proposals are in the interests of Shareholders and GDR Holders, but is providing a fair exit for those investors who do not wish to remain invested for whatever reason. NC KMG is setting out its plans for the Company transparently and asking for the support of a simple majority of those present and voting (whether in person or by proxy) at the General Meeting.

This is a balanced package of arrangements that offers the best chance of protecting the rights and the economic interests of all Shareholders and GDR Holders, and NC KMG urges you to support them.

Yours faithfully

Frank Kuijlaars  
Chairman of the Board

Sauat Mynbayev  
Chairman of the Management Board (CEO)

## APPENDIX I: PROPOSED AMENDMENTS TO THE RELATIONSHIP AGREEMENT AND THE CHARTER

### Part A. Summary explanation of proposed amendments to the Relationship Agreement

Reference/Action	Description of proposed amendment	Rationale
Section: Preamble - AMENDED	The addresses of each of NC KMG and KMG EP have been updated for their current registered addresses.	Updated for current registered addresses.
Section: Preamble Recital (A) - AMENDED	This Recital is amended to delete the declaration that KMG EP is able to operate as an independent and free-standing business.  Note that in the English version of the Relationship Agreement the reference to "Transaction Agreements" has been deleted.	This amendment provides the basis for implementing the transformation plan aimed at improving the performance of KMG EP. In current market conditions, NC KMG believes that it is counterproductive for KMG EP's performance and prospects to remain operationally independent of NC KMG.  Technical change. There is no reference in the Relationship Agreement for which "Transaction Agreements" is needed as a defined term. Moreover, the signed Russian version of the Relationship Agreement does not include any reference to "Transaction Agreements".
Section: Preamble Recital (B) – NEW RECITAL ADDED	A new Recital has been added declaring that NC KMG can exercise its shareholder rights in KMG EP.	As a major shareholder, NC KMG should be entitled to execute its rights under Kazakhstan Laws in the interests of all shareholders.
Section: Preamble Recital (C) – AMENDED	The redundant words have been deleted because this is a defined term.	Technical change.
Clause 1 "Interpretation". Clause 1.1 "Amendments" – NEW DEFINITION ADDED	The definition of "Amendments" has been added.	This definition has been added in connection with the proposed amendments to the Relationship Agreement and the Charter.
Clause 1 "Interpretation". Clause 1.1 "Affiliate" – AMENDED IN LINE WITH LEGISLATION	The definition of "Affiliate" has been changed to bring it into compliance with the JSC Law.	Technical change to bring the Relationship Agreement in line with the JSC Law.
Clause 1 "Interpretation". Clause 1.1 "Independent Director" – AMENDED IN LINE	The definition of "Independent Director" has been updated to be compliant with the JSC Law.	Technical change to bring the Relationship Agreement in line with the JSC Law.



<b>Reference/Action</b>	<b>Description of proposed amendment</b>	<b>Rationale</b>
WITH LEGISLATION		
Clause 1 "Interpretation". Clause 1.1 "KZT" – AMENDED IN LINE WITH SIGNED VERSION	In the English version of the Relationship Agreement only, the word "lawful" has been included in the definition of "KZT".	Technical change in order to be consistent with the signed Russian version of the Relationship Agreement.
Clause 1 "Interpretation". Clause 1.1 "NC KMG Group" - AMENDED	The definition of "NC KMG Group" has been amended to include KMG EP and its group companies.	The new operational structure of NC KMG will envisage KMG EP as an integral part of the NC KMG Group. NC KMG's plans to improve the performance of its upstream business primarily include operational control over KMG EP.
Clause 1 "Interpretation". Clause 1.1 "Purchase Offer" – NEW DEFINITION ADDED	A definition of "Purchase Offer" has been added.	Technical change. This definition has been added in connection with the changes proposed to be made to Clause 2.2(c) of the Relationship Agreement, as described below.
Section 1 "Interpretation". Clause 1.1 "Services Agreement" – AMENDED IN LINE WITH SIGNED VERSION	In the English version of the Relationship Agreement only, the definition of "Services Agreement" has been amended in order to be consistent with the signed Russian version of the Relationship Agreement.	Technical change.
Clause 2 "General Principles" Clause 2.2– AMENDED IN LINE WITH SIGNED VERSION	In the English version of the Relationship Agreement only, reference to "Transaction Agreements" has been deleted.	This is a technical correction because there is no reference in the Relationship Agreement for which "Transaction Agreements" is needed as a defined term. Moreover, the signed Russian version of the Relationship Agreement does not contain this reference.
Clause 2 "General Principles" Clause 2.2(b) – DELETED	The paragraph which sets out the principle that KMG EP shall operate as an independent and free standing business has been deleted.	This amendment provides the basis for implementing the transformation plan aimed at improving the performance of KMG EP. In current market conditions, NC KMG believes that it is counterproductive for KMG EP's performance and prospects to remain operationally independent of NC KMG.
Clause 2 "General Principles" Clause 2.2(c) – AMENDED	The NC KMG undertaking, that neither NC KMG nor any of its group companies will interfere with KMG EP's ability to carry on its business, has been amended by deleting from this clause an NC KMG	This amendment provides the basis for implementing the transformation plan aimed at improving the performance of KMG EP.

Reference/Action	Description of proposed amendment	Rationale
	undertaking that KMG EP's business will be carried on "independently of NC KMG".	
	In the English version of the Relationship Agreement only, NC KMG's undertaking "not to render KMG EP unsuitable for continued listing" has been amended to state that NC KMG will not "obstruct the continuation of listing".	Technical change. The wording of the undertaking in the English version of the Relationship Agreement has been amended so that it corresponds to the signed Russian version of the Relationship Agreement (which provides that NC KMG will not "obstruct the continuation of listing").
	Furthermore, in the undertaking about the listing, two carve-outs from NC KMG's undertaking have been added:	
	(1) The first carve-out is to allow delisting as provided by the Charter (which requires prior approval of INEDs and the separate approval by qualified majority vote of KMG EP shareholders in general meeting).	Technical change. This right is already provided for in the Charter and requires INEDs approval and shareholder approval.
	(2) The second carve-out provides an exception for delisting as a result of a proposed offer by NC KMG.	Technical change. This right is already provided for in the Charter and requires INEDs approval. Furthermore, this change removes an ambiguity in the current version of the Relationship Agreement to enable NC KMG to make the Purchase Offer.
Clause 2 "General Principles" Clause 2.3 – AMENDED IN LINE WITH SIGNED VERSION	In the English version of the Relationship Agreement only, reference to "Transaction Agreements" has been deleted.	Technical change. There is no any reference in the Relationship Agreement for which "Transaction Agreements" is needed as a defined term. The signed Russian version of the Relationship Agreement does not contain this reference.
Clause 2 "General Principles" Clause 2.4 – AMENDED IN LINE WITH CHARTER AND LEGISLATION	This clause requires NC KMG not to vote its shares in KMG EP, and to procure that NC KMG directors on the Board do not vote on any transaction between NC KMG and KMG EP and (with respect to NC KMG directors) on any matters where they may have an interest as a result of being a director or officer in any NC KMG group company. This clause has been amended to be consistent with the voting procedure on related party transactions in the	This clause now refers to the Charter and the JSC Law. The Proposed Amendments to the Charter will allow to significantly strengthen the powers of the INEDs of KMG EP by requiring their approval for related party transactions of any size.

Reference/Action	Description of proposed amendment	Rationale
	Charter and under JSC Law.	
Clause 2 "General Principles" Clause 2.5 - AMENDED IN LINE WITH SIGNED VERSION	In the English version of the Relationship Agreement only, the words "of the same class" have been deleted because there is only one class of ordinary shares, so these words are redundant. Also, the signed Russian version of the Relationship Agreement does not contain these words.	This is a technical change to ensure the English and Russian versions of the Relationship Agreement are conformed.
Clause 2 "General Principles" Clause 2.8 – DELETED IN LINE WITH THE CHARTER AND LEGISLATION	This clause provided for an NC KMG undertaking that it shall not propose at a shareholders meeting any matters covered by clause 12.5 of the Charter if they have not been approved by INEDs in accordance with the provisions of clause 12.5 of the Charter.	<p>The deletion of clause 2.8 is aimed at removing bureaucracy at KMG EP to allow NC KMG to effectively propose at the general meeting of shareholders the matters benefiting KMG EP's shareholders and GDR holders without a pre-approval by the INEDs. NC KMG should be allowed to freely exercise its rights as a major shareholder. The JSC Law specifically provides that a major shareholder shall not be limited in executing its rights.</p> <p>Furthermore, at the time of entry into the Relationship Agreement, KMG EP had in place a version of the charter approved at the shareholders meeting dated 4 July 2006 (the "Old Charter").</p> <p>Pursuant to clause 12.5 of the Old Charter, a number of matters had to be approved by the majority of the INEDs before such matters could be approved by the Board or by a shareholders meeting, including:</p> <ul style="list-style-type: none"> <li>• any interested party transaction with NC KMG,</li> <li>• obtaining or transfer of any subsurface use licenses representing 10% or more of the total assets capital,</li> <li>• amendments to the Corporate Governance Code or the Charter,</li> <li>• placement (issuance) of shares,</li> <li>• buy-back of shares which is not done on a pro-rata basis,</li> <li>• entry into "major transactions" (i.e. representing 25% or more of the total value of the assets),</li> <li>• increasing the indebtedness of the Company by 25% or more of the total amount of the equity capital,</li> </ul>

Reference/Action	Description of proposed amendment	Rationale
		<ul style="list-style-type: none"> <li>• buy-back or sale of 25% or more of the Company's shares,</li> <li>• voluntary liquidation or reorganization,</li> <li>• delisting from KASE or LSE,</li> <li>• appointment or removal of auditors,</li> <li>• approval of social expenditures (except as required under the Kazakhstan Laws or an existing agreement).</li> </ul> <p>In October 2007, the KMG EP shareholders' meeting approved a new version of the charter (the "Current Charter"), which replaced the Old Charter. Pursuant to the version of the Current Charter approved in October 2007, clause 12.5 was replaced with wording which provided for the creation of committees of the Board and, therefore, had no relation whatsoever to clause 2.8 of the Relationship Agreement. Subsequently, clause 12.5 of the Current Charter was replaced in August 2011 with wording which requires INEDs' pre-approval for certain matters. However, this new wording was not identical to the wording of the original clause 12.5 of the Old Charter.</p> <p>Therefore, during 4 years (i.e., from 2007 to 2011) KMG EP lived without the protection of clause 2.8 as a result of the change to the Charter in 2007. Moreover clause 2.8 may, as a matter of Kazakhstan Laws, have ceased to be an operative clause in any event (i.e., a part of the arrangements of the parties under the Relationship Agreement) as a result of the change to the Charter in 2007 and the substitution in 2011 of clause 12.5 with a provision that differs from the one that was originally agreed to by the parties in 2006.</p>
<p>Clause 2 "General Principles"            Clause 2.10 - AMENDED</p>	<p>A clause regarding historical arrangements on KMG EP's participation in tenders conducted by KMG-RM has been deleted.</p> <p>New provisions have been added regarding the new domestic pricing mechanism effective from April 1,</p>	<p>Provisions set out in this clause are either no longer relevant because they have expired or do not reflect current agreements.</p> <p>These amendments reflect the current arrangements on domestic pricing between NC KMG and KMG EP.</p>

Reference/Action	Description of proposed amendment	Rationale
	2016. The new pricing mechanism is based on the agency model whereby KMG-RM acts as an agent for KMG EP with respect to processing of its crude oil at the refineries etc. and receives a fee for such role. The amount of such fee will be approved by the respective boards of both companies.	
Clause 3 “Independent Directors” Clause 3.2 - AMENDED	A clause which specifies the INEDs at the time of the IPO of KMG EP has been deleted.	Technical change. This clause refers to the INEDs elected at the time of the signing of the Relationship Agreement in 2006. Deleted as no longer relevant.
	This clause requires NC KMG to vote for INEDs nominated by the Board's nominations committee. The terms of operation of the nominations committee have been amended, including the number of members of the committee, NC KMG's representation on the committee and the NC KMG representative's right to veto proposed candidates.	The current mechanism for the appointment of new INEDs is cyclical (i.e., the role of INED runs for a fixed term established by the general meeting of shareholders of KMG EP, following which re-election is required) and does not necessarily serve in the best interests of the minority shareholders. For example, in principle existing INEDs could nominate and approve themselves for an unlimited number of terms, and NC KMG has no effective right to participate in the selection of appropriate candidates who would work in the interests of all shareholders. Under the current version of the agreement, NC KMG only has the right (exercisable through its directors on the Board) to either approve or reject a candidate nominated by the nominations committee. The proposed amendment seeks to remedy these issues. Any proposed new INED candidate would still need the support of a majority of the existing INEDs and the approval of a majority of shareholders in a general meeting.
Clause 3 “Independent Directors” Clause 3.3(b) - AMENDED	This clause requires that NC KMG does not vote to appoint or remove any INED unless, among other things, the term of appointment of such INED has expired and such INED is seeking re-election at the general meeting of shareholders. Further, in clause 3.3(b) NC KMG is permitted to vote on removal of an INED if this has been recommended by the nominations committee. The proposed revised wording of 3.3(b) will provide that NC KMG may	Clause 3.2 requires NC KMG to seek to ensure the election of any INED nominated by the nominations committee and approved by the Board. At the same time, clause 3.3 prohibits NC KMG from voting for the election of any INED unless such INED is an existing INED and is seeking re-election. This amendment resolves a potential contradiction between clauses 3.2 and 3.3. Further, this amendment will ensure that NC KMG always votes for appointment or removal of INEDs in accordance with the recommendation of the nominations committee and approval by the Board.

Reference/Action	Description of proposed amendment	Rationale
	vote on any appointment or removal of an INED if this has been recommended by the nominations committee and approved by the Board.	
Clause 8 "Entire Agreement" - AMENDED	Reference to the "Services Agreement" in the "Entire Agreement" clause has been removed.	Technical change to remove the irrelevant reference to the "Services Agreement".
Clause 11 "Confidentiality" Clause 11.1(c) - AMENDED	The authority to grant consent for disclosure of confidential information concerning KMG EP has been amended by changing it from the Board to KMG EP.	<p>Technical change. This should refer to KMG EP and not the Board. This would allow the relevant officer/body within KMG EP to consent to disclosure of information. The Board may not have sufficient authority to grant such consents.</p> <p>The authority to grant the consent to disclosure is, in any event, provided for by the Charter. Any intent to change this in the Relationship Agreement will not be fully effective. KMG EP may claim this authority was specifically intended to be reserved to the Board. However, this is unusual, may not work in practice (as discussed above) and in the context of the proposed integration is unnecessary.</p>

**Part B. Summary explanation of proposed amendments to the Charter**

Reference/Action	Description of proposed amendment	Rationale
Section 4 “Rights and obligations of the Company” Clause 4.8 - AMENDED	This amendment is being proposed to ensure that any matter relating to planning of production activity, remuneration of employees, material and technical supply, social development, distribution of earnings, recruitment, placement, training and re-training of personnel is consistent with the same standards that are applicable to NC KMG group and are subject to approval by a majority of the Board.	NC KMG wants to ensure that all of its subsidiary companies operate under a common set of policies and standards in key areas such as procurement, remuneration of employees, production activity and social issues.  These unified standards will eliminate bureaucracy and duplication, improve focus and decision-making and significantly reduce costs.
Section 7 “Shares, Bonds. Prerequisites for securities’ placement.” Clause 7.6 – AMENDED IN LINE WITH LEGISLATION	The amendment reflects the possibility to swap issued shares of one type for shares of another type.	According to the JSC Law Article 30.1 (1), in order for KMG EP to be entitled to implement such a swap this provision must be included in the Charter.
Section 9 “Bodies of the Company” Clause 9.1(4) – AMENDED	This amendment will enable KMG EP to utilize internal audit services directly from NC KMG.	NC KMG wants key administrative activities for all of NC KMG subsidiaries integrated into one platform. This amendment will avoid the duplication of internal audit services between NC KMG and KMG EP.
Section 10 “General meeting of shareholders” Clause 10.17 - AMENDED IN LINE WITH LEGISLATION	This amendment provides for additional items required under the JSC Law in notifications of KMG EP’s general meeting of shareholders, such as the procedures for conducting the meeting, procedures for absentee voting and provisions in the legislation in accordance with which the meeting is held.	Technical change to bring the Charter in line with recent changes in the JSC Law (Article 41.3 (8, 9, 10)).
Section 10 “General meeting of shareholders” Clause 10.21 – AMENDED IN LINE WITH LEGISLATION	This amendment reflects the recent changes in Kazakhstan legislation allowing a shareholder owning individually, or in aggregate with other shareholders, 5% or more of voting shares to supplement the agenda of a general meeting of shareholders.	Technical change to bring the Charter in line with recent changes in the JSC Law (Article 14.1 (1-1)).
Section 11 “Competence of the General meeting of shareholders”	This amendment reflects the recent changes in the JSC Law which require transactions amounting to 50% or more of the	Technical change to bring the Charter in line with recent changes in the JSC Law (Article 36.1 (17-1)).

Clause 11.1(13-1) – AMENDED IN LINE WITH LEGISLATION	book value of KMG EP’s assets to be approved by a simple majority of the votes represented at a general meeting of shareholders.	
Section 11 “Competence of the General meeting of shareholders” Clause 11.2 – AMENDED IN LINE WITH LEGISLATION	This provision originally stated that matters can be approved in a general meeting of KMG EP shareholders by simple majority of votes, unless otherwise provided for by the Charter. The reference to the "charter" has been changed to refer to the "JSC Law".	This amendment brings the Charter in line with changes in the JSC Law (Article 36.2) from 2015, which allow changes to the number of votes required for the approval of resolutions on certain issues in a general shareholding meeting only if permitted by Kazakhstan Laws. Before such legislative changes, the Charter could provide for a different number of votes than provided by law for approval of certain issues within the competence of a general meeting of shareholders.  It should be noted, however, that for certain matters which previously required approval by a qualified majority under the Charter (namely, amendment of the Charter or delisting) but which now under Kazakhstan Laws would require simple majority approval, NC KMG proposes to keep the qualified majority requirement in the amended Charter, in order for KMG EP minority shareholders to continue to have the additional protections provided under the current Charter.
Section “Board of Directors” Clause 12.2(17) - AMENDED	This amendment reflects that it is within the power of the Board to appoint an independent appraiser and set its remuneration for valuing the shares in the event of a redemption.	An independent appraiser is appointed for determining the value of KMG EP shares at their redemption. It is proposed that the Board should have authority over the appointment of an independent appraiser and remuneration for its services, in line with the existing authority in respect of a property appraiser's assessment, in the event of a major transaction.
Section “Board of Directors” Clause 12.2(20) - AMENDED	This amendment grants the Board the power to approve the appointment and dismissal of the heads of branches and representative offices as well as transferring authority over the operational management of branches and representative offices from the Management Board to the Board.	This amendment will remove duplication in decision-making about the assignment and operation of branches and representative offices. Shifting strategic and operational responsibility up to the Board from the Management Board and the Chief Executive Officer will enhance main Board control and accountability over the operation of KMG EP.
Section “Board of Directors”	This amendment reflects recent changes in the JSC Law, which	Technical change to bring the Charter in line with recent changes in



Clause 12.2(24) – AMENDED IN LINE WITH LEGISLATION	now require that major transactions amounting to 50% or more of the book value of KMG EP’s assets receive the prior approval of shareholders in a general meeting.	the JSC Law (Article 36.1 (17-1)).
Section “Board of Directors” Clause 12.2(25) – AMENDED	This amendment removes the authority of the Management Board to approve related (or interested) party transactions of any type.	Under the proposed amendments to clause 13.1(14-1) of the Charter, all related (or interested) party transactions regardless of type or value are to be approved by the unrelated (or uninterested) directors only. This amendment is intended to further strengthen the authority of the INEDs in the Charter by strengthening the voting powers of the INEDs in connection with the approval of related (or interested) party transactions.
Section “Board of Directors” Clause 12.2(26) - AMENDED	Any increase in liabilities, loans, or other transactions exceeding US\$5 million in value will require the prior approval of the Board.	The current Charter provides that increasing liabilities (i) by 10% or more of KMG EP’s equity capital requires the prior approval of the Board, (ii) from 5% to 10% of KMG EP’s equity capital requires the prior approval of the Management Board, and (iii) up to 5% of KMG EP’s equity capital requires the prior approval of the Chief Executive Officer. As of 1 April 2016, 10% of KMG EP’s equity capital equals approximately US\$530 million. This amendment will enhance the financial control and oversight of the main Board over the operation of KMG EP.
Section “Board of Directors” Clause 12.2(39) - AMENDED	This amendment transfers responsibility for staffing in KMG EP’s central office as well as staffing of branches and representative offices from the Management Board to the Board.	This amendment will introduce a centralized human resources (HR) policy under the control of the Board, thereby enhancing the control of the main Board over the operation of KMG EP. It is costly and counterproductive for the Management Board to operate a separate HR policy.
Section “Board of Directors” Clause 12.2(40-3) – NEW CLAUSE ADDED	This amendment authorizes the Board to provide final approval of the annual production programme of KMG EP whilst the Management Board provides preliminary approval of the programme. Currently, approval is the responsibility of the Management Board only.	Shifting more areas of competence up to the main Board from the Management Board removes layers of bureaucracy and enhances the control and accountability of the main Board over the operation of KMG EP.
Section “Board of Directors” Clause 12.2(40-4) - NEW CLAUSE ADDED	This amendment transfers responsibility for the long-term plan for procurement of goods, works, and services from the Management Board to the Board.	Shifting more areas of competence up to the main Board from the Management Board removes layers of bureaucracy and enhances the control and accountability of the main Board over the operation of KMG EP.

<p>Section “Board of Directors” Last paragraph of Clause 12.2 - AMENDED</p>	<p>This amendment reflects the exclusion of the need for preliminary approval by the Management Board of certain matters (for example, determining the priority areas for development by KMG EP, opening and closing branches and representative offices, acquisitions and disposals by KMG EP of 10% or more of shares in other legal entities, major transactions, etc.) that are already within the competence of the Board.</p>	<p>Since such issues are already within the exclusive competence of the Board, there is no need to duplicate them at the Management Board level. This amendment will remove layers of bureaucracy and improve the decision-making and accountability of the Board.</p>
<p>Section “Board of Directors” Clause 12.5 - AMENDED</p>	<p>This amendment reflects the exclusion of certain issues, such as the redemption of shares by KMG EP, amending the Corporate Governance Code, increase of liabilities, creation of the Board committees, liquidation and reorganization of KMG EP, social expenditures from the list of issues that, when being voted on by the Board, require the approval of the majority of INEDs.</p>	<p>This amendment excludes a number of issues that previously required approval by a majority of INEDs, but which are not of relevance and importance only to the interests of minority shareholders. This amendment does not make changes to the discretion and voting control that INEDs retain over key issues of relevance for the protection of minority shareholders, such as the placement of shares, amending the Charter, issues related to internal audit committee, major transactions, interested transactions, issues related to subsoil use licenses and contracts, de-listing. The voting on such issues by the Board still requires approval by the majority of INEDs.</p> <p>The preliminary approval of amending the Corporate Governance Code and liquidation and reorganization of KMG EP are issues of relevance and importance to all shareholders, and voting on such issues requires the qualified majority of shareholders in a general meeting rather than a simple majority. This provides for sufficient protection of minorities in voting on these matters.</p>
<p>Section “Board of Directors” Clause 12.21 - AMENDED</p>	<p>This amendment reflects that a simple majority of votes of directors participating in the meeting, rather than a majority of INEDs, is required to approve the agenda of the meeting of the Board.</p>	<p>A major shareholder should have the right to participate in approving the agenda of any Board meeting, including such items as the calling of a general meeting of shareholders. The unlimited control given to INEDs over approving the Board’s agenda was initially granted as an additional protection for minority shareholders. However, the right of a major shareholder to request the calling of a general meeting of shareholders is one of the key</p>

		rights provided for by the JSC Law and the Charter, and it is in the interests of all shareholders to observe this right. This amendment does not affect the discretion and voting control that INEDs will continue to have over key issues of relevance for the protection of minority shareholders, such as the placement of shares, amending the Charter, issues related to the internal audit committee, major transactions, related (or interested) party transactions, issues related to subsoil use licenses and contracts, de-listing. The voting on such issues by the Board still requires approval by the majority of INEDs.
Section "Board of Directors" Clause 12.24 (second and third paragraphs added) - AMENDED	The Charter provides that the quorum for a Board meeting shall be 2/3 of the members and 2/3 of INEDs. This amendment proposes that, in the event that a Board meeting is not quorate, the same meeting with the same agenda can be convened within 10 days following the date of the first meeting of the Board that was not quorate. The quorum condition for the repeat meeting shall be the same as for the first meeting. In the event that the repeat meeting is not attended by a quorum, a new repeat meeting with the same agenda may be held after a further 10 days. The quorum for a second repeat meeting of the Board shall be not less than a half of the total number of members of the Board.	This amendment reflects a more effective and flexible way for holding meetings of the Board.
Section "Board of Directors" Clause 12.24 (last paragraph amended) - AMENDED	The Charter provides (i) for additional quorum requirements for approval of related (or interested) transactions, namely, at least two uninterested members of the Board, and (ii) that related (or interested) party transactions must be approved by a simple majority of votes of the uninterested members of the Board presented at the Board meeting. This amendment reflects that, subject only to the general quorum requirements for the Board meetings, any related (or interested) party transactions (including, for the avoidance of doubt, any related party transactions which are intercompany	The Charter already provides that the quorum for a Board meeting shall be 2/3 of the members and 2/3 of INEDs. This amendment reflects a less complicated way for holding meetings of the Board when approving related (or interested) party transactions. In addition, this amendment will increase the voting control of INEDs over related (or interested) party transactions since this amendment requires voting by majority of all uninterested members of the Board and not only those who are presented at the meeting.

	loans within the Samruk-Kazyna group or within the NC KMG group) must be approved by a simple majority of votes of the uninterested members of the Board.	
Section 13 "Management Board" Clause 13.1(1) - AMENDED	Approval of liabilities, loans, or other transactions not exceeding US\$5 million in value (except for any related (or interested) party transactions the decision on which is made in accordance with Clause 12.24 of the Charter) are the responsibility of the Management Board.	The Charter provides that increasing liabilities (i) by 10% or more of KMG EP's equity capital is within the competence of the Board, (ii) from 5% to 10% of KMG EP's equity capital is within the competence of the Management Board, and (iii) up to 5% of KMG EP's equity capital is within the competence of the CEO. As of 1 April of 2016, 10% of KMG EP's equity capital equals approximately to US\$530 million. Leaving responsibility for approval of transactions not exceeding US\$5 million with the Management Board and shifting responsibility for the approval of all other transactions exceeding such a threshold up to the main Board level will enhance the financial control and oversight of the main Board over the operation of KMG EP.
Section 13 "Management Board" Clause 13.1(3) - DELETED	This amendment transfers responsibility for the staffing of KMG EP's central office from the Management Board to the Board.	This amendment will introduce a centralized human resources (HR) policy under the control of the Board, thereby enhancing the control of the main Board over the operation of KMG EP. It is costly and counterproductive for the Management Board to operate a separate HR policy.
Section 13 "Management Board" Clause 13.1(4) - DELETED	This amendment transfers responsibility for the staffing of branches and representative offices from the Management Board to the Board.	Shifting more areas of competence to the main Board level from the Management Board removes layers of bureaucracy and enhances the control and accountability of the main Board over the operation of KMG EP
Section 13 "Management Board" Clause 13.1(7) - AMENDED	The amendment transfers responsibility for the operational management of branches and representative offices from the Management Board to the Board.	Shifting competence concerning operational planning to the main Board from the Management Board enhances the control of the main Board over the operation of KMG EP.
Section 13 "Management Board" Clause 13.1(10) - AMENDED	This amendment transfers responsibility for the long-term plan for procurement of goods, works, and services from the Management Board to the Board.	Shifting more areas of competence to the main Board from the Management Board removes layers of bureaucracy and enhances the control and accountability of the main Board over the operation and strategic planning of KMG EP.
Section 13 "Management Board" Clause 13.1(13) - AMENDED	This amendment transfers responsibility for final approval of the annual production programme from the Management	Shifting more areas of competence to the main Board from the Management Board removes layers of bureaucracy and enhances

	Board to the Board. The amendment also removes the authority of the Management Board to approve pricing policy.	<p>the control and accountability of the main Board over the key strategic operational decisions affecting KMG EP.</p> <p>The current authority of the Board under Clauses 12.2(19) and 12.2(19-1) of the Charter (approval of documents regulating the internal activities of KMG EP) authorizes the Board to approve the pricing policy. This amendment removes a duplication of powers of approval.</p>
Section 13 "Management Board" Clause 13.1(14) - DELETED	This amendment removes the authority of the Management Board to approve the annual report of KMG EP.	This amendment removes duplication in the approval process. Current Clauses 10.3 and 10.29 of the Charter provide that the annual report shall be prepared by the Management Board and then approved and submitted by the Board for final approval of the general shareholders meeting.
Section 13 "Management Board" Clause 13.1(14-1) - DELETED	This amendment removes the authority of the Management Board to approve related (or interested) party transactions of any type.	All related (or interested) party transactions regardless of type or value are to be approved by the unrelated (or uninterested) directors only. This amendment is intended to further strengthen the authority of the INEDs in the Charter by strengthening the voting powers of the INEDs in connection with the approval of related (or interested) party transactions.
Section 13 "Management Board" Clause 13.6(9) - DELETED	This amendment removes the authority of the KMG EP CEO to approve liabilities up to 5% of KMG EP's equity capital.	As of 1 April of 2016, 5% of KMG EP's equity capital equals approximately US\$265 million. Shifting such areas of competence up to the main Board and the Management Board levels enhances the financial control and accountability of the main Board and the Management Board over the operation of KMG EP.
Section 13 "Management Board" Clause 13.6(10) - AMENDED	This amendment grants the Board the power to approve the appointment and dismissal of heads of branches and representative offices.	Transferring to the main Board more areas of responsibility over senior staffing decisions will enhance the control of the main Board over the structure and operation of KMG EP. It is costly and counterproductive for KMG EP to operate an independent HR policy.

## **APPENDIX II: NC KMG APPROACH TO PERFORMANCE IMPROVEMENT IN KMG EP**

### **1. Context: KMG EP in a weak oil price environment**

Like all oil companies, KMG EP faces significant challenges in the current 'lower for longer' oil price environment.

The rapidly deteriorating cash position of KMG EP most clearly demonstrates these challenges: all operations are currently loss-making, and cash-consuming year-to-date. Excluding foreign exchange gains, KMG EP delivered negative net income of \$224m in 2014 with an average Brent price of \$99 and negative net income of \$519m in 2015, with the average Brent price at \$52.

As a result, the cash position deteriorated by \$700m in 2015 and a further \$160m in 1Q 2016. While the receivable relating to 2015 domestic supply will improve the final 2016 cash position, this improvement does not relate to underlying operational performance. In addition, the Company's last published plan anticipates further deterioration in the cash position of \$1bn to 2020, implying cash/GDR around \$5 in 2020.

It is to address these challenges, which are causing significant harm to all shareholders, that NC KMG has brought forward its proposals for changes to the Charter of KMG EP and the Relationship Agreement between NC KMG and KMG EP.

### **2. NC KMG Proposals**

NC KMG's proposals for changes to the Charter and Relationship Agreement are in three groups:

- a. Proposals to improve KMG EP's decision making and execution by making the main Board the clear executive centre of the business, removing duplication and bureaucracy and making the management board more clearly accountable to the main board as the executive centre;
- b. Proposals to deliver savings by allowing NC KMG and KMG EP to operate in a more integrated way by removing duplication in back-office services in line with the Samruk Kazyna Transformation initiative; and
- c. Proposals to address deficiencies in the existing documents to give minority shareholders confidence that their rights can be enforced.

Proposals in groups a) and b) are designed to optimise cost, improve internal accountability and enable KMG EP to adopt international best practice, benefit from expertise in the wider KMG group and execute performance improvement plans more quickly and more successfully.

### **3. The Samruk Kazyna Transformation initiative**

Samruk Kazyna initiated a large-scale Transformation programme in October 2014. This is designed to help Samruk Kazyna portfolio companies achieve internationally competitive performance standards and reduce their cost base through shared services, enhanced procurement and headcount reductions.

The Transformation programme is accompanied by an enhanced Code of Corporate Governance developed with PWC intended to meet international listing standards. Portfolio companies' main Boards are accountable for the delivery of the Transformation programme in their businesses.

KMG Group joined the programme in 2015. Applying the principles of the Transformation programme to two existing (non KMG EP) assets, NC KMG has identified target performance and synergy savings of \$800m over the licence period of the assets.

The current restrictions in the Charter of KMG EP and the Relationship Agreement between NC KMG and KMG EP mean that KMG EP has not fully participated in the Transformation programme to date, either in implementing performance improvement measures together with NC KMG, or in taking advantage of potential cost synergies between the two companies.

#### **4. KMG EP Operational performance and improvement initiatives to date**

While KMG EP has a strong set of assets and significant potential for further exploration and reserve replacement in its existing fields and in Kazakhstan more widely, the operational performance of the existing assets remains below industry standards, and the assets are currently loss-making.

The KMG Technical and Research Institute has consistently assessed the performance of the key Uzen asset as below the standards expected. For example, since September 2015, 60% of Uzen wells have been assessed as not completed for maximum performance, and around 30% of well workovers are currently unprofitable.

In late 2015, the KMG Technical and Research Institute recommended the introduction of a number of production enhancement technologies in 14 fields, including Uzen, for example expanding the use of Electrical Submersible Pumps. These technologies have an accepted international track record of improving operational efficiency in other geographies. Implementation of these technologies in KMG EP has to date either not been accepted by operational management, or has been significantly delayed, to the extent that implementation of the 2016 Enhancement Programme remains delayed at the half-year.

NC KMG's proposals will enhance the authority of the main Board of KMG EP, including KMG EP's INEDs, over major performance programmes and increase the accountability of operational management to the Board, with clear performance KPIs. This is expected to increase the take-up and accelerate the implementation of internationally-recognised best-practice technologies.

#### **5. Operational proposals to improve performance in KMG EP**

NC KMG believes that the current drag on operational performance in KMG EP is to a significant extent the result of excessive bureaucracy, duplicative decision making structures and weak accountability enshrined in the current Charter and Relationship Agreement.

As a result, more focussed and clearer decision making over major performance programmes at the main Board and clearer accountability of operational management to the main Board should allow effective implementation of existing programmes, including the full implementation of the programme developed by the KMG Technical and Research Institute, and this in turn is expected to significantly enhance the performance of the assets.

In addition, NC KMG has identified the following priority areas for early action:

- a. Sharing of back office functions, processes and procedures including, finance, HR, Legal, IT, Accounting, Internal Audit, Strategy and Procurement, resulting in:

- i. Headcount reduction
  - ii. Cost savings through centralized procurement and shared consolidated IT
- b. Functional Discipline Management resulting in:
  - i. Unified process and technological solutions applied across the group
  - ii. Optimum staff development and recruitment
  - iii. Accelerated implementation of cost effective solutions
  - iv. Transparent and consistent financial control of activities
- c. Centrally driven technology and knowhow implementation resulting in:
  - i. Faster turn around and rollout of new technologies/knowhow
  - ii. Effective and efficient use of human resources
  - iii. Implementation of Institute as owner of group data and skills/technology strategy
- d. Increasing efficiency of well work overs
- e. Reorganisation of operating model to five business units
  - i. Exploration and Production
  - ii. Refining and Marketing
  - iii. Oil Transportation
  - iv. Gas Transportation
  - v. Oilfield services

## **6. Conclusion**

NC KMG believes that this programme, implemented in a clearer and more streamlined management structure, represents the best prospect for improving the performance of KMG EP in the interests of all shareholders. This approach also offers the best prospect for KMG EP to realise the ambitions which were set out at IPO: to improve efficiency, increase production and replace reserves through exploration, and so help fully to realise the very considerable natural resource potential of Kazakhstan.



## PART II. EXPECTED TIMETABLE OF PRINCIPAL EVENTS

*Each of the times and dates in the timetable below is subject to change, which will be announced in a press release.*

Board meeting to convene the General Meeting	17 June 2016
Publication of this document	17 June 2016
Publication of the GM Notice (as defined below)	18 June 2016
Date of General Meeting	3 August 2016
Adjourned General Meeting (if required)	4 August 2016
Announcement of satisfaction of the Approval Condition with respect to the Purchase Offer	4 August 2016 or, in case of the Adjourned General Meeting, 5 August 2016
Commencement Date (as defined below)	5 August 2016 or, in case of the Adjourned General Meeting, 8 August 2016
Offer Period	5 August 2016 to 8 September 2016 or, in case of the Adjourned General Meeting, 8 August 2016 to 9 September 2016 (unless the Offeror suspends its obligation to make the Purchase Offer or to accept any Securities for purchase thereunder following the occurrence of a Force Majeure Event (as defined herein). See "Conditions to the Purchase Offer" in Part IV - "Purchase Offer")

## **PART III. RISK FACTORS**

Before making a decision whether to accept the Purchase Offer, you should carefully consider all of the information in this Circular and the following risk factors.

### **Risks Related to Declining the Purchase Offer**

#### ***Uncertainty as to the trading market for Securities not sold.***

The trading markets for the Securities that remain outstanding after the completion of the Purchase Offer may be significantly more limited. Such remaining Securities may command a lower market price than would a comparable issue of Securities with greater market liquidity. A reduced market value may also make the trading price of such Securities more volatile. As a result, the market price for Securities that remain outstanding after completion of the Purchase Offer may be adversely affected by the Purchase Offer.

#### ***Uncertainty regarding the future performance of the Company.***

The Purchase Offer is conditional upon the approval of the Proposed Amendments. The Offeror believes that such amendments will promote a turnaround in the operational performance of the Company by reducing bureaucracy and duplication, optimising cost and improving focus and decision-making. Moreover, the Offeror has already established several initiatives to improve the Company's business as described in Part I. - "Letter from the Offeror to the Company Shareholders and GDR Holders" and Appendix II to the said Letter in this Circular. However, there can be no assurance that such initiatives will be successful and the future performance of the Company cannot be predicted with any degree of certainty.

#### ***Uncertainty regarding the future listings of the Securities.***

Following the completion of the Purchase Offer, the Offeror may exercise greater control over the Company. The Offeror is committed to preserving the Company's listings and will support the Company in complying with its obligations under the Depositary Agreement which require the Company to use its best endeavours to maintain, so long as any GDR is outstanding, a listing for the GDRs on the Official List of the UK Financial Conduct Authority and admission to trading on the LSE's market for listed securities. However, there can be no assurance that such Securities will not become delisted following the completion of the Purchase Offer for reasons beyond the control of the Offeror.

### **Risks Related to Accepting the Purchase Offer**

#### ***Another exit right is available to Holders at a price which may be different from the Consideration.***

If the proposed changes to the Relationship Agreement are approved, Holders have a right under Kazakhstan Laws and the share valuation methodology previously approved by the shareholders to require the Company to repurchase their Securities at a price which is determined by such methodology in accordance with the procedures established by law and the methodology as described in Appendix III. Such a price may be higher or lower than the Consideration and Holders who accept the Purchase Offer will forego the right to require the Company to purchase their Securities at such price. The Company's repurchase of the Securities may be subject to capital gain tax in Kazakhstan, as described in Appendix VI.

#### ***Responsibility for complying with the terms of the Purchase Offer.***

Holders are responsible for complying with all of the terms for participating in the Purchase Offer as set out in the Circular. The Offeror does not assume any responsibility for informing any Holder of irregularities with respect to such Holders' participation in the Purchase Offer.

***Daily purchases on the LSE will be subject to a dollar limit.***

The Offeror will purchase Shares and GDRs via Open Trades on the relevant exchange from all holders who validly offer to sell their Shares or GDRs on or before the Expiration Date. Daily purchases of GDRs on the LSE will be limited to USD50 million per day, save for the Expiration Date, when such limit will not apply. Accordingly, GDR Holders may not necessarily have their GDRs accepted for purchase on the first date on which they are offered.

***Responsibility to consult advisers.***

Holders should consult their own tax, accounting, financial and legal advisers regarding the suitability to themselves of the tax or accounting consequences of participating in the Purchase Offer. None of the Offeror or any director, officer, employee, agent or affiliate of the Offeror makes any recommendation whether the Holder should accept the offer to purchase Securities pursuant to the Purchase Offer.

***Other purchases of Securities.***

The Offeror, directly or indirectly, may acquire further Securities after the Offer Period has expired or lapsed, whether by tender offer, by exchange offer, in the market or otherwise and at a price which is different from the Consideration.

**Taxation risks to US Holders**

***For US federal income tax purposes, gain on the sale of Securities pursuant to the Purchase Offer or the Put Option Right (as defined below) is expected to be subject to highly adverse tax rules, assuming that the Company is treated as a passive foreign investment company.***

Special adverse US federal income tax rules apply to US investors that own shares of a "passive foreign investment company" ("PFIC"). The Company will be classified as a PFIC in a particular taxable year if either: (i) 75 percent or more of the Company's gross income for the taxable year is passive income, or (ii) the quarterly average percentage of the value of the Company's assets that produce or are held for the production of passive income is at least 50 percent. Based on the Company's publicly available consolidated financial statements, it appears that the Company qualified as a PFIC in 2015 and may be treated as a PFIC for 2016. It is also possible that the Company was a PFIC in years prior to 2015.

Assuming that the Company is a PFIC for any taxable year during which a US Holder owns Securities, the US Holder generally will be subject to special adverse rules with respect to any gain realized on the sale of Securities pursuant to the Purchase Offer or the Put Option Right. Under these rules (a) the gain will be allocated ratably over the US Holder's holding period for the Securities, (b) the amount allocated to the current taxable year will be taxed as ordinary income, (c) the amount allocated to any taxable year prior to the first taxable year in which the Company was a PFIC will also be taxed as ordinary income, and (d) the amount allocated to each of the other taxable years (that is, prior years when the Company was a PFIC) will be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral

benefit will be imposed on the resulting tax attributable to each such taxable year. For a more detailed discussion of the consequences to US Holders that own PFIC stock, see “United States federal income taxation — Passive Foreign Investment Company.”

US Holders who do not participate in the Offer or the Put Option should consult their tax advisor as to the tax consequences to them of holding stock in a company that may qualify as a PFIC.

## PART IV. PURCHASE OFFER

**The offer to purchase securities described in this Circular is conditional upon and will only be made once the Approval Condition is satisfied.**

### **The Purchase Offer**

Subject to the satisfaction of the Approval Condition, the Offeror will offer to purchase via Open Trade transactions on the KASE and the LSE for cash from each Holder, upon the terms and subject to the conditions as set forth in this Circular, any and all of the Common Shares, Preferred Shares and GDRs of the Company.

**The Purchase Offer will be undertaken by brokers acting on behalf of the Offeror who will purchase the Securities on exchange. A communication to the market will explain how Holders can have their Securities purchased by the Offeror.**

The Offeror will offer to purchase the Securities at a fixed price of USD47.28 per Common Share in KZT equivalent calculated on a daily basis, USD27.62 per Preferred Share in KZT equivalent calculated on a daily basis, and USD7.88 per GDR. The Consideration for the Common Shares and Preferred Shares will be translated into KZT using the weighted-average US Dollar exchange rate of the morning session of the KASE on the relevant Trade Date (as defined below), and will be paid in KZT.

The Purchase Offer will commence on the Business Day following the satisfaction of the Approval Condition (the "Commencement Date"). The Purchase Offer will remain open until 17:00 (Almaty time) for purchases of the Common Shares and Preferred Shares on the KASE and 15.30 (London time) for purchases of the GDRs on the LSE, in each case on 8 September 2016 or, in case of the Adjourned General Meeting, on 9 September 2016 unless the Offer Period is suspended during the pendency of a Force Majeure Event pursuant to the Force Majeure Condition (as defined herein) (8 September 2016 or, in case of the Adjourned General Meeting, 9 September 2016 or such later date, is herein referred to as the "Expiration Date"). The Offer Period will remain open for at least 21 Business Days (excluding any period of suspension of the Offer Period resulting from a Force Majeure Event), or such longer time as required under applicable law. See "Conditions to the Purchase Offer" in this Part IV - "Purchase Offer".

Daily purchases of GDRs on the LSE will be limited to USD50 million per day, save for the Expiration Date, when such limit will not apply. GDRs will be purchased on the LSE via a purchase order through the International Order Book. The period of time from the Commencement Date until the Expiration Date is referred to as the "Offer Period" and the date on which a valid offer of Securities by a Holder is accepted for purchase on or prior to the Expiration Date is referred to as a "Trade Date".

**Subject to the requirements of applicable law, the Offeror retains the right with respect to the Purchase Offer to extend the Expiration Date and, consequently, the length of the Offer Period, for any reason at its option.**

### **Settlement**

Settlement will occur on a rolling basis throughout the Offer Period.

With respect to Common Shares validly offered and accepted for purchase during the Offer Period, settlement will occur on the date two Kazakhstan Business Days after the relevant Trade Date (T+2) subject to the Common Shares being on the Holder's respective sub-account at the time of the transaction on the KASE. On the second Kazakhstan Business Day after the Trade Date, the Offeror will pay the Consideration for the Common Shares and the Common Shares will be transferred from the Holder's sub-account to the Offeror's sub-account in the Central Depository (as defined herein).

With respect to Preferred Shares validly offered and accepted for purchase during the Offer Period, settlement will occur on the Trade Date (T+0) subject to the Preferred Shares being on the Holder's respective sub-account at the time of the transaction on the KASE. On the Trade Date, the Offeror will pay the Consideration for the Preferred Shares and the Preferred Shares will be transferred from the Holder's sub-account to the Offeror's sub-account in the Central Depository.

With respect to GDRs validly offered and accepted for purchase during the Offer Period, settlement will occur in the usual way through the International Order Book on the date two UK Business Days after the relevant Trade Date (T+2).

### **Conditions to the Purchase Offer**

The Offeror's obligation to commence the Purchase Offer and to accept any Securities for purchase during the Offer Period shall, in each case, be subject to the Approval Condition, the terms of the Purchase Offer and there not having occurred a Force Majeure Event. Should a Force Majeure Event occur at any time before or during the Offer Period then the Offeror will be entitled, in its sole discretion, subject to applicable law, to suspend its obligation to make the Purchase Offer or to accept any Securities for purchase thereunder while such Force Majeure Event is continuing (the "Force Majeure Condition"). Purchases of Securities accepted prior to any such suspension due to the occurrence of the Force Majeure Event will settle in the ordinary way over the KASE or the LSE, as applicable.

If the Offeror suspends the Purchase Offer following the occurrence of a Force Majeure Event, the Offeror will, once such Force Majeure Event has ceased and subject to any further Force Majeure Event, continue the Purchase Offer, ensuring that the Offer Period remains open for at least 21 Business Days (excluding any suspension period during which a Force Majeure Event is continuing), or such longer period as required by applicable law.

## **APPENDIX I: GENERAL MEETING AGENDA**

### **AGENDA**

#### **OF THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY TO BE HELD AT 17 KABANBAY BATYR AVENUE, ASTANA 010000, KAZAKHSTAN AT 10:00 A.M. ON 3 AUGUST 2016**

1. Endorsement by the shareholders of the Company, holding common shares of the Company (including in the form of global depository receipts) who are present and voting (whether in person or by proxy) at the extraordinary general meeting of shareholders, other than NC KMG and legal entities under the control of NC KMG or under common control by a third party together with NC KMG ("Independent Shareholders"), of the introduction of changes and amendments to the Relationship Agreement between NC KMG and the Company dated 8 September 2006 and recommendation by the Independent Shareholders to the independent directors of the Company on making a decision on entry into a transaction in which the Company has an interest.
2. Endorsement by the Independent Shareholders of the introduction of changes and amendments to the Charter of the Company.
3. Subject to and conditional upon the endorsement by Independent Shareholders of Resolutions 1 and 2 of the agenda, introduction of changes and amendments to the Charter of the Company which shall be effective upon completion of the Offer Period.
4. Information on the question of the purchase by NC KMG of the shares of the Company and global depository receipts, the underlying asset of which are the shares of the Company.

THE PURCHASE OFFER WILL NOT BE MADE, UNLESS RESOLUTIONS 1, 2, AND 3 ARE PASSED IN ACCORDANCE WITH THEIR TERMS BY THE HOLDERS ENTITLED TO VOTE THEREON.

THE EFFECTIVENESS OF THE PROPOSED AMENDMENTS TO THE RELATIONSHIP AGREEMENT AND CHARTER IS SUBJECT TO COMPLETION OF THE PURCHASE OFFER. CONSEQUENTLY, THE PROPOSED AMENDMENTS WILL ONLY COME INTO EFFECT AS FROM THE SECOND BUSINESS DAY FOLLOWING THE EXPIRATION DATE.

## **APPENDIX II: ACTION TO BE TAKEN TO VOTE AT THE GENERAL MEETING**

The General Meeting is to be held at 17 Kabanbay Batyr Avenue, Astana 010000, Kazakhstan at 10:00 a.m. on 3 August 2016. In the case of adjournment of the original General Meeting, the Adjourned General Meeting is to be held at 17 Kabanbay Batyr Avenue, Astana 010000, Kazakhstan at 10:00 a.m. on 4 August 2016.

Common Shares held by Independent Shareholders are eligible to be voted on all of the Resolutions. GDRs held by Independent Shareholders are eligible to be voted on all of the Resolutions provided that the relevant GDR Holder has disclosed to the Central Depository information about the beneficial owner of the GDRs. A copy of the GM Notice is available on the Company's website at [http://www.kmgep.kz/eng/investor\\_relations/shareholder\\_meetings](http://www.kmgep.kz/eng/investor_relations/shareholder_meetings).

Common Shares held by Shareholders other than Independent Shareholders are not eligible to be voted on Resolutions 1 and 2 (or any amendment proposed thereto), but are eligible to be voted on other substantive and procedural issues decided by the General Meeting. GDRs held by GDR Holders other than Independent Shareholders are not eligible to be voted on Resolution 1 and 2 (or any amendment proposed thereto), but are eligible to be voted on other substantive and procedural issues decided by the General Meeting, provided that the relevant GDR Holder has disclosed to the Central Depository information about the beneficial owner of the GDRs.

Details of each of the Resolutions are provided in the General Meeting Agenda set out in Appendix I. The Proposed Amendments and the Purchase Offer are each conditional upon each of the Resolutions being passed at the General Meeting in accordance with their terms by the Holders entitled to vote thereon.

As described in the Agenda, only Independent Shareholders may vote on Resolutions 1 and 2. The Offeror is not an Independent Shareholder. The Offeror will not vote on Resolutions 1 and 2 (or any amendment proposed thereto).

Resolutions 1 and 2 will be deemed to have been passed if they are approved by a simple majority of the Independent Shareholders present and voting (whether in person or by proxy) at the General Meeting. For the avoidance of doubt, voting on Resolutions 1 and 2 will be made on the basis of "1 Share – 1 Vote".

The Company will take all reasonable steps to ensure that the National Bank of Kazakhstan (the "NBK") does not vote any Shares owned by the NBK on its own behalf (the "NBK Shares") on Resolutions 1 and 2. In order to help the Company achieve this, the Offeror will contact the NBK on behalf of the Company prior to the General Meeting. For the avoidance of doubt, the definition of the NBK Shares does not include any Shares which are owned by Joint-stock company "Single Accumulative Pension Fund" (the "Pension Fund") and managed by the NBK pursuant to a trust management agreement between the NBK and the Pension Fund (the "Pension Fund Shares"). Therefore, the NBK will have the right to vote the Pension Fund Shares and any other Shares which are not the NBK Shares on Resolutions 1 and 2. However, if the NBK does vote any of the NBK Shares on Resolutions 1 and 2, such votes will be disregarded for the purposes of determining the total



number of votes cast in respect of Resolutions 1 and 2 and will also be disregarded for the purposes of determining the majority required to pass Resolutions 1 and 2.

Item 4 of the Agenda is an item "for information purposes only" and no votes are intended to be cast in respect of this item of the Agenda. Item 4 has been included in the Agenda in order to provide the Shareholders with an opportunity to obtain at the General Meeting information on the Purchase Offer.

#### **PART A: Common Shares - Action to be taken to vote at the General Meeting**

Subject to any rights and restrictions in accordance with the Charter or the JSC Law, each holder of Common Shares present at the General Meeting, whether in person or by proxy, shall have:

- one vote on all procedural issues decided by the General Meeting; and
- one vote per each fully paid Common Share of which he is the holder, on all substantive issues decided by the General Meeting (except in the case of electing the directors (unless one candidate is nominated per one director vacancy), where the number of votes such holder has shall be equal to the number of fully paid Common Shares of which he is the holder multiplied by the number of directors being elected at such a meeting),

provided that, as described above, a Holder that is not an Independent Shareholder shall have no votes on Resolutions 1 and 2 (or any amendment proposed thereto).

#### **PART B: GDRs - Action to be taken to vote at the General Meeting**

In order to be able to vote at the General Meeting, the GDR Holders must submit voting instructions to the GDR Depository. Further, in accordance with the requirements of the JSC Law, the GDR Holders must disclose to the Central Depository information about the beneficial ownership in respect of the relevant GDRs in order to be able to exercise their voting rights at the General Meeting. Any GDR Holder who has not disclosed such information to the Central Depository prior to the General Meeting will not be able to exercise its voting rights in respect of the GDRs at the General Meeting. Any GDR Holder that is not an Independent Shareholder will not be able to exercise its voting rights in respect of the GDRs at the General Meeting on Resolutions 1 and 2 (or any amendment proposed thereto).

As a matter of practice, the voting procedure in respect of GDRs operates as follows. Once a notice convening the General Meeting (the "GM Notice") has been published, the Company will send the GM Notice to the Central Depository which will then transmit the GM Notice to the GDR Depository. The GDR Depository will send the GM Notice to each of the GDR Holders together with the form of proxy (the "Proxy") seeking voting instructions from the beneficial owners to the GDR Depository on each item of the agenda of the General Meeting. The GDR Holders will send the GM Notice and the Proxy via broker-dealers and other relevant intermediaries to the beneficial owners of GDRs. The beneficial owners of GDRs must return the completed and signed Proxy and provide any other information requested by the GDR Depository (such as the information with respect to the beneficial ownership of GDRs) to the GDR Depository in the manner and time required by the GDR Depository. The GDR Depository will then issue a master proxy (the "Master Proxy") on the basis of the Proxies which have been provided to it. The Master Proxy will be used by the GDR Depository to vote at the

General Meeting on behalf of the GDR Holders in accordance with their respective instructions through its duly authorised representative who will attend the General Meeting in person.

Any GDR Holder will be able to attend the General Meeting in person. Notwithstanding the fact that the procedure of voting GDRs at the General Meeting through the GDR Depository (as described above) is a procedure which is commonly used in practice, as a matter of law, any GDR Holder will be able to vote its GDRs directly, rather than through the GDR Depository (as described above). In order to vote GDRs directly, the information on the beneficial owner of GDRs must be properly disclosed to the Central Depository and the relevant GDR Holder must be included into the list of the Company's shareholders to be prepared by the Company's registrar for the purposes of the General Meeting. A representative of such GDR Holder who will attend the General Meeting and vote in person shall be duly authorised by the GDR Holder and evidence of such authorisation must be provided to the Company before the opening of the General Meeting. As described above, any GDR Holder that is not an Independent Shareholder (and any representative of such a GDR Holder) will not be able to exercise its voting rights in respect of its GDRs at the General Meeting on Resolutions 1 and 2 (or any amendment proposed thereto).

### APPENDIX III. DESCRIPTION OF CERTAIN MATTERS OF KAZAKHSTAN LAW

In accordance with the JSC Law, any Shareholder has the right to request the Company to purchase the Shares in case of the occurrence of certain events (the “Put Option Right”). The Put Option Right arises, *inter alia*, if the Shareholder disagrees with a decision of the Company to enter into an interested party transaction. Therefore, the Put Option Right will arise on the Pre-approvals Effective Date. A Shareholder will have 30 calendar days from the Pre-approvals Effective Date to exercise the Put Option Right. Subject to certain limitations established by the JSC Law, the Company must purchase the Shares pursuant to the Put Option Right. Such purchase must be carried out in accordance with a procedure and at a price established by the Methodology for Determining the Share Price in Case of their Repurchase by the Company on a Non-Organized Securities Market, which has previously been approved by a general meeting of shareholders of the Company (the “Share Valuation Methodology”). Although under the JSC Law the Put Option Right applies to Shares only, the Share Valuation Methodology is formulated in such a manner that it may also apply to GDRs.

A copy of the Share Valuation Methodology in the Russian language is available on the KASE’s website at [http://www.kase.kz/files/emitters/RDGZ/rdgz\\_met\\_230108.pdf](http://www.kase.kz/files/emitters/RDGZ/rdgz_met_230108.pdf). A copy of the Share Valuation Methodology in the English language will be made available by the Company on its website at [http://www.kmgep.kz/eng/investor\\_relations/shareholder\\_information](http://www.kmgep.kz/eng/investor_relations/shareholder_information).

**APPENDIX IV: EXISTING AND AMENDED AND RESTATED RELATIONSHIP AGREEMENT**

**PART A: EXISTING RELATIONSHIP AGREEMENT**

***THE TEXT OF THE EXISTING RELATIONSHIP AGREEMENT FOLLOWS FROM THE NEXT PAGE***

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THE TEXT OF THIS DOCUMENT IN ENGLISH LANGUAGE IS A TRANSLATION PREPARED FOR INFORMATION PURPOSES ONLY. THE TRANSLATION MAY CONTAIN DISCREPANCIES AND OMISSIONS AND DOES NOT REPLACE THE RUSSIAN TEXT OF THE DOCUMENT. IN ANY AND ALL CASES THE TEXT OF THIS DOCUMENT IN RUSSIAN LANGUAGE SHALL PREVAIL.

## **RELATIONSHIP AGREEMENT**

BETWEEN

**JSC NC KAZMUNAIGAS**

**and**

**JSC EXPLORATION & PRODUCTION KAZMUNAIGAS**

[●] 2006

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5 Old Broad Street  
London EC2N 1DW

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**THIS RELATIONSHIP AGREEMENT** (this “**Agreement**”) is made on [●] 2006

**BETWEEN:**

- (1) **JSC NC KAZMUNAIGAS**, a company incorporated in the Republic of Kazakhstan with its registered office at 22 Kabanbay batyr Ave., Astana 010000, Republic of Kazakhstan (“**NC KMG**”); and
- (2) **JSC EXPLORATION AND PRODUCTION KAZMUNAIGAS**, a company incorporated in the Republic of Kazakhstan with its registered office at 20/1 Kabanbay batyr Ave., Astana 010000, Republic of Kazakhstan (“**E&P KMG**”) (together the “**Parties**”).

**WHEREAS:**

- (A) NC KMG and E&P KMG have agreed that E&P KMG should be capable at all times of carrying on its Business as a self-dependent and free-standing business and that all transactions and relationships between E&P KMG and NC KMG are, subject to the terms of the Transaction Agreements, on an arm’s length basis and on normal commercial terms in accordance with Kazakhstan Laws.
- (B) The Parties have agreed to enter into this Agreement to record the terms of NC KMG’s involvement directly or indirectly in the Business of E&P KMG and matters referred to in recital (A) above.

**NOW, THEREFORE**, in consideration of the terms contained herein, the Parties hereby agree as follows:

**1. INTERPRETATION**

1.1 In this Agreement the following words and expressions shall, except where inconsistent with the context, have the following meanings:

- “**Affiliate**” means in respect of any company:
- (a) a person which independently or together with its affiliates, owns, uses or disposes of 10 percent or more of that company’s voting shares (a “**major shareholder**”);
  - (b) an individual being a close relative of (parent, brother, sister, son or daughter), married to or in legal relationship with (brother, sister, parent, son or daughter of the spouse) an individual who is a major shareholder of that company or an official of that company;
  - (c) an official of that company or a legal entity, which is described in sub-paragraphs (a) or (d);
  - (d) a legal entity which is controlled by an individual who is a major shareholder of that company or an official of that company;

- (e) a legal entity in relation to which the person being a major shareholder or an official of that company is a major shareholder or has the right to the relevant property of such legal entity;
- (f) a legal entity in relation to which the company is a major shareholder or has the right to the relevant property share;
- (g) a legal entity which is under control of a third party together with that company;
- (h) a person which is bound with that company by agreement, pursuant to which such person may determine decisions adopted by such company; or
- (i) another person which is an Affiliate of a company pursuant to Kazakhstan Laws,

and where “**control**” of a company or another legal entity shall include the opportunity to determine decisions adopted by such company or such another legal entity, respectively;

**“Board of Directors”**

means the board of directors of E&P KMG;

**“Business”**

means the onshore petroleum and associated products exploration, development and production business (and related activities) of E&P KMG carried on by members of the E&P KMG Group from time to time;

**“Charter”**

means the charter of E&P KMG, being the document determining the legal status of E&P KMG as a legal entity, as amended from time to time;

**“Controlling Shareholder”**

means a person (or persons acting jointly by agreement whether formal or otherwise) who is:

- (a) entitled to exercise, or to control the exercise of 30% or more of the rights to vote at general meetings of a company; or
- (b) able to control the appointment of directors who are able to exercise a majority of votes at board meetings of a company;

**“Corporate Governance Code”**

means the code of corporate governance adopted by E&P KMG, as amended from time to time;

**“Disclosure Rules”**

means, in respect of any stock exchange on which E&P KMG Securities are (or may be) listed, the disclosure rules of the relevant competent listing authority or stock exchange, as



	amended from time to time;
<b>“E&amp;P KMG Confidential Information”</b>	means any confidential information marked as confidential which NC KMG (or any member of the NC KMG Group) holds or may acquire from time to time in connection with the entry into or performance of this Agreement and the management, operation or performance of the Business;
<b>“E&amp;P KMG Group”</b>	means E&P KMG and its Subsidiaries from time to time;
<b>“E&amp;P KMG Securities”</b>	means Ordinary Shares or Global Depositary Receipts (as the case may be);
<b>“Global Depositary Receipts”</b>	means global depositary receipts representing Ordinary Shares;
<b>“Independent Director”</b>	means a member of the Board of Directors who: <ul style="list-style-type: none"> <li>(a) is not an Affiliate of E&amp;P KMG and was not such Affiliate within three years preceding his election to the Board of Directors (except for his position as a member of the Board of Directors);</li> <li>(b) is not an Affiliate with respect to Affiliates of E&amp;P KMG (except for his position as a member of the Board of Directors);</li> <li>(c) is not connected through dependence with officials of E&amp;P KMG or organizations that are Affiliates of E&amp;P KMG;</li> <li>(d) is not an auditor of E&amp;P KMG and was not such auditor within three years preceding his election to the Board of Directors; or</li> <li>(e) does not participate in the auditing of E&amp;P KMG as an auditor working in an audit firm and did not participate in such audit within three years preceding his election to the Board of Directors;</li> </ul>
<b>“JSC Law”</b>	means the Kazakhstan Law “On Joint-Stock Companies” dated 13 May 2003 as amended from time to time;
<b>“Kazakhstan Laws”</b>	means the constitution and all laws, edicts, decrees, regulations, instructions, orders and other legal acts of the Republic of Kazakhstan as amended from time to time;
<b>“KZT”</b>	means Kazakhstan Tenge, the currency of the Republic of Kazakhstan;

<b>“Listing Rules”</b>	means, in respect of any stock exchange on which E&P KMG Securities shares are (or may be) listed, the listing rules of the relevant competent listing authority or stock exchange, as amended from time to time;
<b>“NC KMG Confidential Information”</b>	means any confidential information marked as confidential which E&P KMG (or any member of the E&P KMG Group) holds or may acquire from time to time in connection with the entry into or performance of this Agreement and the management, operation or business of NC KMG (or any member of the NC KMG Group);
<b>“NC KMG Directors”</b>	means the directors that are representatives of NC KMG in the Board of Directors;
<b>“NC KMG Group”</b>	means NC KMG and its Subsidiaries from time to time but shall exclude members of the E&P KMG Group;
<b>“Onshore Interest”</b>	means any subsoil use right, licence or asset in respect of onshore hydrocarbon deposits in the Republic of Kazakhstan, or an ownership or other participatory interest in any entity owning such a subsoil use right, licence or asset;
<b>“Ordinary Shares”</b>	means the ordinary shares (issued or to be issued) in the capital of E&P KMG;
<b>“Services Agreement”</b>	means the agreement on rendering services dated [●] between NC KMG and E&P KMG for the provision of certain services and the grant of certain rights by NC KMG to E&P KMG;
<b>“Shareholders”</b>	means the holders of E&P KMG Securities from time to time; and
<b>“Subsidiary”</b>	a company the dominant portion of the charter capital of which is formed by another legal entity or, if pursuant to an agreement between them (or otherwise), such other legal entity has a possibility of determining decisions made by such company.

1.2 Any reference in this Agreement to:

- (a) a **“person”** shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality);
- (b) a statute shall be construed as a reference to such statute as from time to time amended or re-enacted;
- (c) any agreement or document shall be construed as a reference to that agreement or document, as the same may have been, or may from time to time be, amended, restated, novated or supplemented;
- (d) a Clause is to a Clause of this Agreement;

- (e) the headings to the Clauses of this Agreement is for convenience only and shall not affect the construction or interpretation thereof;
- (f) the words “**reasonable endeavours**” shall be construed, in relation to an undertaking given by a party, as the taking of all steps and actions in that Party’s power;
- (g) the words “**include**” and “**including**” is to be construed without limitation; and
- (h) unless the context otherwise requires, words denoting the singular shall include the plural and vice versa, and to any gender shall include all other genders.

## 2. GENERAL PRINCIPLES

2.1 This Agreement shall come into force from the later of

- (a) the date on which the Board of Directors and the board of directors of NC KMG have each adopted a decision regarding its execution and the general meetings of shareholders of the Parties have approved such decision; and
- (b) from the date specified in the relevant decision of the board of directors of NC KMG.

2.2 Subject to Kazakhstan Laws and the terms of the Transaction Agreements, NC KMG undertakes to E&P KMG that:

- (a) NC KMG will allow E&P KMG to be operated in the best interests of the Shareholders as a whole and, subject to the provisions of the Charter in accordance with the Corporate Governance Code;
- (b) NC KMG will allow E&P KMG at all times to carry on its Business as a self-dependent and free-standing business from NC KMG and the NC KMG Group; and
- (c) it shall use its reasonable endeavours to procure that no member of the NC KMG Group shall act in any way or omit to act in any way which shall prejudice the ability of the E&P KMG Group to carry on its Business independently of the NC KMG Group (or render it unsuitable for continued listing by any relevant competent listing authority or on any relevant stock exchange by reason of any act or omission on the part of any member of the NC KMG Group).

2.3 Each of NC KMG and E&P KMG undertakes to each other that they shall (and shall procure that the relevant members of the NC KMG Group and the E&P KMG Group respectively shall), subject to the provisions of the Transaction Agreements and Kazakhstan Laws, with effect from the date of this Agreement conduct any transactions and relationships (whether contractual or otherwise, including any subsequent amendment thereof or variation thereto) (including the implementation or enforcement thereof) between any member of the NC KMG Group, on the one hand, and any member of the E&P KMG Group, on the other, on arm’s length terms and on

a normal commercial basis (the Parties acknowledging that this Agreement has been entered into on such a basis).

- 2.4 Subject to the JSC Law and the terms of the Transaction Agreements, NC KMG undertakes that (i) any voting rights in the share capital of E&P KMG held by members of the NC KMG Group or (ii) any voting rights that it may control on the Board of Directors (whether as a Shareholder or through its representation on the Board of Directors by means of the NC KMG Directors) shall:
- (a) not be exercised in respect of any resolution which relates to a transaction between E&P KMG and NC KMG or any member of the NC KMG Group; and
  - (b) not be exercised at meetings of the Board of Directors on matters in which they have an interest as a result of being a director or officer in NC KMG or any member of the NC KMG Group.
- 2.5 Subject to the terms of the Transaction Agreements, E&P KMG undertakes that it shall treat all holders of the same class of its Ordinary Shares that are in the same position equally in respect of the rights attaching to such shares.
- 2.6 NC KMG acknowledges and agrees to the principles regarding the provision of information by E&P KMG to NC KMG imposed by applicable law, the Listing Rules and/or the Disclosure Rules. NC KMG shall procure that each member of the senior management of NC KMG which is the recipient of information from the NC KMG Directors shall:
- (a) not deal in any publicly-traded securities of E&P KMG on the basis of such information; and
  - (b) shall keep such information confidential in accordance with the express duty of confidentiality under which it is provided.
- 2.7 NC KMG and E&P KMG agree that the Services Agreements shall be executed subject to the requirements of Kazakhstan Laws and acknowledge that the fees in the amount of KZT7,000,000,000, stipulated in the Services Agreement dated [●] 2006, in each subsequent Services Agreement shall be subject to annual adjustments based on changes in the annual consumer price index in the Republic of Kazakhstan for the 12 month period ending on 1 December immediately preceding. The first adjustment shall take place as of 1 January 2007 based on changes in the consumer price index for the period 1 December 2005 to 1 December 2006.
- 2.8 NC KMG undertakes that it shall not separately propose, at a general meeting of Shareholders, any matter contemplated by the provisions of Article 12.5 of the Charter where such matter has not been previously approved in accordance with the provisions of Article 12.5 of the Charter by the Independent Directors acting in good faith, reasonably, and justly in compliance with the legislative requirements, moral principles and the rules of business ethics.

2.9 NC KMG undertakes to E&P KMG that it shall not require E&P KMG to increase the amount of financial contribution to assist in implementing social projects in the regions and cities in which members of the E&P KMG Group operate, save as:

- (a) required by the terms of the existing social programmes undertaken by members of the E&P KMG Group as at the Effective Date;
- (b) required by the terms of the exploration and/or production licenses and contracts held by members of the E&P KMG Group from time to time;
- (c) required by Kazakhstan Laws; or
- (d) otherwise approved by the Board of Directors of E&P KMG in accordance with the Charter.

2.10 Subject to Kazakhstan Laws, E&P KMG undertakes that the following terms shall apply to the participation by E&P KMG in any state procurement tender declared by JSC KazMunaiGas Trade House:

- (a) E&P KMG shall supply not more than 1,900,000 tons of crude oil per annum in respect of any tender declared by JSC KazMunaiGas Trade House between 1 January 2006 and 31 December 2010;
- (b) E&P KMG shall supply crude oil to the domestic market for the years 2010 to 2015 in volumes in accordance with the production programme forming part of the business plan of E&P KMG approved by the Board of Directors for such years; and
- (c) the price of any crude oil supplied by E&P KMG shall be equal to its cost plus three per cent, where its cost is calculated as follows:

Price of one ton of crude oil equals the production cost of one ton of crude oil for E&P KMG plus the transportation cost of one ton of crude oil incurred by E&P KMG, where:

- (i) the production cost of one ton of crude oil is the ratio of (A) the total crude oil production costs and all administrative and non-production costs (including general administration costs) under the state procurement tender plan for the relevant calendar year to (B) the total volume of crude oil production at all production branches of E&P KMG under the state procurement tender plan for the relevant calendar year; and
- (ii) the transportation cost of one ton of crude oil is the ratio of (A) the total costs of crude oil transportation from all the branches of E&P KMG to the Atyrau Refinery under the state procurement tender plan for the relevant calendar year to (B) the total volume of crude oil supplies to the Atyrau Refinery from all production branches of E&P KMG under the state procurement tender plan for the relevant calendar year.

Each of E&P KMG and NC KMG acknowledges and agrees that, notwithstanding that the participation in any tender that is the subject of the Refinery Supply Undertaking shall be with a member of the NC KMG Group, the provisions of Article 12.5 of the Charter and Clause 2.4 above shall not apply in respect of such participation in the tender and that the terms of any such participation in the tender shall be determined by a simple majority vote of the Board of Directors.

### **3. THE INDEPENDENT DIRECTORS**

- 3.1 The Independent Directors as at the date of this Agreement are [●], [●] and [●].
- 3.2 NC KMG undertakes that it shall, at any relevant meeting of shareholders, seek to ensure the election of any Independent Director nominated by the nominations committee of, and approved by, the Board of Directors.
- 3.3 NC KMG undertakes that it shall not vote on any resolution of the Shareholders (or any resolution of the Board of Directors) to appoint or remove any Independent Director unless:
- (a) the term of appointment of such Independent Director has expired and such Independent Director is seeking re-election at a general meeting of Shareholders; or
  - (b) such removal has been recommended by the nominations committee of the Board of Directors; or
  - (c) the Board of Directors has determined that the Independent Director is no longer independent (as reasonably determined by the Board of Directors and taking into consideration the factors referred to in the Corporate Governance Code), provided that any such determination by the Board of Directors shall require the affirmative vote of the Director General of E&P KMG and at least one other Independent Director.

### **4. REPRESENTATIONS AND WARRANTIES**

- 4.1 NC KMG represents and warrants to E&P KMG as follows:
- (a) NC KMG has in accordance with Kazakhstan Laws the requisite power and authority to enter into and perform this Agreement;
  - (b) this Agreement constitutes binding obligations of NC KMG in accordance with their respective terms; and
  - (c) the execution and delivery of, and the performance by NC KMG of its obligations under, this Agreement will not:
    - (i) result in any breach of any provision of the memorandum or articles of association, by-laws or equivalent constitutional documents of NC KMG;
    - (ii) result in a breach of, or constitute a default under, any instrument to which NC KMG is a party or by which NC KMG is bound and which

is material in the context of the transactions contemplated by this Agreement;

- (iii) result in a breach of any order, judgment or decree of any court or governmental agency to which NC KMG is a party or by which NC KMG is bound and which is material in the context of the transactions contemplated by this Agreement; or
- (iv) require NC KMG to obtain any consent or approval of, or give any notice to or make any registration with, any governmental authority which has not been obtained or made at the date hereof both on an unconditional basis and on a basis which cannot be revoked (save pursuant to any legal or regulatory entitlement to revoke the same other than by reason of any misrepresentation or misstatement).

4.2 E&P KMG represents and warrants to NC KMG as follows:

- (a) E&P KMG has in accordance with Kazakhstan Laws the requisite power and authority to enter into and perform this Agreement;
- (b) this Agreement constitutes binding obligations of E&P KMG in accordance with their respective terms; and
- (c) the execution and delivery of, and the performance by E&P KMG of its obligations under, this Agreement will not:
  - (i) result in any breach of any provision of the Charter, by-laws or equivalent constitutional documents of E&P KMG;
  - (ii) result in a breach of, or constitute a default under, any instrument to which E&P KMG is a party or by which E&P KMG is bound and which is material in the context of the transactions contemplated by this Agreement;
  - (iii) result in a breach of any order, judgment or decree of any court or governmental agency to which E&P KMG is a party or by which E&P KMG is bound and which is material in the context of the transactions contemplated by this Agreement; or
  - (iv) require E&P KMG to obtain any consent or approval of, or give any notice to or make any registration with, any governmental authority which has not been obtained or made at the date hereof both on an unconditional basis and on a basis which cannot be revoked (save pursuant to any legal or regulatory entitlement to revoke the same other than by reason of any misrepresentation or misstatement).

## 5. ASSIGNMENT

This Agreement shall be binding on and shall inure for the benefit of each party's successors and permitted assigns (as the case may be), provided that no Party hereto shall be entitled to assign any of its rights under this Agreement or any of its obligations unless is otherwise approved in writing by the other Party.

## **6. REMEDIES, WAIVERS AND VARIATION**

- 6.1 No failure or delay on the part of any Party in exercising any right, power or privilege hereunder and no course of dealing between the Parties shall operate as a waiver thereof nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other exercise thereof or the exercise of any other right, power or privilege, whether now or in the future.
- 6.2 The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which any Party otherwise has.
- 6.3 The provisions of this Agreement may only be amended, waived, supplemented or terminated only by an instrument in writing signed by both of the Parties.

## **7. ILLEGALITY**

In the event that any one or more of the provisions contained in this Agreement should be illegal, invalid or unenforceable in any respect in any jurisdiction, as to such jurisdiction, or the ability of either party to perform any provision of this agreement is frustrated, the validity and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby and the parties shall thereupon negotiate in good faith to agree an alternative arrangement in order to give effect to the intent of this Agreement.

## **8. ENTIRE AGREEMENT**

This Agreement, together with the Services Agreement, constitutes the entire and only agreement between the Parties in relation to its subject matter and replaces and extinguishes all prior agreements, undertakings, arrangements, understandings or statements of any nature made by the Parties or either one of them whether oral or written (and, if written, whether or not in draft form) with respect to such subject matter.

## **9. COUNTERPARTS**

- 9.1 This Agreement may be executed in two counterparts, each of which, when executed and delivered, shall be an original, but all of which together shall constitute one and the same instrument.
- 9.2 Facsimile copies of signature pages of this Agreement shall be acceptable, and each Party shall send by courier or personal delivery to the other Party their original counterpart copies of this Agreement signed by that Party immediately upon execution of the same.

## **10. TERMINATION**

- 10.1 This Agreement shall continue in full force and effect until the occurrence of the earliest of:
- (a) the E&P KMG Securities ceasing to be admitted to listing by the relevant competent listing authority and to trading on any relevant stock exchange to



which such E&P KMG Securities have been admitted (other than the Kazakhstan Stock Exchange); and

- (b) NC KMG (and/or any members of the NC KMG Group) ceasing to be a Controlling Shareholder of E&P KMG,

whereupon, subject to Clause 10.2, this Agreement shall terminate and shall cease to have force and effect.

- 10.2 The provisions of Clauses 7, 11 and 12 shall survive for three years following the termination of this Agreement.
- 10.3 Notwithstanding any other provision of this Agreement, termination of this Agreement and termination with respect to any Party shall be without prejudice to the rights and obligations of each Party accrued prior to such termination or under any provision which is expressly stated not to be affected by such termination including with respect to any prior breach of this Agreement.

## **11. CONFIDENTIALITY**

- 11.1 NC KMG shall at all times use all reasonable efforts to keep confidential any E&P KMG Confidential Information and it shall procure that neither it nor any member of the NC KMG Group shall disclose any such E&P KMG Confidential Information except:
  - (a) as expressly contemplated by this Agreement;
  - (b) to its directors, officers, employees and advisers on a need to know basis;
  - (c) with the consent of the Board of Directors;
  - (d) to the extent required by law or any governmental or other regulatory body to which NC KMG is subject or submits, provided that NC KMG shall, if reasonably practicable, supply a copy of the required disclosure to E&P KMG before it is disclosed and further, shall incorporate any amendments or additions to such disclosure reasonably requested by E&P KMG;
  - (e) where it has been disclosed into the public domain otherwise than by virtue of a breach of this Clause 11.1;
  - (f) in respect of E&P KMG Confidential Information already in the possession of NC KMG and not subject to any obligation of confidentiality to E&P KMG (or any member of the E&P KMG Group);
  - (g) in respect of E&P KMG Confidential Information independently developed by NC KMG; or
  - (h) which comes into the possession of NC KMG from a third party, otherwise than as a result of a breach of this Clause 11.
- 11.2 E&P KMG shall at all times use all reasonable efforts to keep confidential any NC KMG Confidential Information and it shall procure that neither it nor any member of

the E&P KMG Group shall disclose any such NC KMG Confidential Information except:

- (a) as expressly contemplated by this Agreement;
- (b) to its directors, officers, employees and advisers on a need to know basis;
- (c) with the consent of NC KMG;
- (d) to the extent required by law or any governmental or other regulatory body to which E&P KMG is subject or submits, provided that E&P KMG shall, if reasonably practicable, supply a copy of the required disclosure to NC KMG before it is disclosed and further, shall incorporate any amendments or additions to such disclosure reasonably requested by NC KMG;
- (e) where it has been disclosed into the public domain otherwise than by virtue of a breach of this Clause 11.2;
- (f) in respect of NC KMG Confidential Information already in the possession of E&P KMG and not subject to any obligation of confidentiality to NC KMG (or any member of the NC KMG Group);
- (g) in respect of NC KMG Confidential Information independently developed by E&P KMG; or
- (h) which comes into the possession of E&P KMG from a third party, otherwise than as a result of a breach of this Clause 11.

11.3 No announcements regarding the conduct or status of the negotiations regarding the terms of this Agreement will be made by any Party unless it has first obtained the written consent of the other Parties (such consent not to be unreasonably withheld or delayed), save as required by law or by the rules of any governmental or other regulatory body to which such Party is subject or submits, in which case such Party shall use its reasonable endeavours to consult with the other Party prior to making any such announcement.

11.4 Each of NC KMG and E&P KMG acknowledges and agrees that any inside information (as defined in the Disclosure Rules) or other price-sensitive information relating to the E&P KMG Group shall only be disclosed by E&P KMG to NC KMG in accordance with the provisions of the Disclosure Rules, applicable law and the terms of any E&P KMG disclosure policy as determined from time to time.

11.5 The obligations of each of the Parties in this Clause 11 shall continue for a period of three years following the termination of this Agreement for any cause whatsoever.

## **12. GOVERNING LAW AND DISPUTE RESOLUTION**

12.1 This Agreement shall be governed by and construed in accordance with the laws of the Republic of Kazakhstan and each Party submits to the jurisdiction of the Kazakhstan courts.

12.2 The Parties agree to negotiate in good faith to resolve any dispute, controversy or claim arising from any breach or alleged breach of this Agreement (a “**Dispute**”). Any Dispute relating to any breach (or alleged breach) of this Agreement shall, if not previously resolved by appropriate members of management of the Parties, initially be referred to the Independent Directors and the board of directors of NC KMG who shall within 60 days (or a longer period of time as such persons may agree upon) attempt to resolve the Dispute to the reasonable satisfaction of the Parties.

**IN WITNESS WHEREOF**, this Agreement has been entered into the day and year first written above.

**JSC EXPLORATION AND** )  
**PRODUCTION** )  
**KAZMUNAIGAS** )  
represented by [●] )

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**JSC NC KAZMUNAIGAS** )  
represented by [●] )

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**PART B: AMENDED AND RESTATED RELATIONSHIP AGREEMENT**

***THE TEXT OF THE DRAFT AMENDED AND RESTATED RELATIONSHIP AGREEMENT FOLLOWS FROM THE NEXT PAGE***

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THE TEXT OF THIS DOCUMENT IN ENGLISH LANGUAGE IS A TRANSLATION PREPARED FOR INFORMATION PURPOSES ONLY. THE TRANSLATION MAY CONTAIN DISCREPANCIES AND OMISSIONS AND DOES NOT REPLACE THE RUSSIAN TEXT OF THE DOCUMENT. IN ANY AND ALL CASES THE TEXT OF THIS DOCUMENT IN RUSSIAN LANGUAGE SHALL PREVAIL.

**AMENDED AND RESTATED RELATIONSHIP AGREEMENT**

BETWEEN

**JSC NC KAZMUNAYGAS**

**and**

**JSC EXPLORATION & PRODUCTION KAZMUNAIGAS**

[●] 2016

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**THIS AMENDED AND RESTATED RELATIONSHIP AGREEMENT** (this “**Agreement**”) is made on [●] 2016

**BETWEEN:**

- (1) **JSC NC KAZMUNAYGAS**, a company incorporated in the Republic of Kazakhstan with its registered office at 19 Kabanbay batyr Ave., Esil district, Astana 010000, Republic of Kazakhstan (“**NC KMG**”); and
- (2) **JSC EXPLORATION AND PRODUCTION KAZMUNAIGAS**, a company incorporated in the Republic of Kazakhstan with its registered office at 17 Kabanbay batyr Ave., Esil district, Astana 010000, Republic of Kazakhstan (“**E&P KMG**”) (together the “**Parties**”).

**WHEREAS:**

- (A) NC KMG and E&P KMG have agreed that all transactions and relationships between E&P KMG and NC KMG are on an arm’s length basis and on normal commercial terms in accordance with Kazakhstan Laws.
- (B) NC KMG is a Controlling Shareholder in E&P KMG and has a reasonable expectation that it can exercise the rights exercisable by such Controlling Shareholder.
- (C) The Parties have agreed to enter into this Agreement to record the terms of NC KMG’s involvement directly or indirectly in the Business and matters referred to in recital (A) above.

**NOW, THEREFORE**, in consideration of the terms contained herein, the Parties hereby agree as follows:

**1. INTERPRETATION**

- 1.1 In this Agreement the following words and expressions shall, except where inconsistent with the context, have the following meanings:

“**Amendments**” means the amendments to this Agreement and the Charter approved and/or endorsed by a General Meeting of Shareholders of E&P KMG and/or by the Board of Directors held on or about [●] 2016;

“**Affiliate**” means an affiliated person, as such term is defined by the JSC Law;

“**Board of Directors**” means the board of directors of E&P KMG;

“**Business**” means the onshore petroleum and associated products exploration, development and production business (and related

	activities) of E&P KMG carried on by members of the E&P KMG Group from time to time;
<b>“Charter”</b>	means the charter of E&P KMG, being the document determining the legal status of E&P KMG as a legal entity, as amended from time to time;
<b>“Controlling Shareholder”</b>	means a person (or persons acting jointly by agreement whether formal or otherwise) who is: <ul style="list-style-type: none"> <li>(a) entitled to exercise, or to control the exercise of 30% or more of the rights to vote at general meetings of a company; or</li> <li>(b) able to control the appointment of directors who are able to exercise a majority of votes at board meetings of a company;</li> </ul>
<b>“Corporate Governance Code”</b>	means the code of corporate governance adopted by E&P KMG, as amended from time to time;
<b>“Disclosure Rules”</b>	means, in respect of any stock exchange on which E&P KMG Securities are (or may be) listed, the disclosure rules of the relevant competent listing authority or stock exchange, as amended from time to time;
<b>“E&amp;P KMG Confidential Information”</b>	means any confidential information marked as confidential which NC KMG (or any member of the NC KMG Group) holds or may acquire from time to time in connection with the entry into or performance of this Agreement and the management, operation or performance of the Business;
<b>“E&amp;P KMG Group”</b>	means E&P KMG and its Subsidiaries from time to time;
<b>“E&amp;P KMG Securities”</b>	means Ordinary Shares or Global Depositary Receipts (as the case may be);
<b>“Global Depositary Receipts”</b>	means global depositary receipts representing Ordinary Shares;
<b>“Independent Director”</b>	means an independent director, as such term is defined by the JSC Law;
<b>“JSC Law”</b>	means the Kazakhstan Law “On Joint-Stock Companies” dated 13 May 2003 as amended from time to time;
<b>“Kazakhstan Laws”</b>	means the constitution and all laws, edicts, decrees, regulations, instructions, orders and other legal acts of the Republic of



	Kazakhstan as amended from time to time;
<b>“KZT”</b>	means Kazakhstan Tenge, the lawful currency of the Republic of Kazakhstan;
<b>“Listing Rules”</b>	means, in respect of any stock exchange on which E&P KMG Securities are (or may be) listed, the listing rules of the relevant competent listing authority or stock exchange, as amended from time to time;
<b>“NC KMG Confidential Information”</b>	means any confidential information marked as confidential which E&P KMG (or any member of the E&P KMG Group) holds or may acquire from time to time in connection with the entry into or performance of this Agreement and the management, operation or business of NC KMG (or any member of the NC KMG Group);
<b>“NC KMG Directors”</b>	means the directors that are representatives of NC KMG in the Board of Directors;
<b>“NC KMG Group”</b>	means NC KMG and its Subsidiaries from time to time;
<b>“Onshore Interest”</b>	means any subsoil use right, licence or asset in respect of onshore hydrocarbon deposits in the Republic of Kazakhstan, or an ownership or other participatory interest in any entity owning such a subsoil use right, licence or asset;
<b>“Ordinary Shares”</b>	means the ordinary shares (issued or to be issued) of E&P KMG;
<b>“Purchase Offer”</b>	means the purchase by NC KMG of Ordinary Shares and/or Global Depositary Receipts in connection with the Amendments and, to the extent applicable, the buy-back by E&P KMG of Ordinary Shares and/or Global Depositary Receipts in connection with the Amendments regardless of whether initiated by E&P KMG or a shareholder;
<b>“Services Agreement”</b>	means the agreement on rendering services entered into between NC KMG and E&P KMG in respect of the year 2006 for the provision of certain services and the grant of certain rights by NC KMG to E&P KMG;
<b>“Shareholders”</b>	means the holders of E&P KMG Securities from time to time; and
<b>“Subsidiary”</b>	means a company the dominant portion of the charter capital of which is formed by another legal entity or, if pursuant to an agreement between them (or otherwise), such other legal entity has a possibility of determining decisions made by such company.

1.2 Any reference in this Agreement to:

- (a) a **“person”** shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality);
- (b) a statute shall be construed as a reference to such statute as from time to time amended or re-enacted;
- (c) any agreement or document shall be construed as a reference to that agreement or document, as the same may have been, or may from time to time be, amended, restated, novated or supplemented;
- (d) a Clause is to a Clause of this Agreement;
- (e) the headings to the Clauses of this Agreement is for convenience only and shall not affect the construction or interpretation thereof;
- (f) the words **“reasonable endeavours”** shall be construed, in relation to an undertaking given by a party, as the taking of all steps and actions in that Party’s power;
- (g) the words **“include”** and **“including”** is to be construed without limitation; and
- (h) unless the context otherwise requires, words denoting the singular shall include the plural and vice versa, and to any gender shall include all other genders.

## 2. GENERAL PRINCIPLES

2.1 This Agreement shall come into force from the later of:

- (a) the date on which the Board of Directors and the board of directors of NC KMG have each adopted a decision regarding its execution and the general meetings of shareholders of the Parties have approved such decision; and
- (b) the date specified in the relevant decision of the board of directors of NC KMG.

2.2 Subject to Kazakhstan Laws, NC KMG undertakes to E&P KMG that:

- (a) NC KMG will allow E&P KMG to be operated in the best interests of the Shareholders as a whole and, subject to the provisions of the Charter in accordance with the Corporate Governance Code;
- (b) *[Intentionally left blank]*
- (c) it shall use its reasonable endeavours to procure that no member of the NC KMG Group shall act in any way or omit to act in any way which shall

prejudice the ability of the E&P KMG Group to carry on its Business (or obstruct the continuation of listing by any relevant competent listing authority or on any relevant stock exchange, except: (i) as may be approved by the Board of Directors (including by the majority vote of the Independent Directors) and the General Meeting of Shareholders of E&P KMG in accordance with the Charter and Kazakhstan Laws); and/or (ii) as a consequence of the Purchase Offer).

2.3 Each of NC KMG and E&P KMG undertakes to each other that they shall (and shall procure that the relevant members of the NC KMG Group and the E&P KMG Group respectively shall), subject to the provisions of Kazakhstan Laws, with effect from the date of this Agreement conduct any transactions and relationships (whether contractual or otherwise, including any subsequent amendment thereof or variation thereto) (including the implementation or enforcement thereof) between any member of the NC KMG Group, on the one hand, and any member of the E&P KMG Group, on the other, on arm's length terms and on a normal commercial basis (the Parties acknowledging that this Agreement has been entered into on such a basis).

2.4 NC KMG undertakes that any voting rights that it may control on the Board of Directors (whether as a Shareholder or through its representation on the Board of Directors by means of the NC KMG Directors) shall be:

- (a) exercised in respect of any resolution which relates to a transaction between E&P KMG and NC KMG or any member of the NC KMG Group; and
- (b) exercised at meetings of the Board of Directors on matters in which they have an interest as a result of being a director or officer in NC KMG or any member of the NC KMG Group,

only in accordance with the Charter and the requirements of the Kazakhstan Laws.

2.5 E&P KMG undertakes that it shall treat all holders of its Ordinary Shares that are in the same position equally in respect of the rights attaching to such shares.

2.6 NC KMG acknowledges and agrees to the principles regarding the provision of information by E&P KMG to NC KMG imposed by applicable law, the Listing Rules and/or the Disclosure Rules. NC KMG shall procure that each member of the senior management of NC KMG which is the recipient of information from the NC KMG Directors shall:

- (a) not deal in any publicly-traded securities of E&P KMG on the basis of such information; and
- (b) shall keep such information confidential in accordance with the express duty of confidentiality under which it is provided.

2.7 NC KMG and E&P KMG agree that the Services Agreements shall be executed subject to the requirements of Kazakhstan Laws and acknowledge that the fees in

the amount of KZT7,000,000,000, stipulated in the Services Agreement dated [●] 2006, in each subsequent Services Agreement shall be subject to annual adjustments based on changes in the annual consumer price index in the Republic of Kazakhstan for the 12 month period ending on 1 December immediately preceding. The first adjustment shall take place as of 1 January 2007 based on changes in the consumer price index for the period 1 December 2005 to 1 December 2006.

2.8 [Intentionally left blank]

2.9 NC KMG undertakes to E&P KMG that it shall not require E&P KMG to increase the amount of financial contribution to assist in implementing social projects in the regions and cities in which members of the E&P KMG Group operate, save as:

- (a) required by the terms of the existing social programmes undertaken by members of the E&P KMG Group as at the Effective Date;
- (b) required by the terms of the exploration and/or production licenses and contracts held by members of the E&P KMG Group from time to time;
- (c) required by Kazakhstan Laws; or
- (d) otherwise approved by the Board of Directors of E&P KMG in accordance with the Charter.

2.10 Subject to Kazakhstan Laws, E&P KMG undertakes that the following terms shall apply to the supply by E&P KMG of crude oil to the domestic market:

- (a) E&P KMG shall supply crude oil to the domestic market from 1 April 2016 onwards in volumes in accordance with the business plan of E&P KMG approved by the Board of Directors for the relevant year and the requirements of Kazakhstan Laws (including, without limitation, the export quotas and the domestic supply requirements);
- (b) the relationship between E&P KMG and JSC KazMunaiGaz - refining and marketing in relation to any crude oil supplied by E&P KMG to the domestic market from 1 April 2016 onwards shall be based on an "agency model", whereby JSC KazMunaiGaz – refining and marketing acts as an agent of E&P KMG in the supply of its crude oil to the refineries for processing and does not have an obligation to purchase crude oil from E&P KMG;
- (c) the consideration payable by E&P KMG to JSC KazMunaiGaz – refining and marketing for its acting as the agent in relation to any crude oil supplied by E&P KMG in the period from 1 April 2016 onwards to the domestic market shall be determined between E&P KMG and JSC KazMunaiGaz – refining and marketing annually on the basis of an agreement in writing and such consideration shall be equal to an average market price payable for similar services; and

- (d) the consideration payable by E&P KMG to JSC KazMunaiGaz – refining and marketing (including in its capacity as the agent) for any crude oil supplied by E&P KMG in the period from 1 January 2016 until 31 March 2016 to the domestic market is subject to negotiations between E&P KMG and JSC KazMunaiGaz – refining and marketing and shall be determined separately on the basis of an agreement in writing and such consideration shall be equal to an average market price payable for similar services.

### **3. THE INDEPENDENT DIRECTORS**

3.1 *[Intentionally left blank]*

3.2 NC KMG undertakes that it shall, at any relevant meeting of shareholders, seek to ensure the election of any Independent Director nominated by the nominations committee of the Board of Directors (the "**Nominations Committee**") and approved by the Board of Directors. The Nominations Committee shall consist of three members, including two members who are Independent Directors and one member who is either an NC KMG Director or another person nominated by NC KMG to represent its interests on the Nominations Committee ("**NC KMG Representative**"). The Nominations Committee shall be chaired by an Independent Director. All nominations of Independent Directors made by the Nominations Committee must be approved by the majority of the members of the Nominations Committee provided that (a) in case of a tied vote, the chairman of the Nominations Committee shall have a casting vote and (b) the NC KMG Representative shall have a veto right over all nominations made by the Nominations Committee and by exercising its veto right the NC KMG Representative shall be able to block any nominations notwithstanding the votes of the other members of the Nominations Committee.

3.3 NC KMG undertakes that it shall not vote on any resolution of the Shareholders (or any resolution of the Board of Directors) to appoint or remove any Independent Director unless:

- (a) the term of appointment of such Independent Director has expired and such Independent Director is seeking re-election at a general meeting of Shareholders; or
- (b) such appointment or removal has been recommended by the Nominations Committee and approved by the Board of Directors; or
- (c) the Board of Directors has determined that the Independent Director is no longer independent (as reasonably determined by the Board of Directors and taking into consideration the factors referred to in the Corporate Governance Code), provided that any such determination by the Board of Directors shall require the affirmative vote of the Director General of E&P KMG and at least one other Independent Director.

#### **4. REPRESENTATIONS AND WARRANTIES**

4.1 NC KMG represents and warrants to E&P KMG as follows:

- (a) NC KMG has in accordance with Kazakhstan Laws the requisite power and authority to enter into and perform this Agreement;
- (b) this Agreement constitutes binding obligations of NC KMG in accordance with their respective terms; and
- (c) the execution and delivery of, and the performance by NC KMG of its obligations under, this Agreement will not:
  - (i) result in any breach of any provision of the memorandum or articles of association, by-laws or equivalent constitutional documents of NC KMG;
  - (ii) result in a breach of, or constitute a default under, any instrument to which NC KMG is a party or by which NC KMG is bound and which is material in the context of the transactions contemplated by this Agreement;
  - (iii) result in a breach of any order, judgment or decree of any court or governmental agency to which NC KMG is a party or by which NC KMG is bound and which is material in the context of the transactions contemplated by this Agreement; or
  - (iv) require NC KMG to obtain any consent or approval of, or give any notice to or make any registration with, any governmental authority which has not been obtained or made at the date hereof both on an unconditional basis and on a basis which cannot be revoked (save pursuant to any legal or regulatory entitlement to revoke the same other than by reason of any misrepresentation or misstatement).

4.2 E&P KMG represents and warrants to NC KMG as follows:

- (a) E&P KMG has in accordance with Kazakhstan Laws the requisite power and authority to enter into and perform this Agreement;
- (b) this Agreement constitutes binding obligations of E&P KMG in accordance with their respective terms; and
- (c) the execution and delivery of, and the performance by E&P KMG of its obligations under, this Agreement will not:
  - (i) result in any breach of any provision of the Charter, by-laws or equivalent constitutional documents of E&P KMG;

- (ii) result in a breach of, or constitute a default under, any instrument to which E&P KMG is a party or by which E&P KMG is bound and which is material in the context of the transactions contemplated by this Agreement;
- (iii) result in a breach of any order, judgment or decree of any court or governmental agency to which E&P KMG is a party or by which E&P KMG is bound and which is material in the context of the transactions contemplated by this Agreement; or
- (iv) require E&P KMG to obtain any consent or approval of, or give any notice to or make any registration with, any governmental authority which has not been obtained or made at the date hereof both on an unconditional basis and on a basis which cannot be revoked (save pursuant to any legal or regulatory entitlement to revoke the same other than by reason of any misrepresentation or misstatement).

## **5. ASSIGNMENT**

This Agreement shall be binding on and shall inure for the benefit of each party's successors and permitted assigns (as the case may be), provided that no Party hereto shall be entitled to assign any of its rights under this Agreement or any of its obligations unless is otherwise approved in writing by the other Party.

## **6. REMEDIES, WAIVERS AND VARIATION**

- 6.1 No failure or delay on the part of any Party in exercising any right, power or privilege hereunder and no course of dealing between the Parties shall operate as a waiver thereof nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other exercise thereof or the exercise of any other right, power or privilege, whether now or in the future.
- 6.2 The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which any Party otherwise has.
- 6.3 The provisions of this Agreement may only be amended, waived, supplemented or terminated only by an instrument in writing signed by both of the Parties.

## **7. ILLEGALITY**

In the event that any one or more of the provisions contained in this Agreement should be illegal, invalid or unenforceable in any respect in any jurisdiction, as to such jurisdiction, or the ability of either party to perform any provision of this agreement is frustrated, the validity and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby and the parties shall thereupon negotiate in good faith to agree an alternative arrangement in order to give effect to the intent of this Agreement.

## **8. ENTIRE AGREEMENT**

This Agreement constitutes the entire and only agreement between the Parties in relation to its subject matter and replaces and extinguishes all prior agreements, undertakings, arrangements, understandings or statements of any nature made by the Parties or either one of them whether oral or written (and, if written, whether or not in draft form) with respect to such subject matter.

## **9. COUNTERPARTS**

9.1 This Agreement may be executed in two counterparts, each of which, when executed and delivered, shall be an original, but all of which together shall constitute one and the same instrument.

9.2 Facsimile copies of signature pages of this Agreement shall be acceptable, and each Party shall send by courier or personal delivery to the other Party their original counterpart copies of this Agreement signed by that Party immediately upon execution of the same.

## **10. TERMINATION**

10.1 This Agreement shall continue in full force and effect until the occurrence of the earliest of:

- (a) the E&P KMG Securities ceasing to be admitted to listing by the relevant competent listing authority and to trading on any relevant stock exchange to which such E&P KMG Securities have been admitted (other than the Kazakhstan Stock Exchange); and
- (b) NC KMG (and/or any members of the NC KMG Group) ceasing to be a Controlling Shareholder of E&P KMG,

whereupon, subject to Clause 10.2, this Agreement shall terminate and shall cease to have force and effect.

10.2 The provisions of Clauses 7, 11 and 12 shall survive for three years following the termination of this Agreement.

10.3 Notwithstanding any other provision of this Agreement, termination of this Agreement and termination with respect to any Party shall be without prejudice to the rights and obligations of each Party accrued prior to such termination or under any provision which is expressly stated not to be affected by such termination including with respect to any prior breach of this Agreement.

## **11. CONFIDENTIALITY**

11.1 NC KMG shall at all times use all reasonable efforts to keep confidential any E&P KMG Confidential Information and it shall procure that neither it nor any member



of the NC KMG Group shall disclose any such E&P KMG Confidential Information except:

- (a) as expressly contemplated by this Agreement;
- (b) to its directors, officers, employees and advisers on a need to know basis;
- (c) with the consent of E&P KMG;
- (d) to the extent required by law or any governmental or other regulatory body to which NC KMG is subject or submits, provided that NC KMG shall, if reasonably practicable, supply a copy of the required disclosure to E&P KMG before it is disclosed and further, shall incorporate any amendments or additions to such disclosure reasonably requested by E&P KMG;
- (e) where it has been disclosed into the public domain otherwise than by virtue of a breach of this Clause 11.1;
- (f) in respect of E&P KMG Confidential Information already in the possession of NC KMG and not subject to any obligation of confidentiality to E&P KMG (or any member of the E&P KMG Group);
- (g) in respect of E&P KMG Confidential Information independently developed by NC KMG; or
- (h) which comes into the possession of NC KMG from a third party, otherwise than as a result of a breach of this Clause 11.

11.2 E&P KMG shall at all times use all reasonable efforts to keep confidential any NC KMG Confidential Information and it shall procure that neither it nor any member of the E&P KMG Group shall disclose any such NC KMG Confidential Information except:

- (a) as expressly contemplated by this Agreement;
- (b) to its directors, officers, employees and advisers on a need to know basis;
- (c) with the consent of NC KMG;
- (d) to the extent required by law or any governmental or other regulatory body to which E&P KMG is subject or submits, provided that E&P KMG shall, if reasonably practicable, supply a copy of the required disclosure to NC KMG before it is disclosed and further, shall incorporate any amendments or additions to such disclosure reasonably requested by NC KMG;
- (e) where it has been disclosed into the public domain otherwise than by virtue of a breach of this Clause 11.2;

- (f) in respect of NC KMG Confidential Information already in the possession of E&P KMG and not subject to any obligation of confidentiality to NC KMG (or any member of the NC KMG Group);
  - (g) in respect of NC KMG Confidential Information independently developed by E&P KMG; or
  - (h) which comes into the possession of E&P KMG from a third party, otherwise than as a result of a breach of this Clause 11.
- 11.3 No announcements regarding the conduct or status of the negotiations regarding the terms of this Agreement will be made by any Party unless it has first obtained the written consent of the other Party (such consent not to be unreasonably withheld or delayed), save as required by law or by the rules of any governmental or other regulatory body to which such Party is subject or submits, in which case such Party shall use its reasonable endeavours to consult with the other Party prior to making any such announcement.
- 11.4 Each of NC KMG and E&P KMG acknowledges and agrees that any inside information (as defined in the Disclosure Rules) or other price-sensitive information relating to the E&P KMG Group shall only be disclosed by E&P KMG to NC KMG in accordance with the provisions of the Disclosure Rules, applicable law and the terms of any E&P KMG disclosure policy as determined from time to time.
- 11.5 The obligations of each of the Parties in this Clause 11 shall continue for a period of three years following the termination of this Agreement for any cause whatsoever.

## **12. GOVERNING LAW AND DISPUTE RESOLUTION**

- 12.1 This Agreement shall be governed by and construed in accordance with the laws of the Republic of Kazakhstan and each Party submits to the jurisdiction of the Kazakhstan courts.
- 12.2 The Parties agree to negotiate in good faith to resolve any dispute, controversy or claim arising from any breach or alleged breach of this Agreement (a “**Dispute**”). Any Dispute relating to any breach (or alleged breach) of this Agreement shall, if not previously resolved by appropriate members of management of the Parties, initially be referred to the Independent Directors and the board of directors of NC KMG who shall within 60 days (or a longer period of time as such persons may agree upon) attempt to resolve the Dispute to the reasonable satisfaction of the Parties.

**IN WITNESS WHEREOF**, this Agreement has been entered into the day and year first written above.

**JSC EXPLORATION AND** )  
**PRODUCTION** )  
**KAZMUNAIGAS** )  
represented by [●] )

\_\_\_\_\_

**JSC NC KAZMUNAYGAS** )  
represented by [●] )

\_\_\_\_\_

**PART C: COMPARISON OF EXISTING AND AMENDED AND RESTATED RELATIONSHIP AGREEMENTS**

***THE TEXT OF COMPARISON OF EXISTING AGAINST DRAFT AMENDED AND RESTATED RELATIONSHIP AGREEMENT FOLLOWS FROM THE NEXT PAGE***

**THE TEXT OF THIS DOCUMENT IN ENGLISH LANGUAGE IS A TRANSLATION PREPARED FOR INFORMATION PURPOSES ONLY. THE TRANSLATION MAY CONTAIN DISCREPANCIES AND OMISSIONS AND DOES NOT REPLACE THE RUSSIAN TEXT OF THE DOCUMENT. IN ANY AND ALL CASES THE TEXT OF THIS DOCUMENT IN RUSSIAN LANGUAGE SHALL PREVAIL.**

[W&C Draft - (London) May 25, 2006]

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**AMENDED AND RESTATED RELATIONSHIP AGREEMENT**

BETWEEN

JSC NC ~~KAZMUNAIGAS~~ KAZMUNAYGAS

and

JSC EXPLORATION & PRODUCTION KAZMUNAIGAS

[•] ~~2006~~ 2016

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~~5 Old Broad Street  
London EC2N 1DW~~

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THIS AMENDED AND RESTATED RELATIONSHIP AGREEMENT (this "Agreement") is made on [●] 2006/2016

BETWEEN:

- (1) JSC NC ~~KAZMUNAIGAS~~KAZMUNAYGAS, a company incorporated in the Republic of Kazakhstan with its registered office at 22/19 Kabanbay batyr Ave., Esil district, Astana 010000, Republic of Kazakhstan ("NC KMG"); and
- (2) JSC EXPLORATION AND PRODUCTION KAZMUNAIGAS, a company incorporated in the Republic of Kazakhstan with its registered office at 20/17 Kabanbay batyr Ave., Esil district, Astana 010000, Republic of Kazakhstan ("E&P KMG") (together the "Parties").

WHEREAS:

- (A) ~~(A)~~ NC KMG and E&P KMG have agreed ~~that E&P KMG should be capable at all times of carrying on its Business as a self dependent and free standing business and that all transactions and relationships between E&P KMG and NC KMG are, subject to the terms of the Transaction Agreements,~~ on an arm's length basis and on normal commercial terms in accordance with Kazakhstan Laws.
- (B) NC KMG is a Controlling Shareholder in E&P KMG and has a reasonable expectation that it can exercise the rights exercisable by such Controlling Shareholder.
- (C) ~~(B)~~ The Parties have agreed to enter into this Agreement to record the terms of NC KMG's involvement directly or indirectly in the Business ~~of E&P KMG~~ and matters referred to in recital (A) above.

NOW, THEREFORE, in consideration of the terms contained herein, the Parties hereby agree as follows:

## 1. INTERPRETATION

- 1.1 In this Agreement the following words and expressions shall, except where inconsistent with the context, have the following meanings:

"Amendments" means the amendments to this Agreement and the Charter approved and/or endorsed by a General Meeting of Shareholders of E&P KMG and/or by the Board of Directors held on or about [●] 2016;

"Affiliate" means ~~in respect of any company:-~~

- (a) ~~a person which independently or together with its affiliates, owns, uses or disposes of 10 percent or more of that company's voting shares (a "major shareholder");~~
- (b) ~~an individual being a close relative of (parent, brother, sister, son or daughter), married to or in legal relationship with (brother, sister, parent, son or daughter of the spouse) an individual who is a major shareholder of that~~

- ~~company or an official of that company;~~
- ~~(e) an official of that company or a legal entity, which is described in sub-paragraphs (a) or (d);~~
  - ~~(d) a legal entity which is controlled by an individual who is a major shareholder of that company or an official of that company;~~
  - ~~(e) a legal entity in relation to which the person being a major shareholder or an official of that company is a major shareholder or has the right to the relevant property of such legal entity;~~
  - ~~(f) a legal entity in relation to which the company is a major shareholder or has the right to the relevant property share;~~
  - ~~(g) a legal entity which is under control of a third party together with that company;~~
  - ~~(h) a person which is bound with that company by agreement, pursuant to which such person may determine decisions adopted by such company; or~~
  - ~~(i) another person which is an Affiliate of a company pursuant to Kazakhstan Laws;~~

~~and where "control" of a company or another legal entity shall include the opportunity to determine decisions adopted by such company or such another legal entity, respectively; an affiliated person, as such term is defined by the JSC Law;~~

**"Board of Directors"**

means the board of directors of E&P KMG;

**"Business"**

means the onshore petroleum and associated products exploration, development and production business (and related activities) of E&P KMG carried on by members of the E&P KMG Group from time to time;

**"Charter"**

means the charter of E&P KMG, being the document determining the legal status of E&P KMG as a legal entity, as amended from time to time;

**"Controlling Shareholder"**

means a person (or persons acting jointly by agreement whether formal or otherwise) who is:

- (a) entitled to exercise, or to control the exercise of 30% or more of the rights to vote at general meetings of a company; or
- (b) able to control the appointment of directors who are able to exercise a majority of votes at board meetings of a company;



<b>“Corporate Governance Code”</b>	means the code of corporate governance adopted by E&P KMG, as amended from time to time;
<b>“Disclosure Rules”</b>	means, in respect of any stock exchange on which E&P KMG Securities are (or may be) listed, the disclosure rules of the relevant competent listing authority or stock exchange, as amended from time to time;
<b>“E&amp;P KMG Confidential Information”</b>	means any confidential information marked as confidential which NC KMG (or any member of the NC KMG Group) holds or may acquire from time to time in connection with the entry into or performance of this Agreement and the management, operation or performance of the Business;
<b>“E&amp;P KMG Group”</b>	means E&P KMG and its Subsidiaries from time to time;
<b>“E&amp;P KMG Securities”</b>	means Ordinary Shares or Global Depository Receipts (as the case may be);
<b>“Global Depository Receipts”</b>	means global depository receipts representing Ordinary Shares;
<b>“Independent Director”</b>	<p>means <del>a member of the Board of Directors who:</del></p> <ul style="list-style-type: none"> <li><del>(a) is not an Affiliate of E&amp;P KMG and was not such Affiliate within three years preceding his election to the Board of Directors (except for his position as a member of the Board of Directors);</del></li> <li><del>(b) is not an Affiliate with respect to Affiliates of E&amp;P KMG (except for his position as a member of the Board of Directors);</del></li> <li><del>(c) is not connected through dependence with officials of E&amp;P KMG or organizations that are Affiliates of E&amp;P KMG;</del></li> <li><del>(d) is not an auditor of E&amp;P KMG and was not such auditor within three years preceding his election to the Board of Directors; or</del></li> <li><del>(e) does not participate in the auditing of E&amp;P KMG as an auditor working in an audit firm and did not participate in such audit within three years preceding his election to the Board of Directors; an independent director, as such term is defined by the JSC Law;</del></li> </ul>
<b>“JSC Law”</b>	means the Kazakhstan Law “On Joint-Stock Companies” dated 13 May 2003 as amended from time to time;

<b>“Kazakhstan Laws”</b>	means the constitution and all laws, edicts, decrees, regulations, instructions, orders and other legal acts of the Republic of Kazakhstan as amended from time to time;
<b>“KZT”</b>	means Kazakhstan Tenge, the <u>lawful</u> currency of the Republic of Kazakhstan;
<b>“Listing Rules”</b>	means, in respect of any stock exchange on which E&P KMG Securities <del>shares</del> are (or may be) listed, the listing rules of the relevant competent listing authority or stock exchange, as amended from time to time;
<b>“NC KMG Confidential Information”</b>	means any confidential information marked as confidential which E&P KMG (or any member of the E&P KMG Group) holds or may acquire from time to time in connection with the entry into or performance of this Agreement and the management, operation or business of NC KMG (or any member of the NC KMG Group);
<b>“NC KMG Directors”</b>	means the directors that are representatives of NC KMG in the Board of Directors;
<b>“NC KMG Group”</b>	means NC KMG and its Subsidiaries from time to time <del>but shall exclude members of the E&amp;P KMG Group;</del>
<b>“Onshore Interest”</b>	means any subsoil use right, licence or asset in respect of onshore hydrocarbon deposits in the Republic of Kazakhstan, or an ownership or other participatory interest in any entity owning such a subsoil use right, licence or asset;
<b>“Ordinary Shares”</b>	means the ordinary shares (issued or to be issued) <del>in the capital</del> of E&P KMG;
<b>“Purchase Offer”</b>	<u>means the purchase by NC KMG of Ordinary Shares and/or Global Depository Receipts in connection with the Amendments and, to the extent applicable, the buy-back by E&amp;P KMG of Ordinary Shares and/or Global Depository Receipts in connection with the Amendments regardless of whether initiated by E&amp;P KMG or a shareholder;</u>
<b>“Services Agreement”</b>	means the agreement on rendering services <del>dated 1</del> <del>entered into</del> between NC KMG and E&P KMG <u>in respect of the year 2006</u> for the provision of certain services and the grant of certain rights by NC KMG to E&P KMG;
<b>“Shareholders”</b>	means the holders of E&P KMG Securities from time to time; and
<b>“Subsidiary”</b>	means a company the dominant portion of the charter capital of which is formed by another legal entity or, if pursuant to an agreement between them (or otherwise), such other legal entity has a

possibility of determining decisions made by such company.

1.2 Any reference in this Agreement to:

- (a) a **“person”** shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality);
- (b) a statute shall be construed as a reference to such statute as from time to time amended or re-enacted;
- (c) any agreement or document shall be construed as a reference to that agreement or document, as the same may have been, or may from time to time be, amended, restated, novated or supplemented;
- (d) a Clause is to a Clause of this Agreement;
- (e) the headings to the Clauses of this Agreement is for convenience only and shall not affect the construction or interpretation thereof;
- (f) the words **“reasonable endeavours”** shall be construed, in relation to an undertaking given by a party, as the taking of all steps and actions in that Party’s power;
- (g) the words **“include”** and **“including”** is to be construed without limitation; and
- (h) unless the context otherwise requires, words denoting the singular shall include the plural and vice versa, and to any gender shall include all other genders.

2. GENERAL PRINCIPLES

2.1 This Agreement shall come into force from the later of:

- (a) the date on which the Board of Directors and the board of directors of NC KMG have each adopted a decision regarding its execution and the general meetings of shareholders of the Parties have approved such decision; and
- (b) ~~from~~ the date specified in the relevant decision of the board of directors of NC KMG.

2.2 Subject to Kazakhstan Laws ~~and the terms of the Transaction Agreements~~, NC KMG undertakes to E&P KMG that:

- (a) NC KMG will allow E&P KMG to be operated in the best interests of the Shareholders as a whole and, subject to the provisions of the Charter in accordance with the Corporate Governance Code;
- (b) ~~NC KMG will allow E&P KMG at all times to carry on its Business as a self-dependent and free-standing business from NC KMG and the NC KMG Group; and~~ *[intentionally left blank]*



(c) it shall use its reasonable endeavours to procure that no member of the NC KMG Group shall act in any way or omit to act in any way which shall prejudice the ability of the E&P KMG Group to carry on its Business ~~independently of the NC KMG Group (or render it unsuitable for continued)~~ or obstruct the continuation of listing by any relevant competent listing authority or on any relevant stock exchange ~~by reason of any act or omission on the part of any member of the NC KMG Group, except: (i) as may be approved by the Board of Directors (including by the majority vote of the Independent Directors) and the General Meeting of Shareholders of E&P KMG in accordance with the Charter and Kazakhstan Laws); and/or (ii) as a consequence of the Purchase Offer).~~

2.3 Each of NC KMG and E&P KMG undertakes to each other that they shall (and shall procure that the relevant members of the NC KMG Group and the E&P KMG Group respectively shall), subject to the provisions of ~~the Transaction Agreements and~~ Kazakhstan Laws, with effect from the date of this Agreement conduct any transactions and relationships (whether contractual or otherwise, including any subsequent amendment thereof or variation thereto) (including the implementation or enforcement thereof) between any member of the NC KMG Group, on the one hand, and any member of the E&P KMG Group, on the other, on arm's length terms and on a normal commercial basis (the Parties acknowledging that this Agreement has been entered into on such a basis).

2.4 ~~Subject to the JSC Law and the terms of the Transaction Agreements,~~ NC KMG undertakes that ~~(i) any voting rights in the share capital of E&P KMG held by members of the NC KMG Group or (ii) any voting rights that it may control on the Board of Directors (whether as a Shareholder or through its representation on the Board of Directors by means of the NC KMG Directors) shall be:~~

(a) ~~not be~~ exercised in respect of any resolution which relates to a transaction between E&P KMG and NC KMG or any member of the NC KMG Group; and

(b) ~~not be~~ exercised at meetings of the Board of Directors on matters in which they have an interest as a result of being a director or officer in NC KMG or any member of the NC KMG Group.

~~2.5 Subject to the terms only in accordance with the Charter and the requirements of the Transaction Agreements, Kazakhstan Laws.~~

2.5 E&P KMG undertakes that it shall treat all holders ~~of the same class~~ of its Ordinary Shares that are in the same position equally in respect of the rights attaching to such shares.

2.6 NC KMG acknowledges and agrees to the principles regarding the provision of information by E&P KMG to NC KMG imposed by applicable law, the Listing Rules and/or the Disclosure Rules. NC KMG shall procure that each member of the senior management of NC KMG which is the recipient of information from the NC KMG Directors shall:

- (a) not deal in any publicly-traded securities of E&P KMG on the basis of such information; and
  - (b) shall keep such information confidential in accordance with the express duty of confidentiality under which it is provided.
- 2.7 NC KMG and E&P KMG agree that the Services Agreements shall be executed subject to the requirements of Kazakhstan Laws and acknowledge that the fees in the amount of KZT7,000,000,000, stipulated in the Services Agreement dated [●] 2006, in each subsequent Services Agreement shall be subject to annual adjustments based on changes in the annual consumer price index in the Republic of Kazakhstan for the 12 month period ending on 1 December immediately preceding. The first adjustment shall take place as of 1 January 2007 based on changes in the consumer price index for the period 1 December 2005 to 1 December 2006.
- 2.8 ~~NC KMG undertakes that it shall not separately propose, at a general meeting of Shareholders, any matter contemplated by the provisions of Article 12.5 of the Charter where such matter has not been previously approved in accordance with the provisions of Article 12.5 of the Charter by the Independent Directors acting in good faith, reasonably, and justly in compliance with the legislative requirements, moral principles and the rules of business ethics. [Intentionally left blank]~~
- 2.9 NC KMG undertakes to E&P KMG that it shall not require E&P KMG to increase the amount of financial contribution to assist in implementing social projects in the regions and cities in which members of the E&P KMG Group operate, save as:
- (a) required by the terms of the existing social programmes undertaken by members of the E&P KMG Group as at the Effective Date;
  - (b) required by the terms of the exploration and/or production licenses and contracts held by members of the E&P KMG Group from time to time;
  - (c) required by Kazakhstan Laws; or
  - (d) otherwise approved by the Board of Directors of E&P KMG in accordance with the Charter.
- 2.10 Subject to Kazakhstan Laws, E&P KMG undertakes that the following terms shall apply to the ~~participation~~ supply by E&P KMG ~~in any state procurement tender declared by JSC KazMunaiGas Trade House~~ of crude oil to the domestic market:
- (a) E&P KMG shall supply ~~not more than 1,900,000 tons of crude oil per annum in respect of any tender declared by JSC KazMunaiGas Trade House between 1 January 2006 and 31 December 2010;~~ (b) E&P KMG shall supply crude oil to the domestic market for the years 2010 to 2015 from 1 April 2016 onwards in volumes in accordance with the ~~production programme forming part of the business plan of E&P KMG approved by the Board of Directors for such years; and the relevant year and the requirements of Kazakhstan Laws~~ (including, without limitation, the export quotas and the domestic supply requirements);



(b) the relationship between E&P KMG and JSC KazMunaiGaz – refining and marketing in relation to any crude oil supplied by E&P KMG to the domestic market from 1 April 2016 onwards shall be based on an "agency model", whereby JSC KazMunaiGaz – refining and marketing acts as an agent of E&P KMG in the supply of its crude oil to the refineries for processing and does not have an obligation to purchase crude oil from E&P KMG;

(c) the ~~price of~~ consideration payable by E&P KMG to JSC KazMunaiGaz – refining and marketing for its acting as the agent in relation to any crude oil supplied by E&P KMG shall be equal to its cost plus three per cent, where its cost is calculated as follows: in the period from 1 April 2016 onwards to the domestic market shall be determined between E&P KMG and JSC KazMunaiGaz – refining and marketing annually on the basis of an agreement in writing and such consideration shall be equal to an average market price payable for similar services; and

~~Price of one ton of crude oil equals the production cost of one ton of crude oil for E&P KMG plus the transportation cost of one ton of crude oil incurred by E&P KMG, where:~~

~~(i) the production cost of one ton of crude oil is the ratio of (A) the total crude oil production costs and all administrative and non-production costs (including general administration costs) under the state procurement tender plan for the relevant calendar year to (B) the total volume of crude oil production at all production branches of E&P KMG under the state procurement tender plan for the relevant calendar year; and~~

~~(ii) the transportation cost of one ton of crude oil is the ratio of (A) the total costs of crude oil transportation from all the branches of E&P KMG to the Atyrau Refinery under the state procurement tender plan for the relevant calendar year to (B) the total volume of crude oil supplies to the Atyrau Refinery from all production branches of E&P KMG under the state procurement tender plan for the relevant calendar year.~~

(d) Each of E&P KMG and NC KMG acknowledges and agrees that, notwithstanding that the participation in any tender that is the subject of the Refinery Supply Undertaking shall be with a member of the NC KMG Group, the provisions of Article 12.5 of the Charter and Clause 2.4 above shall not apply in respect of such participation in the tender and that the terms of any such participation in the tender shall be determined by a simple majority vote of the Board of Directors; the consideration payable by E&P KMG to JSC KazMunaiGaz – refining and marketing (including in its capacity as the agent) for any crude oil supplied by E&P KMG in the period from 1 January 2016 until 31 March 2016 to the domestic market is subject to negotiations between E&P KMG and JSC KazMunaiGaz – refining and marketing and shall be determined separately on the basis of an agreement in writing and such consideration shall be equal to an average market price payable for similar services.

### 3. THE INDEPENDENT DIRECTORS

- 3.1 ~~The Independent Directors as at the date of this Agreement are [●], [●] and [●].~~  
*[Intentionally left blank]*
- 3.2 NC KMG undertakes that it shall, at any relevant meeting of shareholders, seek to ensure the election of any Independent Director nominated by the nominations committee ~~of the Board of Directors (the "Nominations Committee")~~ and approved by the Board of Directors. The Nominations Committee shall consist of three members, including two members who are Independent Directors and one member who is either an NC KMG Director or another person nominated by NC KMG to represent its interests on the Nominations Committee ("NC KMG Representative"). The Nominations Committee shall be chaired by an Independent Director. All nominations of Independent Directors made by the Nominations Committee must be approved by the majority of the members of the Nominations Committee provided that (a) in case of a tied vote, the chairman of the Nominations Committee shall have a casting vote and (b) the NC KMG Representative shall have a veto right over all nominations made by the Nominations Committee and by exercising its veto right the NC KMG Representative shall be able to block any nominations notwithstanding the votes of the other members of the Nominations Committee.
- 3.3 NC KMG undertakes that it shall not vote on any resolution of the Shareholders (or any resolution of the Board of Directors) to appoint or remove any Independent Director unless:
- (a) the term of appointment of such Independent Director has expired and such Independent Director is seeking re-election at a general meeting of Shareholders; or
  - (b) such ~~appointment or~~ removal has been recommended by the ~~nominations committee of~~ Nominations Committee and approved by the Board of Directors; or
  - (c) the Board of Directors has determined that the Independent Director is no longer independent (as reasonably determined by the Board of Directors and taking into consideration the factors referred to in the Corporate Governance Code), provided that any such determination by the Board of Directors shall require the affirmative vote of the Director General of E&P KMG and at least one other Independent Director.

### 4. REPRESENTATIONS AND WARRANTIES

- 4.1 NC KMG represents and warrants to E&P KMG as follows:
- (a) NC KMG has in accordance with Kazakhstan Laws the requisite power and authority to enter into and perform this Agreement;
  - (b) this Agreement constitutes binding obligations of NC KMG in accordance with their respective terms; and



- (c) the execution and delivery of, and the performance by NC KMG of its obligations under, this Agreement will not:
  - (i) result in any breach of any provision of the memorandum or articles of association, by-laws or equivalent constitutional documents of NC KMG;
  - (ii) result in a breach of, or constitute a default under, any instrument to which NC KMG is a party or by which NC KMG is bound and which is material in the context of the transactions contemplated by this Agreement;
  - (iii) result in a breach of any order, judgment or decree of any court or governmental agency to which NC KMG is a party or by which NC KMG is bound and which is material in the context of the transactions contemplated by this Agreement; or
  - (iv) require NC KMG to obtain any consent or approval of, or give any notice to or make any registration with, any governmental authority which has not been obtained or made at the date hereof both on an unconditional basis and on a basis which cannot be revoked (save pursuant to any legal or regulatory entitlement to revoke the same other than by reason of any misrepresentation or misstatement).

4.2 E&P KMG represents and warrants to NC KMG as follows:

- (a) E&P KMG has in accordance with Kazakhstan Laws the requisite power and authority to enter into and perform this Agreement;
- (b) this Agreement constitutes binding obligations of E&P KMG in accordance with their respective terms; and
- (c) the execution and delivery of, and the performance by E&P KMG of its obligations under, this Agreement will not:
  - (i) result in any breach of any provision of the Charter, by-laws or equivalent constitutional documents of E&P KMG;
  - (ii) result in a breach of, or constitute a default under, any instrument to which E&P KMG is a party or by which E&P KMG is bound and which is material in the context of the transactions contemplated by this Agreement;
  - (iii) result in a breach of any order, judgment or decree of any court or governmental agency to which E&P KMG is a party or by which E&P KMG is bound and which is material in the context of the transactions contemplated by this Agreement; or
  - (iv) require E&P KMG to obtain any consent or approval of, or give any notice to or make any registration with, any governmental authority which has not been obtained or made at the date hereof both on an unconditional basis and on a basis which cannot be revoked (save



pursuant to any legal or regulatory entitlement to revoke the same other than by reason of any misrepresentation or misstatement).

## 5. ASSIGNMENT

This Agreement shall be binding on and shall inure for the benefit of each party's successors and permitted assigns (as the case may be), provided that no Party hereto shall be entitled to assign any of its rights under this Agreement or any of its obligations unless is otherwise approved in writing by the other Party.

## 6. REMEDIES, WAIVERS AND VARIATION

- 6.1 No failure or delay on the part of any Party in exercising any right, power or privilege hereunder and no course of dealing between the Parties shall operate as a waiver thereof nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other exercise thereof or the exercise of any other right, power or privilege, whether now or in the future.
- 6.2 The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which any Party otherwise has.
- 6.3 The provisions of this Agreement may only be amended, waived, supplemented or terminated only by an instrument in writing signed by both of the Parties.

## 7. ILLEGALITY

In the event that any one or more of the provisions contained in this Agreement should be illegal, invalid or unenforceable in any respect in any jurisdiction, as to such jurisdiction, or the ability of either party to perform any provision of this agreement is frustrated, the validity and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby and the parties shall thereupon negotiate in good faith to agree an alternative arrangement in order to give effect to the intent of this Agreement.

## 8. ENTIRE AGREEMENT

This Agreement, ~~together with the Services Agreement~~, constitutes the entire and only agreement between the Parties in relation to its subject matter and replaces and extinguishes all prior agreements, undertakings, arrangements, understandings or statements of any nature made by the Parties or either one of them whether oral or written (and, if written, whether or not in draft form) with respect to such subject matter.

## 9. COUNTERPARTS

- 9.1 This Agreement may be executed in two counterparts, each of which, when executed and delivered, shall be an original, but all of which together shall constitute one and the same instrument.
- 9.2 Facsimile copies of signature pages of this Agreement shall be acceptable, and each Party shall send by courier or personal delivery to the other Party their original

counterpart copies of this Agreement signed by that Party immediately upon execution of the same.

## 10. TERMINATION

10.1 This Agreement shall continue in full force and effect until the occurrence of the earliest of:

- (a) the E&P KMG Securities ceasing to be admitted to listing by the relevant competent listing authority and to trading on any relevant stock exchange to which such E&P KMG Securities have been admitted (other than the Kazakhstan Stock Exchange); and
- (b) NC KMG (and/or any members of the NC KMG Group) ceasing to be a Controlling Shareholder of E&P KMG,

whereupon, subject to Clause 10.2, this Agreement shall terminate and shall cease to have force and effect.

10.2 The provisions of Clauses 7, 11 and 12 shall survive for three years following the termination of this Agreement.

10.3 Notwithstanding any other provision of this Agreement, termination of this Agreement and termination with respect to any Party shall be without prejudice to the rights and obligations of each Party accrued prior to such termination or under any provision which is expressly stated not to be affected by such termination including with respect to any prior breach of this Agreement.

## 11. CONFIDENTIALITY

11.1 NC KMG shall at all times use all reasonable efforts to keep confidential any E&P KMG Confidential Information and it shall procure that neither it nor any member of the NC KMG Group shall disclose any such E&P KMG Confidential Information except;

- (a) as expressly contemplated by this Agreement;
- (b) to its directors, officers, employees and advisers on a need to know basis;
- (c) with the consent of ~~the Board of Directors~~ [E&P KMG](#);
- (d) to the extent required by law or any governmental or other regulatory body to which NC KMG is subject or submits, provided that NC KMG shall, if reasonably practicable, supply a copy of the required disclosure to E&P KMG before it is disclosed and further, shall incorporate any amendments or additions to such disclosure reasonably requested by E&P KMG;
- (e) where it has been disclosed into the public domain otherwise than by virtue of a breach of this Clause 11.1;

- (f) in respect of E&P KMG Confidential Information already in the possession of NC KMG and not subject to any obligation of confidentiality to E&P KMG (or any member of the E&P KMG Group);
- (g) in respect of E&P KMG Confidential Information independently developed by NC KMG; or
- (h) which comes into the possession of NC KMG from a third party, otherwise than as a result of a breach of this Clause 11.

11.2 E&P KMG shall at all times use all reasonable efforts to keep confidential any NC KMG Confidential Information and it shall procure that neither it nor any member of the E&P KMG Group shall disclose any such NC KMG Confidential Information except:

- (a) as expressly contemplated by this Agreement;
- (b) to its directors, officers, employees and advisers on a need to know basis;
- (c) with the consent of NC KMG;
- (d) to the extent required by law or any governmental or other regulatory body to which E&P KMG is subject or submits, provided that E&P KMG shall, if reasonably practicable, supply a copy of the required disclosure to NC KMG before it is disclosed and further, shall incorporate any amendments or additions to such disclosure reasonably requested by NC KMG;
- (e) where it has been disclosed into the public domain otherwise than by virtue of a breach of this Clause 11.2;
- (f) in respect of NC KMG Confidential Information already in the possession of E&P KMG and not subject to any obligation of confidentiality to NC KMG (or any member of the NC KMG Group);
- (g) in respect of NC KMG Confidential Information independently developed by E&P KMG; or
- (h) which comes into the possession of E&P KMG from a third party, otherwise than as a result of a breach of this Clause 11.

11.3 No announcements regarding the conduct or status of the negotiations regarding the terms of this Agreement will be made by any Party unless it has first obtained the written consent of the other ~~Parties~~ Party (such consent not to be unreasonably withheld or delayed), save as required by law or by the rules of any governmental or other regulatory body to which such Party is subject or submits, in which case such Party shall use its reasonable endeavours to consult with the other Party prior to making any such announcement.

11.4 Each of NC KMG and E&P KMG acknowledges and agrees that any inside information (as defined in the Disclosure Rules) or other price-sensitive information relating to the E&P KMG Group shall only be disclosed by E&P KMG to NC KMG

in accordance with the provisions of the Disclosure Rules, applicable law and the terms of any E&P KMG disclosure policy as determined from time to time.

11.5 The obligations of each of the Parties in this Clause 11 shall continue for a period of three years following the termination of this Agreement for any cause whatsoever.

**12. GOVERNING LAW AND DISPUTE RESOLUTION**

12.1 This Agreement shall be governed by and construed in accordance with the laws of the Republic of Kazakhstan and each Party submits to the jurisdiction of the Kazakhstan courts.

12.2 The Parties agree to negotiate in good faith to resolve any dispute, controversy or claim arising from any breach or alleged breach of this Agreement (a “Dispute”). Any Dispute relating to any breach (or alleged breach) of this Agreement shall, if not previously resolved by appropriate members of management of the Parties, initially be referred to the Independent Directors and the board of directors of NC KMG who shall within 60 days (or a longer period of time as such persons may agree upon) attempt to resolve the Dispute to the reasonable satisfaction of the Parties.

**IN WITNESS WHEREOF**, this Agreement has been entered into the day and year first written above.

**JSC EXPLORATION AND  
PRODUCTION  
KAZMUNAIGAS** )  
represented by [●] )

**JSC NC** )  
**~~KAZMUNAIGAS~~KAZMUNAYG** )  
**AS** )  
represented by [●] )

**PART D: AGREEMENT AMENDING AND RESTATING THE RELATIONSHIP AGREEMENT**

***THE TEXT OF THE DRAFT AGREEMENT AMENDING AND RESTATING THE RELATIONSHIP AGREEMENT FOLLOWS FROM THE NEXT PAGE***

**THE TEXT OF THIS DOCUMENT IN ENGLISH LANGUAGE IS A TRANSLATION PREPARED FOR INFORMATION PURPOSES ONLY. THE TRANSLATION MAY CONTAIN DISCREPANCIES AND OMISSIONS AND DOES NOT REPLACE THE RUSSIAN TEXT OF THE DOCUMENT. IN ANY AND ALL CASES THE TEXT OF THIS DOCUMENT IN RUSSIAN LANGUAGE SHALL PREVAIL.**

**AGREEMENT AMENDING AND RESTATING  
THE RELATIONSHIP AGREEMENT**

**THIS AGREEMENT AMENDING AND RESTATING THE RELATIONSHIP AGREEMENT** (the "**Amendment**") is made on \_\_\_\_\_ 2016

**BETWEEN:**

- (1) **JSC NC KAZMUNAYGAS**, a company incorporated in the Republic of Kazakhstan with its registered office at 19 Kabanbay batyr Ave., Esil district, Astana 010000, Republic of Kazakhstan ("**NC KMG**"); and
- (2) **JSC EXPLORATION & PRODUCTION KAZMUNAIGAS**, a company incorporated in the Republic of Kazakhstan with its registered office at 17 Kabanbay batyr Ave., Esil district, Astana 010000, Republic of Kazakhstan ("**E&P KMG**") (together the "**Parties**").

The Parties hereby agree to amend the Relationship Agreement entered into between the Parties on 8 September 2006 (the "**Agreement**") as follows:

1. Parties' details in the recitals shall be revised to read as follows:

"(1) **JSC NC KAZMUNAYGAS**, a company incorporated in the Republic of Kazakhstan with its registered office at 19 Kabanbay batyr Ave., Esil district, Astana 010000, Republic of Kazakhstan ("**NC KMG**"); and

(2) **JSC EXPLORATION & PRODUCTION KAZMUNAIGAS**, a company incorporated in the Republic of Kazakhstan with its registered office at 17 Kabanbay batyr Ave., Esil district, Astana 010000, Republic of Kazakhstan ("**E&P KMG**") (together the "**Parties**")."

2. Recital (A) shall be revised to read as follows: "(A) NC KMG and E&P KMG have agreed that all transactions and relationships between E&P KMG and NC KMG are on an arm's length basis and on normal commercial terms in accordance with Kazakhstan Laws."
3. Recital (B) shall be added as follows: "(B) NC KMG is a Controlling Shareholder in E&P KMG and has a reasonable expectation that it can exercise the rights exercisable by such Controlling Shareholder."
4. Recital (C) shall be revised to read as follows: "(C) The Parties have agreed to enter into this Agreement to record the terms of NC KMG's involvement directly or indirectly in the Business and matters referred to in recital (A) above."



5. In clause 1.1:

- 5.1 the following expression and its meaning shall be added: **"Amendments"** means the amendments to this Agreement and the Charter approved and/or endorsed by a General Meeting of Shareholders of E&P KMG and/or by the Board of Directors held on or about [●] 2016;"
- 5.2 the meaning of expression **"Affiliate"** shall be revised to read as follows: **"Affiliate"** means an affiliated person, as such term is defined by the JSC Law;"
- 5.3 the meaning of expression **"Independent Director"** shall be revised to read as follows: **"Independent Director"** means an independent director, as such term is defined by the JSC Law;"
- 5.4 the meaning of expression **"KZT"** shall be revised to read as follows: **"KZT"** means Kazakhstan Tenge, the lawful currency of the Republic of Kazakhstan;"
- 5.5 the meaning of expression **"Listing Rules"** shall be revised to read as follows: **"Listing Rules"** means, in respect of any stock exchange on which E&P KMG Securities are (or may be) listed, the listing rules of the relevant competent listing authority or stock exchange, as amended from time to time;"
- 5.6 in the meaning of expression **"NC KMG Group"** the words "but shall exclude members of the E&P KMG Group" shall be deleted.
- 5.7 the meaning of expression **"Ordinary Shares"** shall be revised to read as follows: **"Ordinary Shares"** means the ordinary shares (issued or to be issued) of E&P KMG;"
- 5.8 after the expression **"Ordinary Shares"** and its meaning, the following expression and its meaning shall be added: **"Purchase Offer"** means the purchase by NC KMG of Ordinary Shares and/or Global Depositary Receipts in connection with the Amendments and, to the extent applicable, the buy-back by E&P KMG of Ordinary Shares and/or Global Depositary Receipts in connection with the Amendments regardless of whether initiated by E&P KMG or a shareholder;"
- 5.9 the meaning of expression **"Services Agreement"** shall be revised to read as follows: **"Services Agreement"** means the agreement on rendering services entered into between NC KMG and E&P KMG in respect of the year 2006 for the provision of certain services and the grant of certain rights by NC KMG to E&P KMG;"

6. In clause 2.1:

sub-clause (b) shall be revised to read as follows: "(b) the date specified in the relevant decision of the board of directors of NC KMG."

7. Clause 2.2 shall be revised to read as follows:

"2.2. Subject to Kazakhstan Laws, NC KMG undertakes to E&P KMG that:

- (a) NC KMG will allow E&P KMG to be operated in the best interests of the Shareholders as a whole and, subject to the provisions of the Charter in accordance with the Corporate Governance Code;
- (b) *[Intentionally left blank]*
- (c) it shall use its reasonable endeavours to procure that no member of the NC KMG Group shall act in any way or omit to act in any way which shall prejudice the ability of the E&P KMG Group to carry on its Business (or obstruct the continuation of listing by any relevant competent listing authority or on any relevant stock exchange, except: (i) as may be approved by the Board of Directors (including by the majority vote of the Independent Directors) and the General Meeting of Shareholders of E&P KMG in accordance with the Charter and Kazakhstan Laws); and/or (ii) as a consequence of the Purchase Offer)."

8. Clause 2.3 shall be revised to read as follows: "2.3 Each of NC KMG and E&P KMG undertakes to each other that they shall (and shall procure that the relevant members of the NC KMG Group and the E&P KMG Group respectively shall), subject to the provisions of Kazakhstan Laws, with effect from the date of this Agreement conduct any transactions and relationships (whether contractual or otherwise, including any subsequent amendment thereof or variation thereto) (including the implementation or enforcement thereof) between any member of the NC KMG Group, on the one hand, and any member of the E&P KMG Group, on the other, on arm's length terms and on a normal commercial basis (the Parties acknowledging that this Agreement has been entered into on such a basis)."

9. Clause 2.4 shall be revised to read as follows:

"2.4 NC KMG undertakes that any voting rights that it may control on the Board of Directors (whether as a Shareholder or through its representation on the Board of Directors by means of the NC KMG Directors) shall be:

- (a) exercised in respect of any resolution which relates to a transaction between E&P KMG and NC KMG or any member of the NC KMG Group; and
- (b) exercised at meetings of the Board of Directors on matters in which they have an interest as a result of being a director or officer in NC KMG or any member of the NC KMG Group.,



only in accordance with the Charter and the requirements of the Kazakhstan Laws".

10. Clause 2.5 shall be revised to read as follows: "E&P KMG undertakes that it shall treat all holders of its Ordinary Shares that are in the same position equally in respect of the rights attaching to such shares".
11. Clause 2.8 shall be revised to read as follows: "2.8 [*Intentionally left blank*]".
12. Clause 2.10 shall be revised to read as follows:

"2.10 Subject to Kazakhstan Laws, E&P KMG undertakes that the following terms shall apply to the supply by E&P KMG of crude oil to the domestic market:

  - (a) E&P KMG shall supply crude oil to the domestic market from 1 April 2016 onwards in volumes in accordance with the business plan of E&P KMG approved by the Board of Directors for the relevant year and the requirements of Kazakhstan Laws (including, without limitation, the export quotas and the domestic supply requirements);
  - (b) the relationship between E&P KMG and JSC KazMunaiGaz – refining and marketing in relation to any crude oil supplied by E&P KMG to the domestic market from 1 April 2016 onwards shall be based on an "agency model", whereby JSC KazMunaiGaz – refining and marketing acts as an agent of E&P KMG in the supply of its crude oil to the refineries for processing and does not have an obligation to purchase crude oil from E&P KMG;
  - (c) the consideration payable by E&P KMG to JSC KazMunaiGaz – refining and marketing for its acting as the agent in relation to any crude oil supplied by E&P KMG in the period from 1 April 2016 onwards to the domestic market shall be determined between E&P KMG and JSC KazMunaiGaz – refining and marketing annually on the basis of an agreement in writing and such consideration shall be equal to an average market price payable for similar services; and
  - (d) the consideration payable by E&P KMG to JSC KazMunaiGaz – refining and marketing (including in its capacity as the agent) for any crude oil supplied by E&P KMG in the period from 1 January 2016 until 31 March 2016 to the domestic market is subject to negotiations between E&P KMG and JSC KazMunaiGaz – refining and marketing and shall be determined separately on the basis of an agreement in writing and such consideration shall be equal to an average market price payable for similar services."

13. Clause 3.1 shall be revised to read as follows: "3.1 [*Intentionally left blank*]".
14. Clause 3.2 shall be revised to read as follows: "3.2 NC KMG undertakes that it shall, at any relevant meeting of shareholders, seek to ensure the election of any Independent Director nominated by the nominations committee of, the Board of Directors (the "Nominations Committee") and approved by, the Board of Directors. The Nominations Committee shall consist of three members, including two members who are Independent Directors and one member who is either an NC KMG Director or another person nominated by NC KMG to represent its interests on the Nominations Committee ("NC KMG Representative"). The Nominations Committee shall be chaired by an Independent Director. All nominations of Independent Directors made by the Nominations Committee must be approved by the majority of the members of the Nominations Committee provided that (a) in case of a tied vote, the chairman of the Nominations Committee shall have a casting vote and (b) the NC KMG Representative shall have a veto right over all nominations made by the Nominations Committee and by exercising its veto right the NC KMG Representative shall be able to block any nominations notwithstanding the votes of the other members of the Nominations Committee."
15. Sub-clause (b) of clause 3.3 shall be revised to read as follows: "(b) such appointment or removal has been recommended by the Nominations Committee and approved by the Board of Directors; or".
16. In clause 8, the words ", together with the Services Agreement," shall be deleted.
17. In sub-clause (c) of clause 11.1, the words "of the Board of Directors" shall be replaced with the words "E&P KMG".
18. In clause 11.3, the word "Parties" shall be replaced with the word "Party".
19. In the table of contents, the numbers of pages shall be changed accordingly.
20. Any relations of the Parties not regulated by this Amendment shall be subject to the provisions of the Agreement.

**JSC NC KAZMUNAYGAS**

represented by \_\_\_\_\_

\_\_\_\_\_  
signature

**JSC E&P KAZMUNAIGAS**

represented by \_\_\_\_\_

\_\_\_\_\_  
signature

**APPENDIX V: EXISTING AND AMENDED CHARTER**

**PART A: EXISTING CHARTER**

***THE TEXT OF THE EXISTING CHARTER FOLLOWS FROM THE NEXT PAGE***

**THE TEXT OF THIS DOCUMENT IN ENGLISH LANGUAGE IS A TRANSLATION PREPARED FOR INFORMATION PURPOSES ONLY. THE TRANSLATION MAY CONTAIN DISCREPANCIES AND OMISSIONS AND DOES NOT REPLACE THE RUSSIAN TEXT OF THE DOCUMENT. IN ANY AND ALL CASES THE TEXT OF THIS DOCUMENT IN RUSSIAN LANGUAGE SHALL PREVAIL.**

With amendments approved by the general meeting of shareholders:

- 1) (Minutes dated 24 September 2008), registered on 17 November 2008;
- 2) (Minutes dated 9 December 2008), registered on 1 September 2009;
- 3) (Minutes dated 25 May 2010), without registration stamp;
- 4) (Minutes dated 16 August 2011), without registration stamp;
- 5) (Minutes dated 6 November 2012), without registration stamp;
- 6) (Minutes dated 25 February 2014), without registration stamp;
- 7) (Minutes dated 24 May 2016), without registration stamp

**CHARTER**  
**of Joint Stock Company**  
**KazMunaiGas Exploration Production**

**ASTANA, 2016**

## 1. GENERAL PROVISIONS

- 1.1. This Charter of Joint Stock Company KazMunaiGas Exploration Production (hereinafter referred to as the “Company”) defines its name, location, formation procedure and competence of its bodies, conditions of reorganization and termination of activities of the Company and other provisions that do not contradict the legislation of the Republic of Kazakhstan.
- 1.2. Name of the Company:
  - the full name in the state language is **“ҚазМұнайГаз” Барлау Өндіру** акционерлік қоғамы, the short name is **“ҚазМұнайГаз” БӨ” АҚ**;
  - the full name in the Russian language is **акционерное общество “Разведка Добыча “КазМунайГаз”**, the short name is **АО “РД “КазМунайГаз”**;
  - the full name in the English language is **Joint Stock Company “KazMunaiGas” Exploration Production**, the short name is **JSC “KazMunaiGas” EP**.
- 1.3. Location of the Company (the executive body of the Company) is 17 Kabanbai Batyr Avenue, Astana, 010000, Republic of Kazakhstan.
- 1.4. Corporate web-site of the Company – [www.kmgep.kz](http://www.kmgep.kz).
- 1.5. Period of the Company activity is not limited.

## 2. LEGAL STATUS

- 2.1. The Company was created as a result of merger of Open Joint Stock Company “Embamunaigas” and Open Joint Stock Company “Uzenmunaigas” and is the legal successor of all property, rights and obligations of Open Joint Stock Company “Embamunaigas” and Open Joint Stock Company “Uzenmunaigas”.
- 2.2. The Company is a legal entity under the legislation of the Republic of Kazakhstan having its independent balance sheet and bank accounts, being entitled on its own behalf to acquire and exercise property and personal non-property rights, bear responsibilities and act as a plaintiff and a defendant in court.
- 2.3. The Company is guided in its activity by the Constitution of the Republic of Kazakhstan, Civil Code of the Republic of Kazakhstan, the Law of the Republic of Kazakhstan “On Joint Stock Companies” and other laws and regulations of the Republic of Kazakhstan (hereinafter referred to as the **“Legislation”**) as well as this Charter (hereinafter referred to as the **“Charter”**) and the Corporate Governance Code (hereinafter referred to as the **“Code”**).
- 2.4. The Company shall have the status of a legal entity from the date of its state registration with the justice authorities.

Financial and operational activities of the Company shall be performed on the basis of economic independence.
- 2.5. The Company has a seal, letterheads specifying the full name of the Company in Kazakh, English and Russian languages, its own trademark and a logo the samples of which shall be approved by the Management Board of the Company and registered in the prescribed manner as well as stamps in the state and Russian languages, a corporate web-site and other corporate details required for conducting its operations.

### **3. THE GOAL AND THE SCOPE OF THE COMPANY'S BUSINESS**

3.1 The goal of the Company is to earn net profit in the course of its independent business activities.

3.2. The scope of Company's business is:

- 1) geological exploration, survey works, approbation, testing, trial production and development of oil, gas and gas condensate fields; production, formational pressure maintenance (FPM), gathering, infield transportation of oil and gas; oil treatment and oil and gas refining, sale of raw material and refined products, including production and sale of oil products and petrochemicals in the form of liquefied gas, different gasoline grades, aviation and lighting kerosene, diesels of different grade, vacuum gas oil, mazut, tar, bitumen, oil coke, ethane, ethylene, different grades of polyethylene, propane, propylene, benzene, butene-1, ethyl benzene, styrene, different grades of polystyrene and other refined and oil chemical products;
- 2) drilling of core, appraisal, exploration, prospecting and development wells for oil, gas and water, their conservation and abandonment;
- 3) arrangement of oil and gas fields;
- 4) testing and development of production (oil, gas) and injection wells;
- 5) complex hydrodynamic study and testing of oil, gas and water wells;
- 6) complex geophysical surveys and perforation drilling-in of reservoirs;
- 7) production enhancement through application of physical and/or chemical techniques of stimulation in well bottom zone (hydro fracturing, gas dynamics formation fracturing, thermal vacuum and chemical treatment, injection of chemical reagents, acids, emulsion comprehensive stimulation and aqueous hydrocarbon emulsion, etc.);
- 8) topographic and surveying operations;
- 9) laboratory works for testing physical and chemical properties of oil, gas, water and stratum;
- 10) investigation of the seismic and geodynamical conditions in the area under the field development;
- 11) monitoring and determining the types and extent of contamination of the first water-bearing level and impact of contaminants into fields environment;
- 12) remedial (underground) servicing and workover of production wells on oil and gas fields, including side-tracking;
- 13) production of hydrocarbon blend, furnace fuel and other gas products;
- 14) stimulation of oil production;
- 15) carrying out of certification tests for oil, oil products, gas and gaseous oxygen products;
- 16) derrick building;
- 17) technical re-equipment, renovation and reconstruction of production capacities to ensure effective extraction and utilization of oil;
- 18) management of introduction of new types of technologically safe equipment, carrying out commissioning and contract supervision works on oil and gas production facilities, oil and gas transportation sites, refineries and chemical facilities;
- 19) development of engineering and technical documentation of oil field equipment to resolve bottlenecks in oil production and their implementation;

- 20) manufacturing, capital repair of drilling, oil field and other types of special equipment, transportation means, tools and spare parts for its own use;
- 21) operation of industrial dangerously explosive productions, exploitation and repair of high pressure vessels and pipelines;
- 22) installation and all items of works on technological oil field equipment operation;
- 23) manufacturing of welding/installation constructions (including bearing), their non-destructive testing, repair and testing, development of design and estimate documentation;
- 24) carrying out works on extension of the life of equipment after repairs, recording types of maintenance into certificate of equipment not registered with technical supervision agencies;
- 25) operation, installation and repair of pipelines delivering gas to furnace, and of isolation valves and pressure controllers;
- 26) planned preventive maintenance and gas equipment servicing;
- 27) repair, setup and testing of preheating furnaces, high pressure vessels, pots, reservoirs, gas production equipment, gas transportation equipment, lifting units, motor gas balloon units, forge shops;
- 28) performance of the overall range of works for improvement of the ecological situation at the oil fields;
- 29) recovery, recycling, processing and disposal of oil-spills and lake oil, oil sludge, oil contaminated grounds (territories) and soil recultivation;
- 30) laboratory research, environmental monitoring and chemical analysis of substances;
- 31) dewaxing of wells, pipes and equipment;
- 32) works on chemicalization of oil production process;
- 33) overhaul of equipment, networks and facilities of chemicalization, carrying out of ecological measures, setup works;
- 34) reception and storage of chemical materials, reagents (including flammable and poisonous), their transportation and application;
- 35) technical maintenance of electrical installations. Transfer, distribution, transportation and sale of electric power;
- 36) technical maintenance and repair of electromechanical equipment, installation of instrumentations and automation, communication means;
- 37) assembling and setup of electrical networks and electrical equipment with voltage up to and above 1,000 (one thousand) V, 35 (thirty five) kV inclusive;
- 38) storage, use and transportation of explosives, blasting means and ionizing radiation sources (radiation materials), import of these materials in the established order;
- 39) exploitation of special equipment, auto transport means, earthmoving machines, hoisting machines;
- 40) automobile, railroad, sea and air transportation of goods and passengers;
- 41) survey, design of industrial (including field construction), social and residential objects, general construction and assembling operations and

- repair and construction works in the area of architecture and urban planning, construction, maintenance and repair of highways, access railways, waterfront structures and power transmission lines;
- 42) survey and design of objects with respect to development of oil, gas and gas condensate fields, their construction and overhaul;
  - 43) construction and repair of engineering communications, networks (including water and gas supply networks), objects of industrial purpose, residential and social and culture objects;
  - 44) design, development, manufacturing, assembling, setup, exploitation, repair and maintenance of instruments, units, outfit, equipment of technical cybernetics, automatic control and management, electronics, computing machinery, informational systems, systems of (tele)communication;
  - 45) assembling and repair of equipment and control systems, fire protection, automatics and alarm, hoisting machines, and high pressure pots, high pressure vessels and pipelines;
  - 46) exploitation, storage, technical maintenance, transportation and disposal of ionizing radiation sources;
  - 47) organization of uninterrupted operation of telecommunication means, information technologies and information security of the Company;
  - 48) metrological testing and examination of measuring equipment, measure unit systems;
  - 49) introduction of innovative technologies, the best in the world types of equipment with regard to automatic control, information technologies of (tele)communications;
  - 50) implementation of measures on corrosion protection of water pipes, equipment and tanks;
  - 51) assembling, maintenance, repair, setup, non-destructive examination and test of water pipes (including high-pressure), tanks and pumps (including subsurface), metering devices, instrumentations and automation and other equipment;
  - 52) providing methods for the most effective extraction and utilization of oil, including by means of development, technical re-equipment and reconstruction of production capacities, geological and survey works;
  - 53) foreign economic activity in accordance with the Legislation: export-import of goods and services, development of mutually beneficial foreign economic connections, commercial and economic as well as scientific-technical cooperation with foreign companies and other activities as specified in this clause not contradicting the Legislation;
  - 54) issue of a corporate periodic printed publication;
  - 54-1) training, re-training and professional development of personnel;
  - 54-2) provision of package of services connected with:
    - organization of production, implementation of new equipment and technologies, organization of industrial safety and environment protection, production control;
    - organization of transportation and freight forwarding, processing and sales of oil, gas and products derived from them for export and domestic market;



financial management and organization of accounting, tax accounting and tax planning,

automation of financial and production control and formation of financial and management accounting;

consultation on strategic, investment, legal, marketing, technical and technological matters as well as on matters of insurance, procurement and other management matters;

management, administration, organization and development of business;

provision of loans (credits) to subsidiary and affiliate entities of the Company on the terms of serviceability, maturity and recoverability;

54-3) provision and sales of property, works, services and personnel in oil and gas industry;

55) other activities not prohibited by the Legislation, corresponding to the goals and objectives of the Company provided for by this Charter.

- 3.3. Activities requiring a license or other permit which has to be obtained in the order stipulated by the Legislation shall be undertaken only after obtaining of the appropriate license or any other permit.

#### **4. RIGHTS AND OBLIGATIONS OF THE COMPANY**

- 4.1. The Company shall enjoy all the rights and shall bear all the responsibilities stipulated by the Legislation. The Company shall act in the best interests of the shareholders as a whole.
- 4.2. The Company shall own the property separated from the property of its shareholders and shall not be liable for their obligations. The Company shall be liable for its obligations within the limits of its property.
- 4.3. The Company shall not be responsible for obligations of the State as well as the State shall not be responsible for the Company's obligations.
- 4.4. The Company shall be entitled to conclude transactions on its behalf (agreements, contracts), to acquire property and personal non-property rights and obligations, to act as a plaintiff or defendant in the court and to undertake any other actions not in conflict with the Legislation.
- 4.5. The Company may acquire and grant rights for possession and use of documents of title, technologies, know-how and other information.
- 4.6. The Company may issue securities; the terms and procedure for issue, placement, circulation and redemption thereof shall be established by the Legislation.
- 4.7. The Company may establish its branches and representative offices outside of its current location in the Republic of Kazakhstan and abroad, which are not legal entities and shall act for and on behalf of the Company. The Company shall vest them with fixed and working assets using its own property and shall establish their operating procedures in accordance with the Legislation. The property of a branch or a representative office is included into its separate balance sheet and into the Company's general balance sheet.

The management of the Company's branches and representative offices shall be exercised by the persons appointed by the general director (chairman of the management board) of the Company. The heads of branches and representative offices shall act on the basis of the power of attorney issued by the Company.

- 4.8. The Company independently and in accordance with applicable procedure shall

resolve all issues related to planning production activity, remuneration of its employees, material and technical supply on the basis of the approved budget, social development, distribution of earnings, recruitment, placement, training and re-training of personnel.

- 4.9. The Company may in the prescribed manner open bank accounts with banks located in the Republic of Kazakhstan and abroad both in national and a foreign currency.
- 4.10. The Company shall be entitled to grant loans and use credits in tenge and foreign currency, both from domestic and foreign legal entities and physical persons according to the Legislation. The Company may receive loans and pledge all or any part of the obligations, property and assets.
- 4.11. The Company shall develop and approve its internal regulatory and technical documentation.
- 4.12. The Company may redeem its shares subject to the Legislation and any rights conferred to the holders of the shares of any class.
- 4.13. The Company may have other rights and incur other obligations stipulated by the Legislation, the Charter and the Code.

## **5. RIGHTS AND OBLIGATIONS OF THE SHAREHOLDERS**

- 5.1. The shareholders of the Company shall not be liable for its obligations and shall bear the risk of losses related to the Company's activities to the extent of the value of their shares except for the cases stipulated by the legal acts of the Republic of Kazakhstan.
- 5.2. Rights and obligations of the Company's shareholders including the scope of rights certified by preferred shares shall be determined by the Legislation and this Charter.
- 5.3. The Company shall treat all the holders of the same class of its shares equally in respect of the rights attached to such shares.

## **6. THE PROPERTY OF THE COMPANY**

The Company's property shall be comprised of:

- 1) the property transferred to the Company by OJSC Uzenmunaigas and OJSC Embamunaigas as a result of their merger;
- 2) proceeds gained as a result of its activities;
- 3) other property acquired on the terms not prohibited by the Legislation.

## **7. SHARES, BONDS. PREREQUISITES FOR SECURITIES' PLACEMENT**

- 7.1. The Company shall be entitled to issue ordinary and preferred shares. The shares are issued in a non-documentary form and no share certificate shall be issued in respect of any share.
- 7.2. An ordinary share authorizes a shareholder to participate in and vote at a general meeting of shareholders for solving all questions put for voting, the right to dividends in case the Company has a net profit (on the basis of the relevant resolution of the general meeting of shareholders), as well as the right to part of the Company's property in case of its liquidation in the manner established by the Legislation.
- 7.3. A preferred share authorizes its owner to have a priority over the holders of ordinary shares to receiving dividends in predetermined guaranteed amount as

established by the Charter and to receive a part of the Company's property in case of its liquidation in accordance with the procedure established by the Legislation.

74. A preferred share shall not give its holder the voting right to participate in the Company's management except for the following cases:
- 1) the general meeting of shareholders considers an issue that might restrict the rights of a holder of preferred shares. The decision on such issue shall be deemed adopted only if approved by the holders of no less than 2/3 (two thirds) out of the total number of placed (with deduction of bought out) preferred shares.  
Issues with respect to which decision-making may restrict the rights of a holder of preferred shares are as follows:  
reduction of dividend size or change of procedure for calculation of dividend size payable as per preferred shares;  
change of procedure for payment of dividends as per preferred shares;  
swap of the Company preferred shares to ordinary shares;
  - 1-1) the general meeting of shareholders considers an issue on approval of amendments into procedure for determining a cost of preferred shares upon their buy-out by the Company at over-the-counter market in accordance with Law of the Republic of Kazakhstan "On Joint Stock Companies";
  - 2) the general meeting of shareholders considers the issue of reorganization or liquidation of the Company;
  - 3) in case the dividends on preferred shares are not paid in full within 3 (three) months from the date stipulated for their payment.
75. Each holder of preferred shares having the right to vote at the general meeting of shareholders and present at the meeting in person or through his/her representative shall have one vote per each preferred share held by him/her.
76. The Company shall be entitled to issue bonds and other securities including securities convertible into the Company's shares.
77. Only the Company's registrar who is not an affiliated person of the Company or its affiliate shall be responsible for maintaining the registers of the Company's shareholders.
78. Pledging of shares and other securities of the Company shall be regulated by the Legislation and the relevant pledge agreement.
79. In the course of execution of the pre-emptive rights of shareholders to purchase the shares or other securities convertible into ordinary shares of the Company as well as to purchase the placed shares and securities previously bought-out by the Company, the Company shall notify its shareholders on execution of such pre-emptive right by means of publication of a notice in the newspaper specified in paragraph 10.16 of this Charter as well as in other mass media as required by the listing rules of the stock exchange the Company's ordinary shares are listed on.

## **8. DIVIDENDS ON SHARES**

- 8.1. The Company's net profit defined on the basis of consolidated financial statements prepared in accordance with the International Financial Reporting Standards shall be distributed, including dividends distribution, in the order determined by the resolution of the general meeting of shareholders.

Dividends on the Company's shares may be paid following the quarter or half-year results upon the decision of general meeting of shareholders.

Alienation of a share with unpaid dividends shall be carried out with the right to their receipt by a new owner of the share unless otherwise provided by an agreement on alienation of shares.

The registrar of the Company shall produce the list of shareholders authorized to receive dividends on the basis of the Company's shareholder register data. The record date of this list may not be scheduled for earlier than 10 (ten) calendar days after the date of decision on dividend payment. The beginning of dividend payment shall be scheduled for the date not earlier than 30 (thirty) calendar days after the date of completion of the list of shareholders entitled to dividends.

- 8.2. The dividends on ordinary shares of the Company shall be paid in cash or securities of the Company provided that any decision on payment of dividends has been taken at the general meeting of shareholders by a simple majority of voting shares of the Company.

Payment of dividends on preferred shares of the Company by securities is not permitted.

Payment of dividends on the Company's shares by its securities shall be allowed only if such payment is made by the Company's authorized shares and bonds issued by the Company subject to a written consent of the shareholder.

- 8.3. Payment of dividends on the Company's shares may be executed through a paying agent. Payment for services of the paying agent shall be made at the expense of the Company.

- 8.4. Dividends shall not be attributed and paid for the shares which haven't been placed or have been bought-out by the Company and if the court or general meeting of shareholder of the Company has taken a decision on liquidation of the Company.

- 8.5. Dividends on ordinary or preferred shares of the Company shall not be distributed, if:

- 1) the amount of the Company's equity capital is negative or if its amount of the Company's equity capital becomes negative as result of distribution of dividends on shares;
- 2) the Company meets insolvency or bankruptcy characteristics according to the Legislation or the above mentioned characteristics appear as a result of distribution of dividends on its shares.

A shareholder has the right to request payment of outstanding dividends regardless of the date of arising of the Company's debt.

- 8.6. The decision on payment of dividends on ordinary shares of the Company shall be made by the general meeting of the shareholders.

The general meeting of the Company's shareholders shall be entitled to make a decision on non-payment of dividends on the Company's ordinary shares with its mandatory publication in mass media specified by this Charter within ten days from the date of the decision.

- 8.7. Within ten business days from the date of the decision on payment of dividends on the Company's ordinary shares, such decision shall be published in the mass media specified by this Charter and on the corporate web-site of the Company unless otherwise provided for by the requirements of the stock exchange where the Company's securities are listed on.

Resolution on payment of dividends on shares of the Company shall contain the following information:

- 1) the Company's name, location, bank details and other Company details;
  - 2) period the dividends are paid for;
  - 3) dividend rate per ordinary, preferred share;
  - 4) date of beginning of dividend payment;
  - 5) procedure and form of dividend payment.
- 8.8. The size of the dividend distributed per preferred share shall be at least 25 (twenty five) tenge and may not be less than the size of the dividend distributed per ordinary share for the same period of time.

Dividend payment for ordinary shares shall not be made until the full payment of dividends on the Company's preferred shares.

- 8.9. Within five business days prior to a dividend payment on preferred shares, the Company is obliged to publish in mass media specified by this Charter the information on such dividend payment including details specified in subparagraphs 1)-5) of paragraph 8.7 of the Charter.

## **9. BODIES OF THE COMPANY**

- 9.1. The Company's bodies shall be as follows:
- 1) the supreme body – the general meeting of shareholders;
  - 2) the management body – the board of directors;
  - 3) the executive body – the management board;
  - 4) the body authorized to exercise control over financial and economic activities of the Company – the internal audit service.

## **10. GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY**

- 10.1. General meetings of shareholders shall be annual and extraordinary.
- 10.2. The Company shall be obliged to hold an annual general meeting of shareholders on an annual basis. Other general meetings of shareholders are extraordinary.
- 10.3. The annual general meeting of shareholders shall approve annual financial statements and annual report of the Company, determine the procedure for distribution of the Company's net income for the last financial year and dividend rates per 1 (one) ordinary and 1 (one) preferred share of the Company as well as review applications of the shareholders in relation to actions of the Company and its officers and results of review of such applications.

The chairman of the board of directors shall inform the Company's shareholders on the extent and structure of remuneration of the members of the board of directors and the management board of the Company.

The annual general meeting of shareholders may consider any other issues deciding on which is within the competence of the general meeting of shareholders.

- 10.4. The annual general meeting of shareholders is to be convened within 5 (five) months following the end of the fiscal year.

This period shall be deemed to be extended for up to 3 (three) months in case of impossibility to complete the Company's audit for the accounting period.

10.5. The annual general meeting of shareholders shall be called by the board of directors.

10.6. An extraordinary general meeting of the shareholders shall be called by:

- 1) the board of directors;
- 2) major shareholder.

An extraordinary general meeting of shareholders of the Company, if it is under the process of a voluntary liquidation, may be convened, prepared and held by the Company's liquidation committee.

Obligatory convocation of an extraordinary general meeting of shareholders may be provided for by the Legislation.

10.7. Preparation and holding of a general meeting of the shareholders of the Company shall be carried out by:

- 1) the management board;
- 2) the Company's registrar in accordance with an agreement entered into therewith;
- 3) the board of directors;
- 4) the Company's liquidation committee (if applicable).

10.8. The expenses on convocation, preparation and holding of a general meeting of shareholders shall be borne by the Company except as otherwise provided by the Legislation.

10.9. An annual general meeting of shareholders may be convened and held on the basis of a court decision adopted on the claim of any interested party should the Company violate the order of convening the annual general meeting of shareholders established by the Legislation.

An extraordinary general meeting of shareholders may be convened and held based on a court decision adopted on the claim of a major shareholder if the bodies of the Company failed to fulfil this shareholder's request to hold an extraordinary general meeting of shareholders.

10.10. Request for convening an extraordinary general meeting of shareholders, including by the major shareholder, shall be submitted to the board of directors by delivering an appropriate written request containing agenda of such meeting to the place of location of the Company's management board.

The Company's board of directors may not amend the wording of agenda items or change the proposed order of an extraordinary general meeting of shareholders convened at the request of the major shareholder.

When convening an extraordinary general meeting of shareholders in accordance with the submitted request, the board of directors may add any items to the agenda of the general meeting, at its own discretion.

Should the request for convening an extraordinary general meeting of shareholders come from the major shareholder (shareholders), it shall contain names (corporate names) of the shareholders (shareholder) requesting convening of such a meeting, and specification of the number and type of the shares he/it owns.

A request for convening an extraordinary general meeting of shareholders shall be signed by a person (persons) requesting convening of the extraordinary general meeting of shareholders.

10.11. The board of directors shall, within ten business days from receipt of the said request, pass a resolution and, no later than three business days from passing such a resolution, send a notice to the person who had submitted such request

informing about the resolution passed to convene an extraordinary general meeting of shareholders or to refuse its convening.

A resolution of the Company's board of directors to refuse convening an extraordinary general meeting of shareholders at the request of the major shareholder may be passed in case:

- 1) the procedure for submission of a request for convening an extraordinary general meeting of shareholders established by the Legislation has not been observed;
- 2) items proposed for inclusion in the agenda of an extraordinary general meeting of shareholders do not meet the requirements of the Legislation.

A resolution of the Company's board of directors to refuse convening an extraordinary general meeting of shareholders may be disputed in court.

In case the Company's board of directors does not pass a resolution to convene an extraordinary general meeting of shareholders at the submitted request within the period established by the Legislation, the person requesting to convene it may apply to court with the claim to oblige the Company to hold an extraordinary general meeting of shareholders.

- 10.12. The list of shareholders authorized to participate in the general meeting of shareholders shall be produced by the registrar of the Company on the basis of data kept in the system of registers of the holders of the Company's shares. The date of this list shall not be earlier than the date of the resolution to hold the general meeting.

The information to be included into the list of shareholders is established by the authorized body.

- 10.13. If after completion of the list of shareholders authorized to participate in and vote at the general meeting of shareholders a person included into this list has alienated its voting shares in the Company, the right to take part in the general meeting of shareholders shall be transferred to a new shareholder. For this purpose, the documents evidencing the ownership right to the shares shall be presented.
- 10.14. The date and time of holding a general meeting of shareholders are to be determined in a way to make possible for the greatest number of the persons eligible to participate in the meeting to take part therein. The general meetings of shareholders shall be held in Astana, Republic of Kazakhstan.
- 10.15. The shareholders shall be notified of a forthcoming general meeting not later than 30 (thirty) calendar days prior to its holding, and in case of absentee or mixed voting not later than 45 (forty five) calendar days prior to the date of the meeting.
- 10.16. A notification of holding a general meeting of shareholders shall be published in "Kazakhstanskaya Pravda" and/or "Yegemen Kazakhstan" newspapers as well as in other mass media subject to the requirements of the listing rules of the stock exchange the ordinary shares of the Company are listed on.

The time periods provided for in paragraph 10.15 of the Charter shall commence from the date of publication of the notification of the general meeting of shareholders in the mass media as specified in this paragraph or from the date of sending written notifications to the shareholders.

- 10.17. The notification of holding the general meeting of shareholders of the Company shall contain:
- 1) full name of the Company and location of its management board;
  - 2) information on the initiator of the meeting;
  - 3) date, time and venue of the general meeting of shareholders of the Company, time of the commencement of registration of the participants

of the meeting, and also date and time of any repeat general meeting of shareholders of the Company to be held in case of the original meeting is not held;

- 4) date of completion of the list of shareholders entitled to participate in the general meeting of shareholders;
- 5) agenda of general meeting of shareholders;
- 6) procedures for familiarization of shareholders with materials relating to the agenda items of the general meeting of shareholders.

A minority shareholder may refer to the Company's registrar for the purpose of joining with other shareholders for adopting the decisions on the agenda items of the general meeting of shareholders.

The procedure for the minority shareholders applications and distribution of information to other shareholders by the registrar of the Company shall be established by an agreement on maintaining the system of registers of security holders.

- 10.18. The repeat general meeting of shareholders may be appointed for a day not earlier than the next day after the date fixed for the original ( not held) general meeting of shareholders.
- 10.19. The venue of the repeat general meeting of shareholders shall be the same as that of the general meeting of shareholders which has not been held.
- 10.20. The agenda of the repeat general meeting of shareholders must not differ from the agenda of the meeting that has not been held.
- 10.21. An agenda of general meeting of shareholders shall be formed by the board of directors and shall contain an exhaustive list of particularly worded issues submitted for discussion. It is not permitted to use in agenda the wording with a broad interpretation including "miscellaneous", "other", "some" and the similar.

An agenda of general meeting of shareholders may be supplemented by a major shareholder or by the board of directors subject to the Company's shareholders have been notified about such supplements not later than 15 (fifteen) days prior to the holding of the general meeting or in the manner established by paragraph 10.24 of the Charter.

- 10.22. At the opening of a general meeting of shareholders attended in person, the corporate secretary shall report on the received proposals for amending the agenda.
- 10.23. The approval of an agenda of general meeting of shareholders shall be made by a majority vote of the total voting shares represented at the meeting.
- 10.24. The amendments to the agenda may be introduced if the majority of shareholders (or their representatives) participating in the general meeting of shareholders and holding in aggregate no less than 95% (ninety five per cent) of the Company's voting shares vote affirmatively.

The agenda may be supplemented with an item, resolution on which may restrict the rights of the shareholders owning preferred shares, if at least two thirds of the total number of the outstanding (less redeemed) preferred shares have voted for its introduction.

If the general meeting of shareholders takes a decision by absentee voting, then its agenda may be neither amended nor supplemented.

- 10.25. The general meeting of shareholders may not consider issues which haven't been included into its agenda and take any decisions thereon.



- 10.26. The materials concerning items on the agenda of the general meeting of shareholders shall contain information to the extent necessary for making reasonable decisions on such items. The corporate secretary shall ensure preparation of the materials on the agenda items of the general meeting of shareholders.
- 10.27. The materials on electing the Company's bodies (board of directors) shall include the following information about the proposed candidates:
- 1) last name, first name, patronymic is optional;
  - 2) information on education;
  - 3) affiliation with the Company;
  - 4) work record and positions filled within the last 3 years;
  - 5) other information that verifies the qualification and experience of the candidates.

In the event an item concerning election of the Company's board of directors (election of a new member of the board of directors) is included in the agenda of the general meeting of shareholders, the materials shall specify a shareholder nominating a candidate for the board of directors or whether this person is a candidate for the position of the independent director of the Company. If the candidate for the board of directors is a shareholder or an individual specified in the first part of paragraph 12.7 of the Charter, then this information shall also be specified in the materials including information on the percentage of voting shares of the Company owned by the shareholder as of the date the shareholders list is made.

- 10.28. The materials for the agenda of the annual general meeting of shareholders shall include:
- 1) annual consolidated financial statements of the Company;
  - 2) audit report regarding the annual consolidated financial statements;
  - 3) proposals made by the board of directors on the procedure for the distribution of the Company's net income for the last financial year and the amount of the dividend for the year per one (1) ordinary and one (1) preferred share of the Company;
  - 4) materials on applications of the shareholders in relation to actions of the Company and its officers and results of review of such applications;
  - 5) annual report of the Company, annual report on the performance of the board of directors and the management board;
  - 6) other documents at the discretion of the initiator of the general meeting of shareholders.
- 10.29. The annual report of the Company shall be prepared by the management board of the Company, approved and submitted for consideration of the general meeting of shareholders by the Company's board of directors.

The annual report of the Company shall include at least audited financial statements, report on the material events in the Company's activity for the past

period and a description of liability of the Company's officers for the accuracy of the information stated in the Company's annual report.

The approved annual report of the Company shall be posted on the corporate website of the Company.

- 10.30. The materials for agenda of a general meeting of shareholders shall be prepared and accessible for shareholders' review at the location of the Company's management board not later than 10 (ten) days before the date of the meeting, and upon the request of a shareholder shall be sent to it within 3 (three) business days since the request was received; a shareholder shall bear the expenses connected with copying and delivering the documents.
- 10.31. The general meeting of shareholders shall be entitled to consider and take decisions on agenda items if by the closing of registration of the meeting participants, the shareholders or their representatives included into the list of shareholders entitled to participate in and vote at such meeting holding in aggregate 50 (fifty) and more per cent of the Company's voting shares have been registered.
- 10.32. The repeat general meeting of shareholders taking place instead of the meeting that has not been held shall be entitled to review agenda items and to take decisions thereon, if:
- 1) the order of convening of the general meeting of shareholders that has not been held due to absence of a quorum was observed;
  - 2) by the time of closing of registration, the shareholders or their representatives included into the list of shareholders and absentee voting shareholders, holding in aggregate 15 (fifteen) and more per cent of the Company's voting shares have been registered for participation in it.
- 10.33. If absentee ballots are sent to shareholders, votes shown on these ballots and received by the Company by the time of registration of the general meeting participants shall be taken into account in determining quorum and summing up the results of the voting.

If there is no quorum at a general meeting of shareholders held through absentee voting, no repeat general meeting of shareholders shall be held.

- 10.34. A shareholder shall be entitled to participate in a general meeting of shareholders and to vote on the issues under consideration personally or through its representative.

Members of the Company's management board shall not be allowed to act as representatives of shareholders at a general meeting of shareholders. Employees of the Company shall not be allowed to act as representatives of shareholders at a general meeting of shareholders unless such representation is based on a power of attorney containing specific instructions on voting with respect to all items on the agenda of the general meeting of shareholders.

A shareholder's representative shall act on the basis of a power of attorney issued in compliance with the Legislation.

- 10.35. A power of attorney is not required for participation in a general meeting of shareholders and voting on the reviewed matters for a person who has the right according to the Legislation or contract to act without a power of attorney on behalf of a shareholder and to represent its interests.

10.36. The procedure for holding a general meeting of shareholders shall be determined in accordance with the Legislation, this Charter, the Code or directly by the decision of the general meeting of shareholders.

10.37. All the shareholders (their representatives) arrived shall be registered before the meeting is opened. A shareholder's representative shall present a power of attorney to confirm his (her) authorities to participate and vote at the general meeting of shareholders.

A shareholder (or shareholder's representative), if failed to be registered, shall be disregarded in determining the quorum and shall not be authorized to take part in voting.

The Company's shareholder, being the owner of preferred shares, shall have the right to be present at a general meeting of shareholders attended in person and shall be authorized to participate in the discussions of the issues considered at the meeting but shall have no right to vote except for the cases provided for in paragraph 7.4 hereof.

Invited persons may be present at a general meeting of shareholders attended in person, and such persons shall have a right to deliver a speech at the general meeting of shareholders with the permission of the chairman.

10.38. A general meeting of shareholders shall be opened in the announced time subject to the quorum is met.

A general meeting of shareholders may not be opened earlier than the announced time, except for the cases when all shareholders (their representatives) are already registered and notified and have no objections against changing the time of opening the meeting.

If within 1 (one) hour after the time appointed for the commencement of the meeting a quorum is not present, the meeting shall be adjourned for the date and time of the repeat general meeting of shareholders of the Company as specified in the notification of the meeting.

10.39. General meeting of shareholders shall elect the chairman (presidium).

The general meeting of shareholders shall determine a voting procedure, either open or secret (by ballots). Voting on election of the chairman (presidium) of the general meeting of shareholders shall be executed on 1 (one) share – 1 (one) vote basis with a decision to be taken by a simple majority of votes out of the total number of voting shares of the Company present and entitled to vote. Members of the management board may not chair the general meeting of shareholders except for the cases when all shareholders present at the meeting are the members of the management board.

The corporate secretary of the Company shall act as the secretary of the general meeting of shareholders.

10.40. In the course of general meeting of shareholders, its chairman shall have the right to put to vote a proposal on closure of debates with respect to the matter under consideration as well as on changing the way of voting on such issue.

The chairman may not prevent persons, authorized to participate in discussion of the agenda items from delivering their speeches, except for the cases when such speeches result in breach of any rules of procedure of the general meeting of shareholders or when the debates over such issue have been closed.

10.41. The general meeting of shareholders shall be entitled to take a decision on taking

a break or continuation of its work, including rescheduling the consideration of certain items of the agenda of the general meeting of shareholders for the next day, and a relevant record in the minutes of the meeting is made.

- 10.42. The general meeting of shareholders shall be declared closed only after consideration of all items on the agenda and taking decisions on them.
- 10.43. The secretary of the general meeting of shareholders shall be responsible for completeness and accuracy of any information recorded in the minutes of the general meeting of shareholders.
- 10.44. The decisions of a general meeting of shareholders may be taken through an absentee voting. The absentee voting may be applied alongside with voting of shareholders attending the general meeting of shareholders (mixed voting), or without holding a general meeting of shareholders.
- 10.45. At absentee voting, ballots for voting of the unified form shall be sent (distributed) to persons who are included in the list of shareholders. The Company may not send voting ballots in a differentiated way to selected shareholders for the purpose of affecting the results of voting at a general meeting of shareholders.
- 10.46. Voting ballots are to be forwarded to persons included in the list of shareholders not later than 45 (forty five) days prior to a general meeting of shareholders. In absentee voting without holding a general meeting of shareholders, the Company shall publish an absentee voting ballot along with a notification on holding the general meeting of shareholders in the mass media specified in paragraph 10.16 of the Charter.
- 10.47. A ballot for absentee voting shall contain:
  - 1) full name of the Company and location of the Company's Management Board;
  - 2) information on the initiator of the meeting to be convened;
  - 3) final date of submission of ballots for absentee voting;
  - 4) date on which the general meeting of shareholders will be held or the date on which the absentee votes will be counted without holding a general meeting of shareholders;
  - 5) agenda of the general meeting of shareholders;
  - 6) names of candidates proposed for election if the agenda of general meeting of shareholders contains items regarding the election of members to the Board of Directors;
  - 7) wording of the issues to be voted on;
  - 8) voting options for each item of the agenda of the general meeting of shareholders expressed by words "for", "against" and "abstained";
  - 9) an explanation of the voting procedures (filling out of ballot) for every item of the agenda.
- 10.48. An absentee ballot is to be signed by a shareholder being a physical person with specification of his/her personal identity document details.

An absentee ballot for a shareholder being a legal entity shall be signed by its head and affixed with the seal of such legal entity.

A ballot without the signature of a shareholder being a physical person or the head of a shareholder which is a legal entity as well as without a seal affixed by such shareholder being a legal entity shall be considered invalid.

The votes shall be counted only on such issues on which the respective shareholder

has observed the voting procedure specified in the ballot and marked only one possible voting option.

- 10.49. If the agenda of general meeting of shareholders includes items regarding the election of members to the Board of Directors, the ballot for absentee voting shall contain fields for indication of the number of votes given for individual candidates.
- 10.50. If a shareholder who has earlier forwarded an absentee ballot, arrives to participate and vote at the general meeting of shareholders, at which mixed voting is used, his (her) ballot shall not be taken into account in determining the quorum of the general meeting of shareholders and counting votes on the agenda items.
- 10.51. Voting at a general meeting of shareholders shall be conducted on a “one (1) share-one (1) vote” basis, except the following cases:
  - 1) limitation of maximum number of votes for shares granted to one (1) shareholder in cases stipulated by the legislative acts of the Republic of Kazakhstan;
  - 2) cumulative voting when electing members of the Board of Directors;
  - 3) granting every person authorized to vote at a general meeting of shareholders one (1) vote to be used on the procedural matters of a general meeting of shareholders.

Following the results of voting, the counting commission shall draft and sign the minutes on the results of voting.

If a shareholder has a dissenting opinion on an item put to vote, the Company’s counting commission is obliged to make a relevant record in the minutes.

Once the minutes on the results of voting have been prepared and signed, completed ballots for secret voting in person and for absentee voting (including cancelled ballots), on the basis of which the minutes were drafted, are to be laced together with the minutes and kept at the Company.

The minutes on voting results are to be attached to the minutes of the general meeting of shareholders.

The result of voting shall be announced at the general meeting during which voting was taken.

The result of voting at a general meeting of shareholders or the result of absentee voting shall be brought to notice of shareholders by publishing such results in the mass media specified in paragraph 10.16 of the Charter within 15 (fifteen) calendar days after closing of general meeting of shareholders.

- 10.52. The minutes of a general meeting of shareholders shall be drafted and signed within 3 (three) business days following the meeting closure.
- 10.53. The minutes of general meeting of shareholders shall specify:
  - 1) full name of the Company and location of the Company’s management board;
  - 2) date, time and venue of the general meeting of shareholders;
  - 3) information on the number of voting shares of the Company represented at the general meeting of shareholders;
  - 4) quorum at the general meeting of shareholders;
  - 5) agenda of the general meeting of shareholders;
  - 6) voting procedure at the general meeting of shareholders;

- 7) chairman (presidium) and secretary of the general meeting of shareholders;
- 8) number of persons participating in the general meeting of shareholders;
- 9) total number of shareholders' votes on each agenda item of the general meeting of shareholders put to vote;
- 10) items put to vote, results of voting thereon;
- 11) resolutions made by the general meeting of shareholders.

In the event of consideration of the item concerning election of the Company's board of directors (election of a new member of the board of directors) at a general meeting, the minutes of such general meeting shall specify which shareholder the elected member of the board of directors represents and/or which of the elected members of the board of directors is an independent director.

10.54. The minutes of general meeting of the shareholders shall be signed by:

- 1) the chairman (members of the presidium) of the general meeting of shareholders and the corporate secretary;
- 2) members of the counting commission;
- 3) shareholders holding 10 (ten) or more per cent of voting shares in the Company and participating in the general meeting of shareholders;

In case of impossibility to sign the minutes by a person responsible to do so, it shall be signed by his/her representative on the basis of a power of attorney issued thereto or by a person authorized in accordance with the laws of the Republic of Kazakhstan or an agreement to act without a power of attorney on behalf of the shareholder or represent its interests.

10.55. Should any person, referred to in paragraph 10.54 of the Charter, disagree with the content of the minutes, the above person shall be entitled to refuse to sign it by providing the reasons for such refusal in writing which should be attached to the minutes.

10.56. The minutes of the general meeting of shareholders shall be laced together with minutes of the results of voting, powers of attorney authorizing the participation and voting at the general meeting, as well as the signing of the minutes, and written explanations of those who have not signed the minutes indicating the reasons why they refused to sign the minutes. These documents shall be kept by the management board of the Company and shall be provided to the shareholders for familiarization at any time. If requested, a shareholder shall be given a copy of the minutes of the general meeting of shareholders.

## **11. COMPETENCE OF THE GENERAL MEETING OF SHAREHOLDERS**

11.1. The following issues fall within the exclusive competence of the general meeting of shareholders:

- 1) introduction of amendments to the Charter or approval of its new version;
- 2) voluntary reorganization or liquidation of the Company;
- 3) adopting a decision on increase in number of authorized shares of the Company, determining their type or change of type of unplaced authorized shares of the Company;
- 4) stipulation of conditions and procedures for conversion of securities of the Company and variation thereof;

- 4-1) adopting a decision on issuance of securities convertible into ordinary shares of the Company;
- 4-2) adopting a decision on swapping of placed shares of one type for shares of another type, stipulation of conditions and procedure for such swap;
- 5) adopting a decision on temporary or permanent removal of securities of the Company from the official stock exchange list where they are listed on;
- 6) amending the Code or approval of its new version;
- 7) determination of the number of members and term of office of the counting commission of the general meeting of shareholders and election of members of the counting commission and early termination of their powers;
- 8) determination of the number of members and term of office of the board of directors, election of its members and early termination of their powers, approval of the regulation of the board of directors as well as determining the amount and terms of remuneration and compensation of expenditures of members of the board of directors for performance of their duties;
- 9) determination of an audit organisation conducting audit of the Company;
- 10) approval of the annual consolidated financial statements and annual report of the Company;
- 11) approval of a procedure of distribution of the net income of the Company for the reported financial year, adoption of a decision on payment of dividends on ordinary and preferred shares and approval of the dividend rate per one (1) ordinary and one (1) preferred share of the Company;
- 12) adopting a decision on non-payment of dividends on ordinary shares of the Company;
- 13) adopting a decision on conclusion of the Company's interested party transactions in the event such decision cannot be taken by the board of directors of the Company;
- 14) specification of the form of notification of shareholders by the Company concerning convocation of the general meeting shareholders and adopting a decision on publication of such information in mass media;
- 15) approval of the methodology of determining the value of the shares for redemption thereof by the Company at an unorganised market as well as amending thereof;
- 16) adopting a decision on granting of share options to the members of the board of directors (except for the general director (chairman of the management board) and independent directors);
- 17) approval of an agenda for a general meeting of shareholders;
- 18) approval of the decision on acquisition by the Company of any interests in subsoil use rights in the Republic of Kazakhstan (by way of acquisition of a participation interest in the relevant legal entity owing such subsoil rights or otherwise) provided that such acquisition was contemplated by the Company at the time of listing of its securities on the London Stock Exchange and is expressly disclosed in the prospectus relating to the listing of such securities on the London Stock Exchange;

- 19) adopting a decision on participation of the Company in establishing or activities of other legal entities or withdrawal as a participant (shareholder) from other legal entities by transfer (receipt) of a part or a number of parts of the assets constituting in aggregate 25 (twenty five) per cent or more of all the assets belonging to the Company in accordance with the recent financial statement published on the stock exchange.
  - 20) other issues within the exclusive competence of the general meeting of shareholders according to the Legislation and/or the Charter.
- 11.2. Resolutions of the general meeting of shareholders on the issues specified in subparagraphs 1)-3), 5)-6), 15) of paragraph 11.1 of the Charter shall be adopted by a qualified majority out of the total number of voting shares of the Company. Resolutions of general meeting of shareholders on other issues shall be made by a simple majority of votes out of the total number of voting shares of the Company participating in voting, unless otherwise provided for by this Charter.
  - 11.3. Delegation of decision-making authorities on the issues that fall within the exclusive competence of general meeting of shareholders to other bodies, officials or employees of the Company is not permitted unless otherwise provided for by the Legislation.
  - 11.4. The general meeting of shareholders has the right to cancel any decision made by other bodies of the Company on the issues related to the internal activity of the Company.

## **12. BOARD OF DIRECTORS**

- 12.1. The board of directors shall be responsible for the general management of the Company's activities except for the issues referred by the Legislation and/or the Charter to the exclusive competence of a general meeting of the shareholders. Each member of the board of directors shall act at all times in the best interests of the Company.
- 12.2. The following issues fall within exclusive competence of the board of directors:
  - 1) determining the priority areas of activity of the Company;
  - 2) adopting a decision regarding the convening of annual and extraordinary general meetings of shareholders;
  - 3) adopting a decision on placement (disposal) of and the number of the Company's shares to be placed (disposed) within the number of authorized shares, procedure and price of placement (disposal) of shares;
  - 4) adopting a decision on redemption of the placed shares or other securities by the Company and the purchase price;
  - 5) adopting a decision on redemption by the Company of its shares from shareholders on non-proportional basis (except for the purchase of such shares on securities market);
  - 6) preliminary approval of the annual consolidated financial statements of the Company, approval of the annual report on performance of the board of directors and the management board of the Company;
  - 7) approval of the Charter, the Code, and amendments thereto;
  - 8) determination of terms of issuance of bonds and derivative securities of the Company as well as adopting a decision on their issuance;
  - 9) approval of prospectus for the listing of the Company's securities on a stock exchange;



- 10) determination of the number of members and term of office of the Company's management board, approval of its regulation, election of the general director (chairman of the management board) and members of the management board, as well as early termination of their powers;
- 11) giving recommendations to the general meeting of shareholders as to the amount and terms of payment of remuneration to the members of the board of directors;
- 12) defining the official salary and salary and bonus payment conditions, adopting decisions on imposition of disciplinary penalties on the members of the management board;
- 13) establishment of the Company's internal control procedures and their compliance monitoring as well as approval of the annual action plan for the internal audit service;
- 14) as advised by the internal audit committee, determination of the number of members and personal composition, term of office of the employees of the internal audit service and early termination of their powers;
- 15) as advised by the internal audit committee, determination of the working procedure of the internal audit service, its competence and functions, amounts and terms of remuneration and bonuses, adopting decisions on imposing disciplinary penalties on the members of the internal audit service;
- 16) appointment, determination of the term of office of the corporate secretary, early termination of his/her powers, approval of the company secretary regulation as well as determining the amount of his/her salary and compensation terms, adopting decisions on imposition of disciplinary penalties on the corporate secretary;
- 17) determination of the remuneration payable to an audit organization for auditing the financial statements and to an appraiser for valuation of property either transferred as payment for the shares of the Company or being a subject of a major transaction;
- 18) determination of procedure for the use of the reserve capital of the Company, if any;
- 19) approval of documents regulating the internal activities of the Company; the list of such documents shall be approved by the board of directors of the Company, including the internal document establishing the conditions and procedure for placement of securities of the Company by holding an auction and/or subscription;
- 19-1) adopting decisions on the matters as determined by the general meeting of shareholders and the board of directors (including on those stipulated by internal documents approved by the said bodies) except for the matters that are within the competence of the executive body and the general meeting of shareholders according to the Charter;
- 20) adopting decisions on opening and closing of branches and representative offices of the Company and approval of regulations of such branches and representative offices;
- 21) adopting decisions on acquisition (disposal) by the Company of ten (10) or more per cent of shares (participating interests in charter capital) in other legal entities;

- 21-1) adopting decisions in respect of the matters falling within the competence of a general meeting of shareholders (participants) of a legal entity whose 10 (ten) and more per cent of shares (participation interests in the charter capital) are owned by the Company;
- 22) **[DELETED]**
- 23) determination of information about the Company and its activities constituting official, commercial or other secret protected by law;
- 24) adopting decisions on conclusion of major transactions;
- 25) adopting decisions on conclusion by the Company of interested party transactions, except for transactions with respect to which decision-making is within the competence of the management board of the Company;
- 26) adopting decisions on increase in the liabilities of the Company by amount of ten (10) or more per cent of the Company's equity capital;
- 27) obtainment, transfer by the Company (or by any of its affiliates or jointly controlled entities) of subsoil use licenses or contracts in the Republic of Kazakhstan or elsewhere, introduction of amendments to such licenses or contracts (except for change of details of the parties or editorial alterations);
- 28) approval of the strategy and the strategic development plans of the Company;
- 29) approval of the consolidated annual budget and business plan of the Company;
- 30) development of recommendations to the general meeting of shareholders on the procedure for distribution of net income of the Company for the past financial year and on the amount of dividends to be paid per one (1) ordinary share and one (1) preferred share of the Company paid by the Company at the year-end;
- 31) establishment of a committee or other body of the board of directors, determination of procedures for their formation and operation, composition, activity and powers, as well as approval of regulations thereof;
- 32) control over the compliance with the listing rules of the stock exchange on which the Company's shares are listed;
- 33) approval of a resolution on temporary or permanent delisting of the Company's securities from the stock exchange the Company's securities are listed on;
- 34) adopting decisions on participation of the Company in establishment of other organizations;
- 35) approval of any share option plans and long term incentive plans for the officers and employees of the Company;
- 36) adopting decisions on granting share options and premium under the share option plans and long-term incentive plans of the Company employees, except for options granted to the members of the board of directors (except for the general director (chairman of the management board) and independent directors);

- 37) approval of voluntary liquidation or reorganization of the Company;
- 38) approval of social expenditures of the Company (except for the expenditures required by law or existing agreements);
- 39) approval of staff (total headcount) of the employees of the Company's central office;
- 40) approval of accounting policy of the Company;
- 40-1) determining the strategy and risk management policy of the Company;
- 40-2) consideration of the issues determined by the Cash Management Policy of JSC "KazMunaiGas" EP";
- 41) other issues stipulated by the Legislation, listing rules of the relevant stock exchange and/or the Charter.

Issues specified in paragraphs 1), 20), 21), 24), 29), 34), 35), 39) and being submitted for consideration of the board of directors are subject to preliminary approval by the management board of the Company.

12.2-1. The board of directors shall:

- 1) monitor and, where possible, eliminate any potential conflict of interest on the level of officers and shareholders, including unlawful use of Company's property and abuse while entering into interested party transactions;
- 2) exercise control over efficiency of corporate governance practice in the Company.

12.3. In order to review the most important issues and develop recommendations for the board of directors the committees of the board of director on the following issues shall be established within the Company:

- 1) strategic planning;
- 2) human resources;
- 3) remunerations;
- 4) internal audit;
- 5) social matters;
- 6) business planning;
- 7) corporate governance;
- 8) other matters provided for by the Legislation and internal documents of the Company.

The committees of the board of directors shall consist of the members of the board of directors and experts having the professional knowledge necessary for working at the specific committee. The board of directors may engage experts out of employees of the Company who have necessary knowledge, as advised by the management board of the Company. The board of directors may adopt a resolution to engage other individuals as experts.

A committee of the board of directors shall be chaired by a member of the board of directors who is not the chairman of Company's management board. The independent directors shall be the heads (chairpersons) of the committees of the board of directors specified in subparagraphs 1)-5) of this paragraph.

The procedures for formation and operation, the number of members within the

committees of the board of directors, as well as procedures for interaction with the board of directors of the Company shall be established by the Company's internal documents developed in accordance with best practices applied at listed companies, and approved by the board of directors.

- 12.4. Issues within the exclusive competence of the board of directors may not be transferred to the decision of the management board of the Company. The board of directors may not make resolutions on the issues which in accordance with the Charter fall within the exclusive competence of the management board and adopt resolutions contradicting any decisions of the general meeting of shareholders.
- 12.5. Resolutions of the board of directors on issues specified in subparagraphs 3), 5), 7), 14), 24), 26), 27), 31), 33), 37), 38) of paragraph 12.2 of the Charter shall be taken by a majority vote of the members of the board of directors including majority vote of independent directors.

When considering any issue stipulated herein, the independent directors shall:

- 1) have a right at the expense of the Company to get consultation of professional experts (including legal and financial advisers) with respect to such provisions that they think necessary;
  - 2) undertake to act in good faith, in a reasonable and fair manner in compliance with requirements of the laws, ethical principles, and the rules of business ethics in the best interest of the Company's shareholders as a whole.
- 12.6. Only a natural person may be a member of the board of directors. Members of the board of directors shall be elected from:
- 1) shareholders who are natural persons;
  - 2) persons proposed (recommended) to be elected to the board of directors as representatives of the shareholders;
  - 3) other persons (subject to limitations provided for by paragraph 12.8 of the Charter).

Members of the board of directors shall be elected by cumulative voting with the use of voting ballots except for cases where one candidate stands for a single post in the board of directors. Each shareholder may give votes, according to the number of shares it has, all for 1 (one) candidate or distribute them between several candidates to the board of directors. Candidates having the majority of votes are considered to be elected to the board of directors. If two or more candidates gain an equal number of votes then with respect to these candidates a further cumulative voting shall be held with provision to shareholders of cumulative voting ballots indicating the candidates with equal number of votes.

A cumulative voting ballot shall contain the following columns:

- 1) list of candidates for members of the board of directors;
- 2) number of shareholder's votes;
- 3) number of votes given by a shareholder for a candidate to the board of directors.

Voting options "against" and "abstained" shall not be included in cumulative voting ballot.

- 12.7. A member of the board of directors may be elected from natural persons that are neither shareholders of the Company nor proposed (recommended) for election to the board of directors as persons representing the shareholders. The number of

such persons may not exceed fifty per cent of the members of the board of directors.

At least thirty (30) per cent of the members of the board of directors shall be independent directors.

- 12.8. Members of the management board except for its chairman may not be elected to the board of directors. The general director (chairman of the management board) may not be elected as chairman of the board of directors as well as chairman of any committee of the board of directors.
- 12.9. The number of members of the board of directors shall (in the absence of temporary vacancies) be at least eight (8) persons, including independent directors and the general director (chairman of the management board).
- 12.10. No person may be a member of the board of directors that:
  - 1) does not have a higher education or a secondary professional education;
  - 2) has an outstanding or not cancelled conviction in accordance with the procedure established by Legislation;
  - 3) has been earlier an executive employee (chairman of the board of directors, chief executive officer (chairman of the management board), deputy CEO, chief accountant) of a legal entity which was declared bankrupt or exposed to conservation, rehabilitation, compulsory liquidation during the term of office of such person. This requirement has its effect within five years from the date when decision on bankruptcy, conservation, rehabilitation or compulsory liquidation was taken;
  - 4) has been earlier an official of a joint stock company which was found guilty by the court of crimes against property, in business activity or against the interests of service in commercial or other organizations, and released from criminal liability based on non-exonerate grounds for the above crimes. This requirement has its effect within five years from the date of cancellation of or clearing a criminal record or relief from criminal liability in the manner established by law.
- 12.11. Persons elected to the board of directors may be re-elected for any number of times unless otherwise stipulated by the Legislation.
- 12.12. The term of office of the board of directors is established by the general meeting of shareholders.

The term of office of the board of directors shall expire at the moment of holding of the general meeting where the new board of directors is elected.
- 12.13. The general meeting of shareholders may early terminate the powers of all or any member of the board of directors.
- 12.14. Early termination of powers of a member of the board of directors on his/her initiative is conducted on the basis of a written notification made to the board of directors.

The powers of such member of the board of directors are terminated from the moment of receipt of such notification by the board of directors.
- 12.15. In the event of early termination of powers of any member of the board of directors a new member of the board of directors shall be elected by cumulative voting of shareholders present at the general meeting provided that powers of such newly elected member of the board of directors shall be terminated concurrently with expiration of term of office of the board of directors as a whole.
- 12.16. The chairman of the board of directors shall be elected from its members by a majority of vote of the total number of members of the board of directors by

open voting.

12.17. The chairman of the board of directors shall:

- 1) arrange the activities of the board of directors;
- 2) conduct meetings of the board of directors;
- 3) convene meetings of the board of directors and chair such meetings;
- 4) sign on behalf of the Company an employment agreement with the general director (chairman of the management board);
- 5) approve the job descriptions of the head of the internal audit service.

12.18. In the event the chairman of the board of directors is absent, his functions shall be fulfilled by one of the members of the board of directors upon the resolution of the board of directors made by majority votes of its members participating at the meeting.

12.19. A meeting of the board of directors may be convened on the initiative of the chairman of the board of directors or the chairman of the management board or upon request of:

- 1) any member of the board of directors;
- 2) the internal audit service of the Company;
- 3) an audit organization auditing the Company;
- 4) a major shareholder.

12.20. The request for convening the meeting of the board of directors with appropriate materials enclosed shall be submitted to the chairman of the board of directors by sending an appropriate written notice containing the proposed agenda for the meeting of the board of directors.

If the chairman of the board of directors declines to convene the meeting, the initiator may apply with same request to the management board which is obliged to convene the meeting of the board of directors.

The meeting of the board of directors shall be convened by the chairman of the board of directors or the management board within ten (10) days from the date of receipt of the request for convening. Such meeting of the board of directors shall be held with the mandatory invitation of the person who made such request.

12.21. The procedure for submission of notifications on holding a meeting of the board of directors to the members of the board of directors is determined by the board of directors.

The agenda of the meeting of the board of directors in person is approved by the majority of votes of the members of the board of directors present at the meeting, including the majority of votes of independent directors. The agenda of the meeting of the board of directors may be amended, if all the members of the board of directors, including the independent directors, vote for its amendment.

12.21-1. Materials on agenda items shall be submitted to members of the board of directors at least seven calendar days prior to the meeting.

In the event the issue of entering into a major transaction or interested party transaction is being considered, information on such transaction shall include information on parties thereto, the term of the transaction and its conditions, the nature of and shares of parties concerned, and report of appraiser (in the event property of ten (10) or more per cent from Company's assets is to be acquired or alienated).

- 12.22. A member of the board of directors shall notify the management board of the Company of his/her inability to participate in the meeting of the board of directors in advance.
- 12.23. The members of the board of directors or of any committee of the board of directors as well as experts may participate in a meeting of the board of directors or such committee by means of a conference call or any other communication media allowing all participants to hear and speak to each other. Members of the board of directors participating by such means shall be deemed present in person at the meeting and shall be entitled to vote or be counted in a quorum in accordance with the provisions of the Charter.
- 12.24. The quorum required for a valid meeting of the board of directors shall be not less than 2/3 (two thirds) out of the total number of members of the board of directors, including at least 2/3 (two thirds) of independent directors.

If the total number of members of the board of directors is not sufficient for the quorum, the board of directors shall convene an extraordinary general meeting of shareholders for the election of new members of the board of directors. The remaining members of the board of directors may make a resolution only on convening of such extraordinary general meeting of shareholders.

In the event the board of directors should make a resolution on interested party transaction, the quorum shall be at least 2 (two) members of the board of directors, disinterested (or deem to be so) in such transaction. The resolution on conclusion of such transaction is adopted by simple majority of votes of the members of the board of directors present at the meeting and disinterested in the conclusion of such transaction.

- 12.25. Each member of the board of directors shall have one vote. Resolutions of the board of directors shall be adopted by simple majority of votes of the members of the board of directors present at the meeting unless otherwise stipulated by the Legislation or the Charter. The transfer of voting rights by a member of the board of directors of the Company to any person, including other member of the board of directors is not allowed. The members of the board of directors may not appoint its representative to attend any meeting of the board of directors in their absence.

Upon a tied vote the vote of the chairman of the board of directors or the person chairing at the meeting of the board of directors shall be decisive.

In the event of entire or partial disagreement of a member of the board of directors with a resolution adopted by the board of directors, he/she shall set forth the disagreement in the form of dissenting opinion on the item put to vote which is recorded by the corporate secretary in the minutes of the meeting of the board of directors in person. In the event of adopting a decision by the board of directors by absentee voting, the dissenting opinion of a member of the board of directors shall be expressed in writing and attached to the completed ballot.

- 12.26. The board of directors may decide to hold a closed meeting where only the members of the board of directors can participate.
- 12.27. At the discretion of the chairman of the board of directors of the Company, resolutions on issues put to meetings of the board of directors may be adopted by absentee vote. In such a case the ballots shall be used for voting on the agenda items. Resolutions made by absentee vote shall be deemed adopted if a quorum is present by the ballots received by due date.

The resolution of an absentee vote of the board of directors shall be executed in written form and signed by the corporate secretary and the chairman of the board of directors. Within twenty (20) days following the execution of the decision, it shall be sent to the members of the board of directors with copies of the ballots

based on which the decision was made.

The meeting of the board of directors by absentee vote is not allowed when the decisions are taken on the priority areas of the Company's activities, when a new chairman of the board of directors is elected and when other issues are considered as determined by the board of directors.

- 12.28. Resolutions of the board of directors adopted at a meeting in person shall be executed by minutes which shall be prepared and signed by the person that chaired at the meeting and by the corporate secretary within three (3) days of such meeting and shall contain:
- 1) full name and location of the management board of the Company;
  - 2) date, time and venue of the meeting;
  - 3) information regarding the persons who participated in the meeting;
  - 4) agenda of the meeting;
  - 5) items put to vote and results of the voting on those items with voting results of each member of the board of directors disclosed on each item on the agenda of the board of directors' meeting;
  - 6) speeches of the persons participating at the meeting of the board of directors;
  - 7) dissenting opinions of the members of the board of directors;
  - 8) decisions made;
  - 9) other information upon resolution of the board of directors.
- 12.29. The minutes of meetings and decisions of the board of directors shall be kept at the Company.
- The corporate secretary of the Company that is elected by the board of directors on a permanent basis and performs job responsibilities of the secretary of the board of directors, upon the request of a member of the board of directors shall provide such member with the minutes of the meeting of the board of directors for review and resolutions passed by absentee voting and/or provide him/her with excerpts from the minutes and resolution certified by the signature of the corporate secretary and affixed with the seal of the board of directors.
- 12.30. A member of the Company's board of directors, who failed to attend a meeting of the board of directors or has voted against a resolution passed by the Company's board of directors in violation of the procedure established by the Legislation and the Charter may dispute it in court;
- 12.31. A shareholder may dispute in court a resolution of the Company's board of directors passed in violation of the requirements of the Legislation and the Charter, if the said resolution violates the rights and legitimate interests of the Company and/or such shareholder.
- 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.

### **13. MANAGEMENT BOARD**

- 13.1. The current activities are managed by the management board of the Company. The management board is headed by the general director (chairman of the management board).

The management board's activities arrangement and the procedure for convening and holding its meetings are regulated by internal documents of the Company approved by the board of directors. All or any of the members of the management board may participate in a meeting of the management board by means of a conference call or other communication means which allows all the participants of the meeting to hear each other and speak to each other. A person participating in such a way shall be deemed present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

The management board shall be entitled to make decisions on any issues concerning the activities of the Company which are not referred by the Legislation and the Charter to the competence of other bodies and officials of the Company, including:

- 1) adopting decisions on increase in the Company's liabilities for amounts from five (5) to ten (10) per cent of the equity capital of the Company;
- 2) making recommendations to the board of directors on obtaining, transfer of subsoil use licenses or contracts in or outside of the Republic of Kazakhstan or by the Company (or any of its affiliates or jointly controlled entities), including introduction of amendments thereto (except for change of details of the parties or editorial alterations);
- 3) approval of the structure and staff schedule of employees of the central office of the Company;
- 4) approval of the structure of branches and representative offices and the total number of employees and staff (staff schedule) of administrative staffs, as well as the total number of employees of organization departments of branches and representative offices;
- 5) adopting decisions (resolutions) and giving instructions binding for all employees of the Company;
- 6) approval of documents regulating internal activity of the Company except for the documents to be approved by the board of directors;
- 7) coordination and direction of activity of branches, representative offices of the Company;
- 8) ensuring timely provision of information on activities of the Company, including confidential information, to the members of the board of directors within ten (10) days of receipt of the request;
- 9) adopting decisions on operation issues of the internal activities of the Company;
- 10) approval of the long-term plan for procurement of goods, works and services;
- 11) approval of monthly management reports;
- 12) approval of the entry into external financing agreements;
- 13) approval of the annual production programme and the pricing policy of the Company, as well as introduction of amendments thereto;

- 14) approval of the annual report of the Company;
- 14-1) adopting decisions on conclusion of interested party transactions with organizations:  
  
where the Company is the sole shareholder (participant);  
  
within the Sovereign Wealth Fund group provided that the value of such a separate transaction or a total value of a series of connected transactions does not exceed five hundred million (500,000,000) Tenge;
- 14-2) giving recommendation to the boards of directors, supervisory boards of subsidiaries and affiliate organizations of the Company, and authorized representatives of the Company in those bodies with regard to activities of those organizations;
- 15) adopting decisions on other issues concerning maintenance of activities of the Company which do not fall within the exclusive competence of the general meeting of shareholders, the board of directors and officers of the Company.

A transfer of voting rights by a member of the Company's management board to another person including a member of the Company's management board is not allowed.

The management board is obliged to execute decisions of the general meeting of shareholders and the board of directors of the Company.

The Company shall be entitled to dispute the validity of any transaction entered into based on the resolution of the management board of the Company and in violation of the restrictions established by the Company, if the Company proves that at the moment of the conclusion of the transaction the parties were aware of such restrictions.

- 13.2. The shareholders and employees of the Company who do not hold shares of the Company can be the members of the management board of the Company. The requirements and restrictions for persons nominated to Company's management board are established in the Legislation, the Code and the internal documents of the Company.

A member of the management board has a right to work in other organizations only with the consent of the Board of directors. The general director (chairman of the management board) of the Company may not hold a position of the head of an executive body or a person individually exercising functions of the executive body in other legal entity.

Functions, rights and obligations of a member of the management board are determined by the Charter, the Code and the Legislation, as well as the employment agreement to be signed by the mentioned person with the Company. The employment agreement with the general director (chairman of the management board) with the established amount of salary in accordance with the resolution of the board of directors shall be signed on behalf of the Company by the chairman of the board of directors or any other person authorized by the general meeting of shareholders or the board of directors. The employment agreements with other members of the management board with the established amount of salary in accordance with the resolution of the board of directors shall

- be signed by the general director (chairman of the management board).
- 13.3. The management board shall consist of at least five (5) persons.
- 13.4. A meeting of the management board is considered valid if at least 2/3 (two thirds) of members of the management board are present at such meeting.
- 13.5. The resolutions of the management board are made by a majority of votes of its members present at the meeting. If there is a tie vote the resolution for which the general director (chairman of the management board) voted shall be decisive.  
The resolutions of the Company's management board shall be recorded in the minutes which shall be signed by all members of management board present at the meeting and shall contain the issues put to vote, voting results with votes of each member of the management board disclosed on each item.
- 13.5-1. For the purpose of prompt decisions on the risk management related issues there may be established a risk management committee under the management board. The procedure for establishment and operation of the risk management committee, number of its members and its competence shall be determined by the Company's management board.
- 13.6. The general director (chairman of the management board) of the Company shall:
- 1) be the head of the management board;
  - 2) ensure fulfilment of decisions of the general meetings of shareholders, the board of directors and the management board;
  - 3) act without a power of attorney on behalf of the Company in relations with third parties;
  - 4) issue powers of attorney for representing the Company in relations with third parties;
  - 5) hire, rotate and dismiss employees of the Company, except for the cases provided by the Legislation, incentivize and impose disciplinary penalties on employees, determine amounts of salaries of employees of the Company and personal additions to salaries in accordance with the staff schedule of the Company, determine the amount of bonuses to the employees of the Company except for the employees who are members of the management board and the internal audit service as well as the corporate secretary;
  - 6) in the event of his/her absence, entrust his/her duties to one of the members of the management board of the Company;
  - 7) distribute obligations as well as scope of authority and responsibility among the members of the management board of the Company;
  - 8) approve the prosecution or settlement of any litigation, dispute or arbitration proceedings;
  - 9) on behalf of the Company conclude transactions for the amount of up to five (5) per cent of the equity capital of the Company;
  - 10) appoint and dismiss the heads of branches and representative offices of the Company;
  - 11) set the working hours of the Company;
  - 12) submit to the board of directors semi-annual reports on implementation of the basic parameters of the consolidated annual budget and business plan and strategic chart of key performance indicators of the general director (chairman of the management board);
  - 13) open bank and other accounts of the Company;

- 14) within his/her competence, issue orders and give instructions;
  - 15) convene meetings of the management board;
  - 16) ensure notification of the chairman of the board of directors or persons authorized by the chairman of the board of directors, on emergencies (accidents, disasters or catastrophe) connected with the operation of the Company in the shortest time span;
  - 17) take decisions on all other issues concerning the current activity of the Company, which does not fall within the exclusive competence of the general meeting of shareholders and the board of directors of the Company and the competence of the management board.
- 13.7. The secretary of the management board elected by the management board on the permanent basis, upon the request of a member of the management board shall submit to such member the minutes of the meeting of the management board for review attested by the signature of the secretary of the management board and affixed with the seal of the management board.

#### **14. THE COMPANY OFFICIALS AND CORPORATE SECRETARY**

- 14.1. The officials of the Company (members of the board of directors and members of the management board) shall:
- 1) perform duties imposed on them in good faith and use methods which represent the interests of the Company and shareholders to the utmost. In case of any conflict of interests of the Company and its official, the latter shall immediately notify the management board (or the board of directors) on such conflict;
  - 2) not use or allow to use the property of the Company in contravention of the Charter and the resolutions of the general meetings of shareholders and the board of directors as well as for personal purposes and take advantage thereof while concluding transactions with its affiliates;
  - 3) shall secure consistency of accounting and financial reporting systems including conducting an independent audit;
  - 4) control disclosure and provision of information on the activity of the Company in accordance with the Legislation;
  - 5) keep confidential information on the Company's activity, including within three (3) years upon termination of employment with the Company, unless otherwise is provided in the internal documents of the Company.
- 14.1-1. The members of Company's board of directors shall:
- 1) act in compliance with the laws of the Republic of Kazakhstan, the Charter, the Code and internal documents of the Company based on awareness, transparency, in the interests of the Company and its shareholders;
  - 2) treat any shareholder fairly, make objective and independent judgment on corporate matters.
142. Subject to the Legislation and provided that a member of the board of directors has disclosed to the board of directors the nature and extent of his/her material interest, the member of the board of directors irrespective of his/her office:
- 1) may be a party to, or otherwise interested in, any contract with the Company or in which the Company is interested;

- 2) may be a head or other officer of, be employed by, be a party to any contract, or be interested in any legal entity promoted by the Company or in which the Company is interested or regarding to which the Company has any rights of appointment. The general director (chairman of the management board) of the Company may not hold a position of the head of an executive body or be a person individually exercising functions of the executive body in other legal entity; and
  - 3) shall not, by virtue of his/her office, be accountable to the Company for any remuneration or benefit which he derives from any such office or employment or from any such contract or from any interest in such legal entity and shall not avoid such office, employment or contract on the grounds of having any such interest or benefit.
143. Except as otherwise provided by the Charter, a member of the board of directors shall not vote, or be counted in the quorum in relation to, any resolution of the board of directors or a committee of the board of directors concerning any matter in which he/she has, to the best of his/her knowledge, directly or indirectly, an interest or duty which (along with any interest of a person connected with him) is material and, if he shall do so, his/her vote shall not be counted. A member of the board of directors shall be entitled to vote on and be counted in the quorum in respect of any resolution concerning any of the following matters:
- 1) any arrangement for the benefit of employees of the Company or any of its subsidiaries, under which he benefits in a similar manner as the employees, and which does not provide a privilege or an advantage to any member of the board of directors or a member of the management board which is not provided to the employees to whom the arrangement relates;
  - 2) participation by the Company in any state procurement tender with respect to supply of crude oil to JSC Trade House KazMunaiGas for supply to the domestic market of the Republic of Kazakhstan until 2016.
144. Subject to the Legislation, and provided that a member of the management board has disclosed to the management board the nature and extent of his/her material interest, the member of the management board irrespective of his/her office:
- 1) may be a party to, or be otherwise interested in, any contract with the Company or the one the Company is interested in;
  - 2) may be a head or other officer, or be employed by subject to consent of the board of directors, or be a party to any contract with, or be interested in, any legal entity promoted by the Company or the one the Company is interested in or regarding which the Company has any rights of appointment. The general director (chairman of the management board) of the Company may not hold a position of the head of an executive body or be a person individually exercising functions of the executive body in other legal entity;
  - 3) shall not, by virtue of his/her office, be accountable to the Company for any remuneration or benefit which he derives from any such office or employment or from any such contract or from any interest in such legal entity and shall not avoid (provided that all necessary approvals have been obtained) such office, employment or contract on the grounds of having any such interest or benefit.

Except as otherwise provided by the Charter, a member of the management board shall not participate in voting, or be counted in the quorum in relation to, any resolution of the management board concerning any matter in which he/she has, to the best of his/her knowledge, a direct or indirect interest (other than

his/her interest in shares or bonds or other securities of, or otherwise in or through, the Company) or duty which (along with any interest of a person connected with him/her) is material and, if he shall do so, his/her vote shall not be counted. A member of the management board shall be entitled to vote and be counted in the quorum in respect of any resolution concerning any contract concerning any insurance which the Company is empowered to purchase or conclude for the benefit of, any member of the board of directors or members of the management board.

145. The officials of the Company shall be liable before the Company and the shareholders pursuant to the laws of the Republic of Kazakhstan for losses incurred by the Company, caused by their acts and/or omission to act including but not limited to losses incurred as a result of:
- 1) provision of misleading information or false representation;
  - 2) violation of procedure for provision of information as established by the Law of the Republic of Kazakhstan “On Joint Stock Companies”;
  - 3) a suggestion and/or adopted decision to enter into a major transaction and/or a interested party transaction resulting in losses incurred by the Company as a result of their wrongful acts or omission to act, including those aimed at making profit for themselves or for their affiliates from such transactions with the Company.

The officials shall be liable before the Company and the shareholders in the event and in the manner established by the Law of the Republic of Kazakhstan “On Joint Stock Companies”.

146. The authority of the Company’s corporate secretary shall be determined in accordance with the Legislation, the Charter, the Code and the internal documents of the Company.

## **15. INTERNAL AUDIT SERVICE**

- 15.1. The internal audit service consisting of at least three (3) persons shall be established in order to exercise control over financial and economic activity of the Company.
- 15.2. The employees of the internal audit service may not be elected to the board of directors or to the management board.
- The employees of the internal audit service, including the head, are appointed to and removed from the office by the board of directors, as advised by the internal audit committee of the board of directors.
- The head of the internal audit service may be present at a general meeting of shareholders with regard to the issues which have been previously reviewed by the internal audit service; be present at the meetings of the board of directors where the issues of the internal audit service activity are reviewed; initiate issues for inclusion in the agenda of the meetings of the board of directors; submit for consideration of the internal audit committee of the board of directors the candidates for the staff of the internal audit service.
- 15.3. The internal audit service shall be directly subordinate to the board of directors and reports on its activity to the board of directors on quarterly basis.
- 15.4. The internal audit service shall have a right of absolute access to any documentation and information of the Company in order to fulfil the annual plan of work subject to amendments and supplements thereto.
- 15.5. The working procedure, competence and functions of the internal audit service shall be determined by the internal documents of the Company approved by the

board of directors following the preliminary approval by the internal audit committee.

## **16. FINANCIAL REPORTING, ACCOUNTING RECORDS AND AUDIT**

- 16.1. The financial year of the Company is a calendar year (from January 1 (the first) till December 31 (the thirty-first)).
- 16.2. The procedure of accounting and preparation of financial statements of the Company is governed by the legislation of the Republic of Kazakhstan on accounting and financial reporting.
- 16.3. Financial and statistical reporting, accounting records and periodical financial statements are compiled and if necessary submitted for consideration of the competent state authorities in accordance with the accounting principles stipulated by the Legislation as well as other principles approved by the general meeting of shareholders.
- 16.4. The management board of the Company annually submits to the general meeting of shareholders the annual consolidated financial statements for the past year, audited in compliance with legislation on auditing of the Republic of Kazakhstan, for discussion and approval. In addition to consolidated financial statements, the management board submits an auditor's report to the general meeting of shareholders.
- 16.5. The annual and interim consolidated financial statements are subject to approval by the general director, deputy general director on economy and finance and the financial controller.

The final approval of the annual consolidated financial statements of the Company is made at the annual general meeting of shareholders.

Should the financial statements of the Company misrepresent the financial standing of the Company, the officials of the Company who have signed the said financial statements shall be liable before the third parties who suffer material damage as a result of this.

- 16.6. The Company shall annually publish in mass media specified in paragraph 10.16 of the Charter its consolidated annual financial statements and an auditor's report in the manner and within the timeframe established by the authorized body.
- 16.7. The Company shall conduct an audit of its annual consolidated financial statements.
- 16.8. The audit of the Company may be conducted on the initiative of the board of directors, the management board at the expense of the Company or upon the request of a major shareholder at its expense provided that such major shareholder has the right at its own discretion to choose the auditor.
- 16.9. If the management board of the Company evades an audit of the Company, the audit may be prescribed by a court decision upon a claim of any interested person.
- 16.10. The Company annually conducts an audit following the financial year results no later than the dates of publication of financial statements established by the listing rules of the stock exchanges on which the Company's securities are listed.

## **17. DISCLOSURE OF INFORMATION BY THE COMPANY AND DOCUMENTS OF THE COMPANY**

- 17.1. The Company shall notify its shareholders and investors of corporate events of the Company, the list of such information being established by the Law of the Republic of Kazakhstan "On Joint Stock Companies".

The mass media which shall be used by the Company and its shareholders for publication of their notices and other information subject to mandatory publication according to the Law of the Republic of Kazakhstan “On Joint Stock Companies” are specified in paragraph 10.16 of the Charter.

As required by the laws of the Republic of Kazakhstan and other applicable requirements the Company discloses a part of the information on the Company's corporate events on the Company's corporate web-site and other web resources. In the event the Law of the Republic of Kazakhstan “On Joint Stock Companies” and other legal acts of the Republic of Kazakhstan do not stipulate the term of announcement (making available to shareholders) of information, such information shall be published (made available to shareholders) within five business days from the date it first emerged.

Information on initiation of a corporate dispute case shall be provided to the shareholders within seven (7) business days from the date of receipt by the Company of the relevant court notice (summons) in respect of the civil corporate dispute case.

- 17.2. Upon request of a shareholder, the Company shall provide such shareholder with copies of documents as stipulated by the Law of the Republic of Kazakhstan “On Joint Stock Companies”.

The amount of fees for provision of copies of documents shall be set by the Company and may not exceed the expenses for making copies and the expenses for delivery of copies to the shareholder.

The documents regulating individual matters of issuance, placement, trading and conversion of the Company's securities containing information constituting official, commercial or other secret protected by law, shall be submitted for examination to a shareholder upon request.

- 17.3. The information on corporate events shall be provided in accordance with the Law of the Republic of Kazakhstan “On Joint Stock Companies” and this Charter.

- 17.4. The documents of the Company concerning its activities shall be kept by the Company for the whole period of its operation at the location of the management board.

The following documents shall be kept:

- 1) the Charter, amendments made to the Charter;
- 2) foundation agreements (merger agreements), amendments made thereto;
- 3) certificate of state registration (re-registration) of the Company as a legal entity;
- 4) the Code and terms of reference of any committee of the board of directors;
- 5) statistical card of the Company;
- 6) licenses for certain activities of the Company and/or performance of certain actions;
- 7) documents confirming the rights of the Company to property which is/was on the balance sheet of the Company;
- 8) prospectuses of the Company;
- 9) documents confirming state registration of securities issuance of the Company, cancellation of securities, as well as approval of reports on results of placement and repayment of securities of the Company,



- submitted to an authorized body;
- 10) regulations on branches and representative offices of the Company;
  - 11) minutes of the general meetings of shareholders, minutes of voting results and ballots (including invalid ballots), materials on the issues of agenda of general meetings of shareholders;
  - 12) lists of shareholders submitted to the general meetings of shareholders;
  - 13) minutes of the meetings of the board of directors (resolutions of the meetings of the board of directors made by absent voting) and ballots (including invalid ballots), materials on the agenda items of the board of directors;
  - 14) minutes of the meetings (resolutions) of the management board.
- 17.5. Other documents including financial statements of the Company shall be kept during the period prescribed in accordance with legislation of the Republic of Kazakhstan.
- 17.6. In order to obtain the information (copies of documents) a shareholder shall apply to the management board of the Company in written form. The application of the shareholder shall be included in the register of incoming documents in the prescribed manner. The Company shall provide the requested information (copies of the requested documents) within 10 (ten) calendar days from the date of the shareholder's application.

Information regarding the Company's operations marked as "Confidential" or "For Official Use" that has become known to the shareholders may not be disclosed in writing or otherwise to any third party. A shareholder to whom such information is available shall keep it confidential.

Confidential information of the Company may only be disclosed by such shareholders with permission of the board of directors of the Company, otherwise such shareholders shall be liable in accordance with the Legislation.

The board of directors of the Company may impose restrictions on provision of information constituting official, commercial or other secret protected by law.

- 17.7. The Company shall keep a register of employees having information constituting official or commercial secret.
- 17.8. The board of directors shall define the information a free access to which is available for a limited number of people on the legal grounds, the procedure for its communication to all persons concerned and public disclosure, as well as measures for protection of such information.

## **18. DISCLOSURE OF INFORMATION REGARDING AFFILIATES**

- 18.1 In the cases provided for by the Legislation, the Charter and the Code and at the Company's request, the shareholders and/or officials of the Company shall provide the Company with the information regarding their affiliates, including their full name, date and number of state registration and address (for legal entities) and the full name, date of birth and address (for individuals), the grounds and date of affiliation and other information regarding such affiliates as the Company may require.
- 18.2 The Company's shareholders and/or officials of the Company shall provide, in accordance with the Legislation, the general director (chairman of the management board) with information regarding their affiliates within seven (7) days following the occurrence of affiliation.

If a person previously indicated by a shareholder or an official of the Company

as an affiliate of such shareholder or official, ceases to be affiliate, then the shareholder or the official of the Company shall notify the Company's general director (chairman of the management board) within five (5) days of such cessation.

The information on affiliates shall be provided by the general director (chairman of the management board) of the Company in the form approved by the state body regulating and supervising the financial market and financial organizations in accordance with the Legislation.

- 18.3 A person in respect of which a shareholder and/or an official of the Company provides information as his/her affiliate, shall be deemed to be his/her affiliate until the Company is provided with documents evidencing the termination of the grounds on which such person was recognized as an affiliate.
- 18.4 If a Company shareholder and/or official fails to provide information regarding his/her affiliates which resulted in or promoted damage caused to the Company, the Company may request full indemnification of such damage from the person at fault.
- 18.5 The Company shall maintain records of its affiliates on the basis of information provided by such persons.
- 18.6 The Company shall provide the state body regulating and supervising the financial market and financial organizations with a list of its affiliates in accordance with the procedures established by such state body.
- 18.7 The affiliates, recognized in accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies" as parties interested in conclusion of the Company's interested party transactions, shall notify the board of directors by sending a relevant notice to the Company of the following:
  - 1) that they are a party to the transaction or participate in it as a representative or an intermediate agent;
  - 2) on legal entities that they are affiliated with, as well as on legal entities in which they own individually or jointly with their affiliates ten (10) and more per cent of voting shares (interest, equity stake), and on legal entities in the bodies of which they hold office;
  - 3) on transactions they are concluding or proposed transactions that they are aware of and in which they can be recognized as interested parties.

## **19. LEGAL PROTECTION OF THE COMPANY OWNERSHIP**

- 19.1. Legal protection of ownership of the Company and rights owned by the Company shall be performed in accordance with the Legislation, the Charter and other applicable laws and listing rules of the stock exchange on which the ordinary shares of the Company are listed.

## **20. REORGANIZATION OF THE COMPANY**

- 20.1. Reorganization of the Company (by merger, accession, separation, extraction, transformation) is performed in accordance with the Legislation.
- 20.2. Reorganization may be performed voluntarily or involuntarily.
- 20.3. Involuntarily reorganization may be performed upon the decision of the judicial authorities in the cases stipulated by the Legislation.
- 20.4. If the Company terminates its activities by means of reorganization, the issue of its shares shall be subject to cancellation in accordance with the Legislation.

## 21. LIQUIDATION OF THE COMPANY

- 21.1. The decision on the voluntary liquidation of the Company shall be taken by the general meeting of shareholders which determines the procedure of liquidation upon agreement with and under control of the creditors in accordance with the Legislation.
- 21.2. The involuntary liquidation of the Company is performed by the court in the cases stipulated by the Legislation.  
A claim for the Company's liquidation may be brought to court by interested parties unless otherwise is stipulated by the Legislation.
- 21.3. The liquidation commission is appointed by court decision or decision of general meeting of shareholders on the Company's liquidation.  
The liquidation commission has powers to manage the Company during the period of its liquidation and to act as provided for by the Legislation.  
The liquidation commission shall include representatives of the Company's creditors, representatives of major shareholders and other persons according to the decision of the general meeting of shareholders.
- 21.4. The procedure of liquidation and the procedure of settlement of the creditors' claims are governed by the Legislation.
- 21.5. Upon liquidation of the Company, its authorized shares including outstanding shares shall be cancelled in the manner prescribed by the Legislation.
- 21.6. The property of the Company shall, following liquidation, be distributed in accordance with the Legislation.

## 22. FINAL PROVISIONS

- 22.1 If any provision of the Charter becomes invalid, it shall not affect other provisions. The invalid provision is replaced by the provision which is legally eligible and has the closest meaning to the invalid provision.
- 22.2 Except as expressly provided herein, the Company shall be governed by the Legislation.
- 22.3 The Charter becomes effective from the date of its state registration with the justice authorities of the Republic of Kazakhstan.

Signature of person  
authorized by the general meeting of shareholders

\_\_\_\_\_  
(signature)  
\_\_\_\_\_  
(surname, name, paternal name)

**PART B: AMENDED CHARTER**

***THE TEXT OF THE DRAFT AMENDED CHARTER FOLLOWS FROM THE NEXT PAGE***

**THE TEXT OF THIS DOCUMENT IN ENGLISH LANGUAGE IS A TRANSLATION PREPARED FOR INFORMATION PURPOSES ONLY. THE TRANSLATION MAY CONTAIN DISCREPANCIES AND OMISSIONS AND DOES NOT REPLACE THE RUSSIAN TEXT OF THE DOCUMENT. IN ANY AND ALL CASES THE TEXT OF THIS DOCUMENT IN RUSSIAN LANGUAGE SHALL PREVAIL.**

With amendments approved by the general meeting of shareholders:

- 1) (Minutes dated 24 September 2008), registered on 17 November 2008;
- 2) (Minutes dated 9 December 2008), registered on 1 September 2009;
- 3) (Minutes dated 25 May 2010), without registration stamp;
- 4) (Minutes dated 16 August 2011), without registration stamp;
- 5) (Minutes dated 6 November 2012), without registration stamp;
- 6) (Minutes dated 25 February 2014), without registration stamp;
- 7) (Minutes dated 24 May 2016), without registration stamp;
- 8) (Minutes dated [\*] 2016), without registration stamp.

**CHARTER  
of Joint Stock Company  
KazMunaiGas Exploration Production**

**Astana, 2016**

## 1. GENERAL PROVISIONS

- 1.1. This Charter of Joint Stock Company KazMunaiGas Exploration Production (hereinafter referred to as the “Company”) defines its name, location, formation procedure and competence of its bodies, conditions of reorganization and termination of activities of the Company and other provisions that do not contradict the legislation of the Republic of Kazakhstan.
- 1.2. Name of the Company:
  - the full name in the state language is **“ҚазМұнайГаз” Барлау Өндіру** акционерлік қоғамы, the short name is **“ҚазМұнайГаз” БӨ” АҚ**;
  - the full name in the Russian language is **акционерное общество “Разведка Добыча “КазМунайГаз”**, the short name is **АО “РД “КазМунайГаз”**;
  - the full name in the English language is **Joint Stock Company “KazMunaiGas” Exploration Production**, the short name is **JSC “KazMunaiGas” EP**.
- 1.3. Location of the Company (the executive body of the Company) is 17 Kabanbai Batyr Avenue, Astana, 010000, Republic of Kazakhstan.
- 1.4. Corporate web-site of the Company – [www.kmgep.kz](http://www.kmgep.kz).
- 1.5. Period of the Company activity is not limited.

## 2. LEGAL STATUS

- 2.1. The Company was created as a result of merger of Open Joint Stock Company “Embamunaigas” and Open Joint Stock Company “Uzenmunaigas” and is the legal successor of all property, rights and obligations of Open Joint Stock Company “Embamunaigas” and Open Joint Stock Company “Uzenmunaigas”.
- 2.2. The Company is a legal entity under the legislation of the Republic of Kazakhstan having its independent balance sheet and bank accounts, being entitled on its own behalf to acquire and exercise property and personal non-property rights, bear responsibilities and act as a plaintiff and a defendant in court.
- 2.3. The Company is guided in its activity by the Constitution of the Republic of Kazakhstan, Civil Code of the Republic of Kazakhstan, the Law of the Republic of Kazakhstan “On Joint Stock Companies” and other laws and regulations of the Republic of Kazakhstan (hereinafter referred to as the **“Legislation”**) as well as this Charter (hereinafter referred to as the **“Charter”**) and the Corporate Governance Code (hereinafter referred to as the **“Code”**).
- 2.4. The Company shall have the status of a legal entity from the date of its state registration with the justice authorities.

Financial and operational activities of the Company shall be performed on the basis of economic independence.
- 2.5. The Company has a seal, letterheads specifying the full name of the Company in Kazakh, English and Russian languages, its own trademark and a logo the samples of which shall be approved by the Management Board of the Company and registered in the prescribed manner as well as stamps in the state and Russian languages, a corporate web-site and other corporate details required for conducting its operations.

### **3. THE GOAL AND THE SCOPE OF THE COMPANY'S BUSINESS**

3.1 The goal of the Company is to earn net profit in the course of its independent business activities.

3.2. The scope of Company's business is:

- 1) geological exploration, survey works, approbation, testing, trial production and development of oil, gas and gas condensate fields; production, formational pressure maintenance (FPM), gathering, infield transportation of oil and gas; oil treatment and oil and gas refining, sale of raw material and refined products, including production and sale of oil products and petrochemicals in the form of liquefied gas, different gasoline grades, aviation and lighting kerosene, diesels of different grade, vacuum gas oil, mazut, tar, bitumen, oil coke, ethane, ethylene, different grades of polyethylene, propane, propylene, benzene, butene-1, ethyl benzene, styrene, different grades of polystyrene and other refined and oil chemical products;
- 2) drilling of core, appraisal, exploration, prospecting and development wells for oil, gas and water, their conservation and abandonment;
- 3) arrangement of oil and gas fields;
- 4) testing and development of production (oil, gas) and injection wells;
- 5) complex hydrodynamic study and testing of oil, gas and water wells;
- 6) complex geophysical surveys and perforation drilling-in of reservoirs;
- 7) production enhancement through application of physical and/or chemical techniques of stimulation in well bottom zone (hydro fracturing, gas dynamics formation fracturing, thermal vacuum and chemical treatment, injection of chemical reagents, acids, emulsion comprehensive stimulation and aqueous hydrocarbon emulsion, etc.);
- 8) topographic and surveying operations;
- 9) laboratory works for testing physical and chemical properties of oil, gas, water and stratum;
- 10) investigation of the seismic and geodynamical conditions in the area under the field development;
- 11) monitoring and determining the types and extent of contamination of the first water-bearing level and impact of contaminants into fields environment;
- 12) remedial (underground) servicing and workover of production wells on oil and gas fields, including side-tracking;
- 13) production of hydrocarbon blend, furnace fuel and other gas products;
- 14) stimulation of oil production;
- 15) carrying out of certification tests for oil, oil products, gas and gaseous oxygen products;
- 16) derrick building;
- 17) technical re-equipment, renovation and reconstruction of production capacities to ensure effective extraction and utilization of oil;
- 18) management of introduction of new types of technologically safe equipment, carrying out commissioning and contract supervision works on oil and gas production facilities, oil and gas transportation sites, refineries and chemical facilities;
- 19) development of engineering and technical documentation of oil field equipment to resolve bottlenecks in oil production and their implementation;

- 20) manufacturing, capital repair of drilling, oil field and other types of special equipment, transportation means, tools and spare parts for its own use;
- 21) operation of industrial dangerously explosive productions, exploitation and repair of high pressure vessels and pipelines;
- 22) installation and all items of works on technological oil field equipment operation;
- 23) manufacturing of welding/installation constructions (including bearing), their non-destructive testing, repair and testing, development of design and estimate documentation;
- 24) carrying out works on extension of the life of equipment after repairs, recording types of maintenance into certificate of equipment not registered with technical supervision agencies;
- 25) operation, installation and repair of pipelines delivering gas to furnace, and of isolation valves and pressure controllers;
- 26) planned preventive maintenance and gas equipment servicing;
- 27) repair, setup and testing of preheating furnaces, high pressure vessels, pots, reservoirs, gas production equipment, gas transportation equipment, lifting units, motor gas balloon units, forge shops;
- 28) performance of the overall range of works for improvement of the ecological situation at the oil fields;
- 29) recovery, recycling, processing and disposal of oil-spills and lake oil, oil sludge, oil contaminated grounds (territories) and soil recultivation;
- 30) laboratory research, environmental monitoring and chemical analysis of substances;
- 31) dewaxing of wells, pipes and equipment;
- 32) works on chemicalization of oil production process;
- 33) overhaul of equipment, networks and facilities of chemicalization, carrying out of ecological measures, setup works;
- 34) reception and storage of chemical materials, reagents (including flammable and poisonous), their transportation and application;
- 35) technical maintenance of electrical installations. Transfer, distribution, transportation and sale of electric power;
- 36) technical maintenance and repair of electromechanical equipment, installation of instrumentations and automation, communication means;
- 37) assembling and setup of electrical networks and electrical equipment with voltage up to and above 1,000 (one thousand) V, 35 (thirty five) kV inclusive;
- 38) storage, use and transportation of explosives, blasting means and ionizing radiation sources (radiation materials), import of these materials in the established order;
- 39) exploitation of special equipment, auto transport means, earthmoving machines, hoisting machines;
- 40) automobile, railroad, sea and air transportation of goods and passengers;
- 41) survey, design of industrial (including field construction), social and residential objects, general construction and assembling operations and repair



- and construction works in the area of architecture and urban planning, construction, maintenance and repair of highways, access railways, waterfront structures and power transmission lines;
- 42) survey and design of objects with respect to development of oil, gas and gas condensate fields, their construction and overhaul;
  - 43) construction and repair of engineering communications, networks (including water and gas supply networks), objects of industrial purpose, residential and social and culture objects;
  - 44) design, development, manufacturing, assembling, setup, exploitation, repair and maintenance of instruments, units, outfit, equipment of technical cybernetics, automatic control and management, electronics, computing machinery, informational systems, systems of (tele)communication;
  - 45) assembling and repair of equipment and control systems, fire protection, automatics and alarm, hoisting machines, and high pressure pots, high pressure vessels and pipelines;
  - 46) exploitation, storage, technical maintenance, transportation and disposal of ionizing radiation sources;
  - 47) organization of uninterrupted operation of telecommunication means, information technologies and information security of the Company;
  - 48) metrological testing and examination of measuring equipment, measure unit systems;
  - 49) introduction of innovative technologies, the best in the world types of equipment with regard to automatic control, information technologies of (tele)communications;
  - 50) implementation of measures on corrosion protection of water pipes, equipment and tanks;
  - 51) assembling, maintenance, repair, setup, non-destructive examination and test of water pipes (including high-pressure), tanks and pumps (including subsurface), metering devices, instrumentations and automation and other equipment;
  - 52) providing methods for the most effective extraction and utilization of oil, including by means of development, technical re-equipment and reconstruction of production capacities, geological and survey works;
  - 53) foreign economic activity in accordance with the Legislation: export-import of goods and services, development of mutually beneficial foreign economic connections, commercial and economic as well as scientific-technical cooperation with foreign companies and other activities as specified in this clause not contradicting the Legislation;
  - 54) issue of a corporate periodic printed publication;
  - 54-1) training, re-training and professional development of personnel;
  - 54-2) provision of package of services connected with:
    - organization of production, implementation of new equipment and technologies, organization of industrial safety and environment protection, production control;
    - organization of transportation and freight forwarding, processing and sales of oil, gas and products derived from them for export and domestic market;
    - financial management and organization of accounting, tax accounting and tax

planning,

automation of financial and production control and formation of financial and management accounting;

consultation on strategic, investment, legal, marketing, technical and technological matters as well as on matters of insurance, procurement and other management matters;

management, administration, organization and development of business;

provision of loans (credits) to subsidiary and affiliate entities of the Company on the terms of serviceability, maturity and recoverability;

54-3) provision and sales of property, works, services and personnel in oil and gas industry;

55) other activities not prohibited by the Legislation, corresponding to the goals and objectives of the Company provided for by this Charter.

- 3.3. Activities requiring a license or other permit which has to be obtained in the order stipulated by the Legislation shall be undertaken only after obtaining of the appropriate license or any other permit.

#### **4. RIGHTS AND OBLIGATIONS OF THE COMPANY**

- 4.1. The Company shall enjoy all the rights and shall bear all the responsibilities stipulated by the Legislation. The Company shall act in the best interests of the shareholders as a whole.
- 4.2. The Company shall own the property separated from the property of its shareholders and shall not be liable for their obligations. The Company shall be liable for its obligations within the limits of its property.
- 4.3. The Company shall not be responsible for obligations of the State as well as the State shall not be responsible for the Company's obligations.
- 4.4. The Company shall be entitled to conclude transactions on its behalf (agreements, contracts), to acquire property and personal non-property rights and obligations, to act as a plaintiff or defendant in the court and to undertake any other actions not in conflict with the Legislation.
- 4.5. The Company may acquire and grant rights for possession and use of documents of title, technologies, know-how and other information.
- 4.6. The Company may issue securities; the terms and procedure for issue, placement, circulation and redemption thereof shall be established by the Legislation.
- 4.7. The Company may establish its branches and representative offices outside of its current location in the Republic of Kazakhstan and abroad, which are not legal entities and shall act for and on behalf of the Company. The Company shall vest them with fixed and working assets using its own property and shall establish their operating procedures in accordance with the Legislation. The property of a branch or a representative office is included into its separate balance sheet and into the Company's general balance sheet.

The management of the Company's branches and representative offices shall be exercised by the persons appointed by the general director (chairman of the management board) of the Company. The heads of branches and representative offices shall act on the basis of the power of attorney issued by the Company.

- 4.8. The issues related to planning production activity, remuneration of the Company's

employees, material and technical supply, social development, distribution of earnings, recruitment, placement, training and re-training of personnel shall be resolved taking into account unified standards approved by the board of directors of the Company by simple majority of votes of the members of the board of directors present at the meeting of the board of directors of the Company.

- 4.9. The Company may in the prescribed manner open bank accounts with banks located in the Republic of Kazakhstan and abroad both in national and a foreign currency.
- 4.10. The Company shall be entitled to grant loans and use credits in tenge and foreign currency, both from domestic and foreign legal entities and physical persons according to the Legislation. The Company may receive loans and pledge all or any part of the obligations, property and assets.
- 4.11. The Company shall develop and approve its internal regulatory and technical documentation.
- 4.12. The Company may redeem its shares subject to the Legislation and any rights conferred to the holders of the shares of any class.
- 4.13. The Company may have other rights and incur other obligations stipulated by the Legislation, the Charter and the Code.

## **5. RIGHTS AND OBLIGATIONS OF THE SHAREHOLDERS**

- 5.1. The shareholders of the Company shall not be liable for its obligations and shall bear the risk of losses related to the Company's activities to the extent of the value of their shares except for the cases stipulated by the legal acts of the Republic of Kazakhstan.
- 5.2. Rights and obligations of the Company's shareholders including the scope of rights certified by preferred shares shall be determined by the Legislation and this Charter.
- 5.3. The Company shall treat all the holders of the same class of its shares equally in respect of the rights attached to such shares.

## **6. THE PROPERTY OF THE COMPANY**

The Company's property shall be comprised of:

- 1) the property transferred to the Company by OJSC Uzenmunaigas and OJSC Embamunaigas as a result of their merger;
- 2) proceeds gained as a result of its activities;
- 3) other property acquired on the terms not prohibited by the Legislation.

## **7. SHARES, BONDS. PREREQUISITES FOR SECURITIES' PLACEMENT**

- 7.1. The Company shall be entitled to issue ordinary and preferred shares. The shares are issued in a non-documentary form and no share certificate shall be issued in respect of any share.
- 7.2. An ordinary share authorizes a shareholder to participate in and vote at a general meeting of shareholders for solving all questions put for voting, the right to dividends in case the Company has a net profit (on the basis of the relevant resolution of the general meeting of shareholders), as well as the right to part of the Company's property in case of its liquidation in the manner established by the Legislation.
- 7.3. A preferred share authorizes its owner to have a priority over the holders of ordinary

shares to receiving dividends in predetermined guaranteed amount as established by the Charter and to receive a part of the Company's property in case of its liquidation in accordance with the procedure established by the Legislation.

74. A preferred share shall not give its holder the voting right to participate in the Company's management except for the following cases:
- 1) the general meeting of shareholders considers an issue that might restrict the rights of a holder of preferred shares. The decision on such issue shall be deemed adopted only if approved by the holders of no less than 2/3 (two thirds) out of the total number of placed (with deduction of bought out) preferred shares.  
Issues with respect to which decision-making may restrict the rights of a holder of preferred shares are as follows:  
reduction of dividend size or change of procedure for calculation of dividend size payable as per preferred shares;  
change of procedure for payment of dividends as per preferred shares;  
swap of the Company preferred shares to ordinary shares;
  - 1-2) the general meeting of shareholders considers an issue on approval of amendments into procedure for determining a cost of preferred shares upon their buy-out by the Company at over-the-counter market in accordance with Law of the Republic of Kazakhstan "On Joint Stock Companies";
  - 2) the general meeting of shareholders considers the issue of reorganization or liquidation of the Company;
  - 3) in case the dividends on preferred shares are not paid in full within 3 (three) months from the date stipulated for their payment.
75. Each holder of preferred shares having the right to vote at the general meeting of shareholders and present at the meeting in person or through his/her representative shall have one vote per each preferred share held by him/her.
76. The Company shall be entitled to issue bonds and other securities including securities convertible into the Company's shares. The Company shall be entitled to swap placed shares of the Company of one type for shares of the Company of another type.
77. Only the Company's registrar who is not an affiliated person of the Company or its affiliate shall be responsible for maintaining the registers of the Company's shareholders.
78. Pledging of shares and other securities of the Company shall be regulated by the Legislation and the relevant pledge agreement.
79. In the course of execution of the pre-emptive rights of shareholders to purchase the shares or other securities convertible into ordinary shares of the Company as well as to purchase the placed shares and securities previously bought-out by the Company, the Company shall notify its shareholders on execution of such pre-emptive right by means of publication of a notice in the newspaper specified in paragraph 10.16 of this Charter as well as in other mass media as required by the listing rules of the stock exchange the Company's ordinary shares are listed on.

## **8. DIVIDENDS ON SHARES**

- 8.1. The Company's net profit defined on the basis of consolidated financial statements prepared in accordance with the International Financial Reporting Standards shall

be distributed, including dividends distribution, in the order determined by the resolution of the general meeting of shareholders.

Dividends on the Company's shares may be paid following the quarter or half-year results upon the decision of general meeting of shareholders.

Alienation of a share with unpaid dividends shall be carried out with the right to their receipt by a new owner of the share unless otherwise provided by an agreement on alienation of shares.

The registrar of the Company shall produce the list of shareholders authorized to receive dividends on the basis of the Company's shareholder register data. The record date of this list may not be scheduled for earlier than 10 (ten) calendar days after the date of decision on dividend payment. The beginning of dividend payment shall be scheduled for the date not earlier than 30 (thirty) calendar days after the date of completion of the list of shareholders entitled to dividends.

- 8.2. The dividends on ordinary shares of the Company shall be paid in cash or securities of the Company provided that any decision on payment of dividends has been taken at the general meeting of shareholders by a simple majority of voting shares of the Company.

Payment of dividends on preferred shares of the Company by securities is not permitted.

Payment of dividends on the Company's shares by its securities shall be allowed only if such payment is made by the Company's authorized shares and bonds issued by the Company subject to a written consent of the shareholder.

- 8.3. Payment of dividends on the Company's shares may be executed through a paying agent. Payment for services of the paying agent shall be made at the expense of the Company.

- 8.4. Dividends shall not be attributed and paid for the shares which haven't been placed or have been bought-out by the Company and if the court or general meeting of shareholder of the Company has taken a decision on liquidation of the Company.

- 8.5. Dividends on ordinary or preferred shares of the Company shall not be distributed, if:

- 1) the amount of the Company's equity capital is negative or if its amount of the Company's equity capital becomes negative as result of distribution of dividends on shares;
- 2) the Company meets insolvency or bankruptcy characteristics according to the Legislation or the above mentioned characteristics appear as a result of distribution of dividends on its shares.

A shareholder has the right to request payment of outstanding dividends regardless of the date of arising of the Company's debt.

- 8.6. The decision on payment of dividends on ordinary shares of the Company shall be made by the general meeting of the shareholders.

The general meeting of the Company's shareholders shall be entitled to make a decision on non-payment of dividends on the Company's ordinary shares with its mandatory publication in mass media specified by this Charter within ten days from the date of the decision.

- 8.7. Within ten business days from the date of the decision on payment of dividends on the Company's ordinary shares, such decision shall be published in the mass media specified by this Charter and on the corporate web-site of the Company unless

otherwise provided for by the requirements of the stock exchange where the Company's securities are listed on.

Resolution on payment of dividends on shares of the Company shall contain the following information:

- 1) the Company's name, location, bank details and other Company details;
  - 2) period the dividends are paid for;
  - 3) dividend rate per ordinary, preferred share;
  - 4) date of beginning of dividend payment;
  - 5) procedure and form of dividend payment.
- 8.8. The size of the dividend distributed per preferred share shall be at least 25 (twenty five) tenge and may not be less than the size of the dividend distributed per ordinary share for the same period of time.
- Dividend payment for ordinary shares shall not be made until the full payment of dividends on the Company's preferred shares.
- 8.9. Within five business days prior to a dividend payment on preferred shares, the Company is obliged to publish in mass media specified by this Charter the information on such dividend payment including details specified in subparagraphs 1)-5) of paragraph 8.7 of the Charter.

## **9. BODIES OF THE COMPANY**

- 9.1. The Company's bodies shall be as follows:
- 1) the supreme body – the general meeting of shareholders;
  - 2) the management body – the board of directors;
  - 3) the executive body – the management board;
  - 4) the body authorized to exercise control over financial and economic activities of the Company – the internal audit service unless the Company decides that, for the purposes of the unified and centralized internal auditing practice within the JSC NC “KazMunayGas” group of companies, the services related to the internal auditing will be provided to the Company by JSC NC “KazMunayGas”, being the parent organization of the Company.

## **10. GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY**

- 10.1. General meetings of shareholders shall be annual and extraordinary.
- 10.2. The Company shall be obliged to hold an annual general meeting of shareholders on an annual basis. Other general meetings of shareholders are extraordinary.
- 10.3. The annual general meeting of shareholders shall approve annual financial statements and annual report of the Company, determine the procedure for distribution of the Company's net income for the last financial year and dividend rates per 1 (one) ordinary and 1 (one) preferred share of the Company as well as review applications of the shareholders in relation to actions of the Company and its officers and results of review of such applications.

The chairman of the board of directors shall inform the Company's shareholders on the extent and structure of remuneration of the members of the board of directors and the management board of the Company.

The annual general meeting of shareholders may consider any other issues deciding on which is within the competence of the general meeting of shareholders.

- 10.4. The annual general meeting of shareholders is to be convened within 5 (five) months following the end of the fiscal year.

This period shall be deemed to be extended for up to 3 (three) months in case of impossibility to complete the Company's audit for the accounting period.

- 10.5. The annual general meeting of shareholders shall be called by the board of directors.

- 10.6. An extraordinary general meeting of the shareholders shall be called by:

- 1) the board of directors;
- 2) major shareholder.

An extraordinary general meeting of shareholders of the Company, if it is under the process of a voluntary liquidation, may be convened, prepared and held by the Company's liquidation committee.

Obligatory convocation of an extraordinary general meeting of shareholders may be provided for by the Legislation.

- 10.7. Preparation and holding of a general meeting of the shareholders of the Company shall be carried out by:

- 1) the management board;
- 2) the Company's registrar in accordance with an agreement entered into therewith;
- 3) the board of directors;
- 4) the Company's liquidation committee (if applicable).

- 10.8. The expenses on convocation, preparation and holding of a general meeting of shareholders shall be borne by the Company except as otherwise provided by the Legislation.

- 10.9. An annual general meeting of shareholders may be convened and held on the basis of a court decision adopted on the claim of any interested party should the Company violate the order of convening the annual general meeting of shareholders established by the Legislation.

An extraordinary general meeting of shareholders may be convened and held based on a court decision adopted on the claim of a major shareholder if the bodies of the Company failed to fulfil this shareholder's request to hold an extraordinary general meeting of shareholders.

- 10.10. Request for convening an extraordinary general meeting of shareholders, including by the major shareholder, shall be submitted to the board of directors by delivering an appropriate written request containing agenda of such meeting to the place of location of the Company's management board.

The Company's board of directors may not amend the wording of agenda items or change the proposed order of an extraordinary general meeting of shareholders convened at the request of the major shareholder.

When convening an extraordinary general meeting of shareholders in accordance with the submitted request, the board of directors may add any items to the agenda of the general meeting, at its own discretion.

Should the request for convening an extraordinary general meeting of shareholders

come from the major shareholder (shareholders), it shall contain names (corporate names) of the shareholders (shareholder) requesting convening of such a meeting, and specification of the number and type of the shares he/it owns.

A request for convening an extraordinary general meeting of shareholders shall be signed by a person (persons) requesting convening of the extraordinary general meeting of shareholders.

- 10.11. The board of directors shall, within ten business days from receipt of the said request, pass a resolution and, no later than three business days from passing such a resolution, send a notice to the person who had submitted such request informing about the resolution passed to convene an extraordinary general meeting of shareholders or to refuse its convening.

A resolution of the Company's board of directors to refuse convening an extraordinary general meeting of shareholders at the request of the major shareholder may be passed in case:

- 1) the procedure for submission of a request for convening an extraordinary general meeting of shareholders established by the Legislation has not been observed;
- 2) items proposed for inclusion in the agenda of an extraordinary general meeting of shareholders do not meet the requirements of the Legislation.

A resolution of the Company's board of directors to refuse convening an extraordinary general meeting of shareholders may be disputed in court.

In case the Company's board of directors does not pass a resolution to convene an extraordinary general meeting of shareholders at the submitted request within the period established by the Legislation, the person requesting to convene it may apply to court with the claim to oblige the Company to hold an extraordinary general meeting of shareholders.

- 10.12. The list of shareholders authorized to participate in the general meeting of shareholders shall be produced by the registrar of the Company on the basis of data kept in the system of registers of the holders of the Company's shares. The date of this list shall not be earlier than the date of the resolution to hold the general meeting.

The information to be included into the list of shareholders is established by the authorized body.

- 10.13. If after completion of the list of shareholders authorized to participate in and vote at the general meeting of shareholders a person included into this list has alienated its voting shares in the Company, the right to take part in the general meeting of shareholders shall be transferred to a new shareholder. For this purpose, the documents evidencing the ownership right to the shares shall be presented.

- 10.14. The date and time of holding a general meeting of shareholders are to be determined in a way to make possible for the greatest number of the persons eligible to participate in the meeting to take part therein. The general meetings of shareholders shall be held in Astana, Republic of Kazakhstan.

- 10.15. The shareholders shall be notified of a forthcoming general meeting not later than 30 (thirty) calendar days prior to its holding, and in case of absentee or mixed voting not later than 45 (forty five) calendar days prior to the date of the meeting.

- 10.16. A notification of holding a general meeting of shareholders shall be published in "Kazakhstanskaya Pravda" and/or "Yegemen Kazakhstan" newspapers as well as in other mass media subject to the requirements of the listing rules of the stock exchange the ordinary shares of the Company are listed on.

The time periods provided for in paragraph 10.15 of the Charter shall commence



from the date of publication of the notification of the general meeting of shareholders in the mass media as specified in this paragraph or from the date of sending written notifications to the shareholders.

- 10.17. The notification of holding the general meeting of shareholders of the Company shall contain:
- 1) full name of the Company and location of its management board;
  - 2) information on the initiator of the meeting;
  - 3) date, time and venue of the general meeting of shareholders of the Company, time of the commencement of registration of the participants of the meeting, and also date and time of any repeat general meeting of shareholders of the Company to be held in case of the original meeting is not held;
  - 4) date of completion of the list of shareholders entitled to participate in the general meeting of shareholders;
  - 5) agenda of general meeting of shareholders;
  - 6) procedures for familiarization of shareholders with materials relating to the agenda items of the general meeting of shareholders;
  - 7) procedures of conducting of the meeting;
  - 8) procedures of absentee voting;
  - 9) provisions of the legislative acts of the Republic of Kazakhstan in accordance with which the meeting is held.

A minority shareholder may refer to the Company's registrar for the purpose of joining with other shareholders for adopting the decisions on the agenda items of the general meeting of shareholders.

The procedure for the minority shareholders applications and distribution of information to other shareholders by the registrar of the Company shall be established by an agreement on maintaining the system of registers of security holders.

- 10.18. The repeat general meeting of shareholders may be appointed for a day not earlier than the next day after the date fixed for the original ( not held) general meeting of shareholders.
- 10.19. The venue of the repeat general meeting of shareholders shall be the same as that of the general meeting of shareholders which has not been held.
- 10.20. The agenda of the repeat general meeting of shareholders must not differ from the agenda of the meeting that has not been held.
- 10.21. An agenda of general meeting of shareholders shall be formed by the board of directors and shall contain an exhaustive list of particularly worded issues submitted for discussion. It is not permitted to use in agenda the wording with a broad interpretation including "miscellaneous", "other", "some" and the similar.
- An agenda of general meeting of shareholders may be supplemented by a shareholder owing individually, or in aggregate with other shareholders, 5% or more of voting shares of the Company or by the board of directors subject to the Company's shareholders have been notified about such supplements not later than 15 (fifteen) days prior to the holding of the general meeting or in the manner established by paragraph 10.24 of the Charter.
- 10.22. At the opening of a general meeting of shareholders attended in person, the corporate secretary shall report on the received proposals for amending the agenda.
- 10.23. The approval of an agenda of general meeting of shareholders shall be made by a majority vote of the total voting shares represented at the meeting.

- 10.24. The amendments to the agenda may be introduced if the majority of shareholders (or their representatives) participating in the general meeting of shareholders and holding in aggregate no less than 95% (ninety five per cent) of the Company's voting shares vote affirmatively.

The agenda may be supplemented with an item, resolution on which may restrict the rights of the shareholders owning preferred shares, if at least two thirds of the total number of the outstanding (less redeemed) preferred shares have voted for its introduction.

If the general meeting of shareholders takes a decision by absentee voting, then its agenda may be neither amended nor supplemented.

- 10.25. The general meeting of shareholders may not consider issues which haven't been included into its agenda and take any decisions thereon.
- 10.26. The materials concerning items on the agenda of the general meeting of shareholders shall contain information to the extent necessary for making reasonable decisions on such items. The corporate secretary shall ensure preparation of the materials on the agenda items of the general meeting of shareholders.
- 10.27. The materials on electing the Company's bodies (board of directors) shall include the following information about the proposed candidates:
- 1) last name, first name, patronymic is optional;
  - 2) information on education;
  - 3) affiliation with the Company;
  - 4) work record and positions filled within the last 3 years;
  - 5) other information that verifies the qualification and experience of the candidates.

In the event an item concerning election of the Company's board of directors (election of a new member of the board of directors) is included in the agenda of the general meeting of shareholders, the materials shall specify a shareholder nominating a candidate for the board of directors or whether this person is a candidate for the position of the independent director of the Company. If the candidate for the board of directors is a shareholder or an individual specified in the first part of paragraph 12.7 of the Charter, then this information shall also be specified in the materials including information on the percentage of voting shares of the Company owned by the shareholder as of the date the shareholders list is made.

- 10.28. The materials for the agenda of the annual general meeting of shareholders shall include:
- 1) annual consolidated financial statements of the Company;
  - 2) audit report regarding the annual consolidated financial statements;
  - 3) proposals made by the board of directors on the procedure for the distribution of the Company's net income for the last financial year and the amount of the dividend for the year per one (1) ordinary and one (1) preferred share of the Company;
  - 4) materials on applications of the shareholders in relation to actions of the Company and its officers and results of review of such applications;

- 5) annual report of the Company, annual report on the performance of the board of directors and the management board;
  - 6) other documents at the discretion of the initiator of the general meeting of shareholders.
- 10.29. The annual report of the Company shall be prepared by the management board of the Company, approved and submitted for consideration of the general meeting of shareholders by the Company's board of directors.
- The annual report of the Company shall include at least audited financial statements, report on the material events in the Company's activity for the past period and a description of liability of the Company's officers for the accuracy of the information stated in the Company's annual report.
- The approved annual report of the Company shall be posted on the corporate web-site of the Company.
- 10.30. The materials for agenda of a general meeting of shareholders shall be prepared and accessible for shareholders' review at the location of the Company's management board not later than 10 (ten) days before the date of the meeting, and upon the request of a shareholder shall be sent to it within 3 (three) business days since the request was received; a shareholder shall bear the expenses connected with copying and delivering the documents.
- 10.31. The general meeting of shareholders shall be entitled to consider and take decisions on agenda items if by the closing of registration of the meeting participants, the shareholders or their representatives included into the list of shareholders entitled to participate in and vote at such meeting holding in aggregate 50 (fifty) and more per cent of the Company's voting shares have been registered.
- 10.32. The repeat general meeting of shareholders taking place instead of the meeting that has not been held shall be entitled to review agenda items and to take decisions thereon, if:
- 1) the order of convening of the general meeting of shareholders that has not been held due to absence of a quorum was observed;
  - 2) by the time of closing of registration, the shareholders or their representatives included into the list of shareholders and absentee voting shareholders, holding in aggregate 15 (fifteen) and more per cent of the Company's voting shares have been registered for participation in it.
- 10.33. If absentee ballots are sent to shareholders, votes shown on these ballots and received by the Company by the time of registration of the general meeting participants shall be taken into account in determining quorum and summing up the results of the voting.
- If there is no quorum at a general meeting of shareholders held through absentee voting, no repeat general meeting of shareholders shall be held.
- 10.34. A shareholder shall be entitled to participate in a general meeting of shareholders and to vote on the issues under consideration personally or through its representative.
- Members of the Company's management board shall not be allowed to act as representatives of shareholders at a general meeting of shareholders. Employees of the Company shall not be allowed to act as representatives of shareholders at a general

meeting of shareholders unless such representation is based on a power of attorney containing specific instructions on voting with respect to all items on the agenda of the general meeting of shareholders.

A shareholder's representative shall act on the basis of a power of attorney issued in compliance with the Legislation.

10.35. A power of attorney is not required for participation in a general meeting of shareholders and voting on the reviewed matters for a person who has the right according to the Legislation or contract to act without a power of attorney on behalf of a shareholder and to represent its interests.

10.36. The procedure for holding a general meeting of shareholders shall be determined in accordance with the Legislation, this Charter, the Code or directly by the decision of the general meeting of shareholders.

10.37. All the shareholders (their representatives) arrived shall be registered before the meeting is opened. A shareholder's representative shall present a power of attorney to confirm his (her) authorities to participate and vote at the general meeting of shareholders.

A shareholder (or shareholder's representative), if failed to be registered, shall be disregarded in determining the quorum and shall not be authorized to take part in voting.

The Company's shareholder, being the owner of preferred shares, shall have the right to be present at a general meeting of shareholders attended in person and shall be authorized to participate in the discussions of the issues considered at the meeting but shall have no right to vote except for the cases provided for in paragraph 7.4 hereof.

Invited persons may be present at a general meeting of shareholders attended in person, and such persons shall have a right to deliver a speech at the general meeting of shareholders with the permission of the chairman.

10.38. A general meeting of shareholders shall be opened in the announced time subject to the quorum is met.

A general meeting of shareholders may not be opened earlier than the announced time, except for the cases when all shareholders (their representatives) are already registered and notified and have no objections against changing the time of opening the meeting.

If within 1 (one) hour after the time appointed for the commencement of the meeting a quorum is not present, the meeting shall be adjourned for the date and time of the repeat general meeting of shareholders of the Company as specified in the notification of the meeting.

10.39. General meeting of shareholders shall elect the chairman (presidium).

The general meeting of shareholders shall determine a voting procedure, either open or secret (by ballots). Voting on election of the chairman (presidium) of the general meeting of shareholders shall be executed on 1 (one) share – 1 (one) vote basis with a decision to be taken by a simple majority of votes out of the total number of voting shares of the Company present and entitled to vote. Members of the management board may not chair the general meeting of shareholders except for the cases when all shareholders present at the meeting are the members of the management board.

The corporate secretary of the Company shall act as the secretary of the general meeting of shareholders.

- 10.40. In the course of general meeting of shareholders, its chairman shall have the right to put to vote a proposal on closure of debates with respect to the matter under consideration as well as on changing the way of voting on such issue.

The chairman may not prevent persons, authorized to participate in discussion of the agenda items from delivering their speeches, except for the cases when such speeches result in breach of any rules of procedure of the general meeting of shareholders or when the debates over such issue have been closed.

- 10.41. The general meeting of shareholders shall be entitled to take a decision on taking a break or continuation of its work, including rescheduling the consideration of certain items of the agenda of the general meeting of shareholders for the next day, and a relevant record in the minutes of the meeting is made.

- 10.42. The general meeting of shareholders shall be declared closed only after consideration of all items on the agenda and taking decisions on them.

- 10.43. The secretary of the general meeting of shareholders shall be responsible for completeness and accuracy of any information recorded in the minutes of the general meeting of shareholders.

- 10.44. The decisions of a general meeting of shareholders may be taken through an absentee voting. The absentee voting may be applied alongside with voting of shareholders attending the general meeting of shareholders (mixed voting), or without holding a general meeting of shareholders.

- 10.45. At absentee voting, ballots for voting of the unified form shall be sent (distributed) to persons who are included in the list of shareholders.

The Company may not send voting ballots in a differentiated way to selected shareholders for the purpose of affecting the results of voting at a general meeting of shareholders.

- 10.46. Voting ballots are to be forwarded to persons included in the list of shareholders not later than 45 (forty five) days prior to a general meeting of shareholders. In absentee voting without holding a general meeting of shareholders, the Company shall publish an absentee voting ballot along with a notification on holding the general meeting of shareholders in the mass media specified in paragraph 10.16 of the Charter.

- 10.47. A ballot for absentee voting shall contain:

- 1) full name of the Company and location of the Company's Management Board;
- 2) information on the initiator of the meeting to be convened;
- 3) final date of submission of ballots for absentee voting;
- 4) date on which the general meeting of shareholders will be held or the date on which the absentee votes will be counted without holding a general meeting of shareholders;
- 5) agenda of the general meeting of shareholders;
- 6) names of candidates proposed for election if the agenda of general meeting of shareholders contains items regarding the election of members to the Board of Directors;
- 7) wording of the issues to be voted on;
- 8) voting options for each item of the agenda of the general meeting of shareholders expressed by words "for", "against" and "abstained";

- 9) an explanation of the voting procedures (filling out of ballot) for every item of the agenda.
- 10.48. An absentee ballot is to be signed by a shareholder being a physical person with specification of his/her personal identity document details.
- An absentee ballot for a shareholder being a legal entity shall be signed by its head and affixed with the seal of such legal entity.
- A ballot without the signature of a shareholder being a physical person or the head of a shareholder which is a legal entity as well as without a seal affixed by such shareholder being a legal entity shall be considered invalid.
- The votes shall be counted only on such issues on which the respective shareholder has observed the voting procedure specified in the ballot and marked only one possible voting option.
- 10.49. If the agenda of general meeting of shareholders includes items regarding the election of members to the Board of Directors, the ballot for absentee voting shall contain fields for indication of the number of votes given for individual candidates.
- 10.50. If a shareholder who has earlier forwarded an absentee ballot, arrives to participate and vote at the general meeting of shareholders, at which mixed voting is used, his (her) ballot shall not be taken into account in determining the quorum of the general meeting of shareholders and counting votes on the agenda items.
- 10.51. Voting at a general meeting of shareholders shall be conducted on a “one (1) share-one (1) vote” basis, except the following cases:
- 1) limitation of maximum number of votes for shares granted to one (1) shareholder in cases stipulated by the legislative acts of the Republic of Kazakhstan;
  - 2) cumulative voting when electing members of the Board of Directors;
  - 3) granting every person authorized to vote at a general meeting of shareholders one (1) vote to be used on the procedural matters of a general meeting of shareholders.

Following the results of voting, the counting commission shall draft and sign the minutes on the results of voting.

If a shareholder has a dissenting opinion on an item put to vote, the Company’s counting commission is obliged to make a relevant record in the minutes.

Once the minutes on the results of voting have been prepared and signed, completed ballots for secret voting in person and for absentee voting (including cancelled ballots), on the basis of which the minutes were drafted, are to be laced together with the minutes and kept at the Company.

The minutes on voting results are to be attached to the minutes of the general meeting of shareholders.

The result of voting shall be announced at the general meeting during which voting was taken.

The result of voting at a general meeting of shareholders or the result of absentee voting shall be brought to notice of shareholders by publishing such results in the mass media specified in paragraph 10.16 of the Charter within 15 (fifteen) calendar days after closing of general meeting of shareholders.

- 10.52. The minutes of a general meeting of shareholders shall be drafted and signed within 3 (three) business days following the meeting closure.

10.53. The minutes of general meeting of shareholders shall specify:

- 1) full name of the Company and location of the Company's management board;
- 2) date, time and venue of the general meeting of shareholders;
- 3) information on the number of voting shares of the Company represented at the general meeting of shareholders;
- 4) quorum at the general meeting of shareholders;
- 5) agenda of the general meeting of shareholders;
- 6) voting procedure at the general meeting of shareholders;
- 7) chairman (presidium) and secretary of the general meeting of shareholders;
- 8) number of persons participating in the general meeting of shareholders;
- 9) total number of shareholders' votes on each agenda item of the general meeting of shareholders put to vote;
- 10) items put to vote, results of voting thereon;
- 11) resolutions made by the general meeting of shareholders.

In the event of consideration of the item concerning election of the Company's board of directors (election of a new member of the board of directors) at a general meeting, the minutes of such general meeting shall specify which shareholder the elected member of the board of directors represents and/or which of the elected members of the board of directors is an independent director.

10.54. The minutes of general meeting of the shareholders shall be signed by:

- 1) the chairman (members of the presidium) of the general meeting of shareholders and the corporate secretary;
- 2) members of the counting commission;
- 3) shareholders holding 10 (ten) or more per cent of voting shares in the Company and participating in the general meeting of shareholders;

In case of impossibility to sign the minutes by a person responsible to do so, it shall be signed by his/her representative on the basis of a power of attorney issued thereto or by a person authorized in accordance with the laws of the Republic of Kazakhstan or an agreement to act without a power of attorney on behalf of the shareholder or represent its interests.

10.55. Should any person, referred to in paragraph 10.54 of the Charter, disagree with the content of the minutes, the above person shall be entitled to refuse to sign it by providing the reasons for such refusal in writing which should be attached to the minutes.

10.56. The minutes of the general meeting of shareholders shall be laced together with minutes of the results of voting, powers of attorney authorizing the participation and voting at the general meeting, as well as the signing of the minutes, and written explanations of those who have not signed the minutes indicating the reasons why they refused to sign the minutes. These documents shall be kept by the management board of the Company and shall be provided to the shareholders for familiarization at any time. If requested, a shareholder shall be given a copy of the minutes of the general meeting of shareholders.

## **11. COMPETENCE OF THE GENERAL MEETING OF SHAREHOLDERS**

11.1. The following issues fall within the exclusive competence of the general meeting of

shareholders:

- 1) introduction of amendments to the Charter or approval of its new version;
- 2) voluntary reorganization or liquidation of the Company;
- 3) adopting a decision on increase in number of authorized shares of the Company, determining their type or change of type of unplaced authorized shares of the Company;
- 4) stipulation of conditions and procedures for conversion of securities of the Company and variation thereof;
- 4-1) adopting a decision on issuance of securities convertible into ordinary shares of the Company;
- 4-2) adopting a decision on swapping of placed shares of one type for shares of another type, stipulation of conditions and procedure for such swap;
- 5) adopting a decision on temporary or permanent removal of securities of the Company from the official stock exchange list where they are listed on;
- 6) amending the Code or approval of its new version;
- 7) determination of the number of members and term of office of the counting commission of the general meeting of shareholders and election of members of the counting commission and early termination of their powers;
- 8) determination of the number of members and term of office of the board of directors, election of its members and early termination of their powers, approval of the regulation of the board of directors as well as determining the amount and terms of remuneration and compensation of expenditures of members of the board of directors for performance of their duties;
- 9) determination of an audit organisation conducting audit of the Company;
- 10) approval of the annual consolidated financial statements and annual report of the Company;
- 11) approval of a procedure of distribution of the net income of the Company for the reported financial year, adoption of a decision on payment of dividends on ordinary and preferred shares and approval of the dividend rate per one (1) ordinary and one (1) preferred share of the Company;
- 12) adopting a decision on non-payment of dividends on ordinary shares of the Company;
- 13) adopting a decision on conclusion of the Company's interested party transactions in the event such decision cannot be taken by the board of directors of the Company;
- 13-1) adopting a decision on conclusion by the Company of a major transaction as a result of which the Company sells (may sell) its property, the value of which constitutes fifty percent or more of the total book value of the Company's assets as of the date of adopting such decision;
- 14) specification of the form of notification of shareholders by the Company concerning convocation of the general meeting shareholders and adopting a decision on publication of such information in mass media;
- 15) approval of the methodology of determining the value of the shares for redemption thereof by the Company at an unorganised market as well as



- amending thereof;
- 16) adopting a decision on granting of share options to the members of the board of directors (except for the general director (chairman of the management board) and independent directors);
  - 17) approval of an agenda for a general meeting of shareholders;
  - 18) approval of the decision on acquisition by the Company of any interests in subsoil use rights in the Republic of Kazakhstan (by way of acquisition of a participation interest in the relevant legal entity owing such subsoil rights or otherwise) provided that such acquisition was contemplated by the Company at the time of listing of its securities on the London Stock Exchange and is expressly disclosed in the prospectus relating to the listing of such securities on the London Stock Exchange;
  - 19) adopting a decision on participation of the Company in establishing or activities of other legal entities or withdrawal as a participant (shareholder) from other legal entities by transfer (receipt) of a part or a number of parts of the assets constituting in aggregate 25 (twenty five) per cent or more of all the assets belonging to the Company in accordance with the recent financial statement published on the stock exchange.
  - 20) other issues within the exclusive competence of the general meeting of shareholders according to the Legislation and/or the Charter.
- 11.2. Resolutions of the general meeting of shareholders on the issues specified in subparagraphs 1)-3), 5)-6), 15) of paragraph 11.1 of the Charter shall be adopted by a qualified majority out of the total number of voting shares of the Company.
- Resolutions of general meeting of shareholders on other issues shall be made by a simple majority of votes out of the total number of voting shares of the Company participating in voting, unless otherwise provided for by the Law of the Republic of Kazakhstan “On Joint Stock Companies”.
- 11.3. Delegation of decision-making authorities on the issues that fall within the exclusive competence of general meeting of shareholders to other bodies, officials or employees of the Company is not permitted unless otherwise provided for by the Legislation.
- 11.4. The general meeting of shareholders has the right to cancel any decision made by other bodies of the Company on the issues related to the internal activity of the Company.

## **12. BOARD OF DIRECTORS**

- 12.1. The board of directors shall be responsible for the general management of the Company’s activities except for the issues referred by the Legislation and/or the Charter to the exclusive competence of a general meeting of the shareholders. Each member of the board of directors shall act at all times in the best interests of the Company.
- 12.2. The following issues fall within exclusive competence of the board of directors:
- 1) determining the priority areas of activity of the Company;
  - 2) adopting a decision regarding the convening of annual and extraordinary general meetings of shareholders;
  - 3) adopting a decision on placement (disposal) of and the number of the

- Company's shares to be placed (disposed) within the number of authorized shares, procedure and price of placement (disposal) of shares;
- 4) adopting a decision on redemption of the placed shares or other securities by the Company and the purchase price;
  - 5) adopting a decision on redemption by the Company of its shares from shareholders on non-proportional basis (except for the purchase of such shares on securities market);
  - 6) preliminary approval of the annual consolidated financial statements of the Company, approval of the annual report on performance of the board of directors and the management board of the Company;
  - 7) approval of the Charter, the Code, and amendments thereto;
  - 8) determination of terms of issuance of bonds and derivative securities of the Company as well as adopting a decision on their issuance;
  - 9) approval of prospectus for the listing of the Company's securities on a stock exchange;
  - 10) determination of the number of members and term of office of the Company's management board, approval of its regulation, election of the general director (chairman of the management board) and members of the management board, as well as early termination of their powers;
  - 11) giving recommendations to the general meeting of shareholders as to the amount and terms of payment of remuneration to the members of the board of directors;
  - 12) defining the official salary and salary and bonus payment conditions, adopting decisions on imposition of disciplinary penalties on the members of the management board;
  - 13) establishment of the Company's internal control procedures and their compliance monitoring as well as approval of the annual action plan for the internal audit service;
  - 14) as advised by the internal audit committee, determination of the number of members and personal composition, term of office of the employees of the internal audit service and early termination of their powers;
  - 15) as advised by the internal audit committee, determination of the working procedure of the internal audit service, its competence and functions, amounts and terms of remuneration and bonuses, adopting decisions on imposing disciplinary penalties on the members of the internal audit service;
  - 16) appointment, determination of the term of office of the corporate secretary, early termination of his/her powers, approval of the company secretary regulation as well as determining the amount of his/her salary and compensation terms, adopting decisions on imposition of disciplinary penalties on the corporate secretary;
  - 17) determination of the remuneration payable to an audit organization for auditing the financial statements and to an appraiser for valuation of property either transferred as payment for the shares of the Company or being a subject of a major transaction as well as determination of an appraiser and its remuneration for valuation of shares in accordance with the methods of

- valuation of the shares for redemption thereof by the Company at over-the-counter market;
- 18) determination of procedure for the use of the reserve capital of the Company, if any;
  - 19) approval of documents regulating the internal activities of the Company; the list of such documents shall be approved by the board of directors of the Company, including the internal document establishing the conditions and procedure for placement of securities of the Company by holding an auction and/or subscription;
  - 19-1) adopting decisions on the matters as determined by the general meeting of shareholders and the board of directors (including on those stipulated by internal documents approved by the said bodies) except for the matters that are within the competence of the executive body and the general meeting of shareholders according to the Charter;
  - 20) adopting decisions on opening and closing of branches and representative offices of the Company and approval of regulations of such branches and representative offices, as well as on appointing and dismissing the heads of branches and representative offices of the Company, direction of activity of branches and representative offices of the Company;
  - 21) adopting decisions on acquisition (disposal) by the Company of ten (10) or more per cent of shares (participating interests in charter capital) in other legal entities;
  - 21-1) adopting decisions in respect of the matters falling within the competence of a general meeting of shareholders (participants) of a legal entity whose 10 (ten) and more per cent of shares (participation interests in the charter capital) are owned by the Company;
  - 22) **[DELETED]**
  - 23) determination of information about the Company and its activities constituting official, commercial or other secret protected by law;
  - 24) adopting decisions on conclusion of major transactions, except for major transactions with respect to which decision-making is within the competence of the general meeting of shareholders of the Company;
  - 25) adopting decisions on conclusion by the Company of interested party transactions;
  - 26) adopting decisions on increase in the Company's liabilities for an amount which exceeds an amount in tenge equivalent to 5 (five) million US dollars, on attracting or granting a loan the value of which exceeds an amount in tenge equivalent to 5 (five) million US dollars as well as on conclusion of any transaction the value of which exceeds an amount in tenge equivalent to 5 (five) million US dollars;
  - 27) obtainment, transfer by the Company (or by any of its affiliates or jointly controlled entities) of subsoil use licenses or contracts in the Republic of Kazakhstan or elsewhere, introduction of amendments to such licenses or contracts (except for change of details of the parties or editorial alterations);
  - 28) approval of the strategy and the strategic development plans of the Company;
  - 29) approval of the consolidated annual budget and business plan of the Company;

- 30) development of recommendations to the general meeting of shareholders on the procedure for distribution of net income of the Company for the past financial year and on the amount of dividends to be paid per one (1) ordinary share and one (1) preferred share of the Company paid by the Company at the year-end;
- 31) establishment of a committee or other body of the board of directors, determination of procedures for their formation and operation, composition, activity and powers, as well as approval of regulations thereof;
- 32) control over the compliance with the listing rules of the stock exchange on which the Company's shares are listed;
- 33) approval of a resolution on temporary or permanent delisting of the Company's securities from the stock exchange the Company's securities are listed on;
- 34) adopting decisions on participation of the Company in establishment of other organizations;
- 35) approval of any share option plans and long term incentive plans for the officers and employees of the Company;
- 36) adopting decisions on granting share options and premium under the share option plans and long-term incentive plans of the Company employees, except for options granted to the members of the board of directors (except for the general director (chairman of the management board) and independent directors);
- 37) approval of voluntary liquidation or reorganization of the Company;
- 38) approval of social expenditures of the Company (except for the expenditures required by law or existing agreements);
- 39) approval of the structure and staff (total headcount) of the employees of the Company's central office, branches, representative offices and administrative staffs, as well as the total number of employees of organization departments of branches and representative offices;
- 40) approval of accounting policy of the Company;
- 40-3) determining the strategy and risk management policy of the Company;
- 40-4) consideration of the issues determined by the Cash Management Policy of JSC "KazMunaiGas" EP";
- 40-5) final approval of the annual production programme of the Company, as well as the amendments thereto;
- 40-6) approval of the long-term plan for procurement of goods, works, and services;
- 41) other issues stipulated by the Legislation, listing rules of the relevant stock exchange and/or the Charter.

12.2-1. The board of directors shall:

- 1) monitor and, where possible, eliminate any potential conflict of interest on the level of officers and shareholders, including unlawful use of Company's property and abuse while entering into interested party transactions;
- 2) exercise control over efficiency of corporate governance practice in the Company.

12.3. In order to review the most important issues and develop recommendations for the board of directors the committees of the board of director on the following issues shall be established within the Company:

- 1) strategic planning;
- 2) human resources;
- 3) remunerations;
- 4) internal audit;
- 5) social matters;
- 6) business planning;
- 7) corporate governance;
- 8) other matters provided for by the Legislation and internal documents of the Company.

The committees of the board of directors shall consist of the members of the board of directors and experts having the professional knowledge necessary for working at the specific committee. The board of directors may engage experts out of employees of the Company who have necessary knowledge, as advised by the management board of the Company. The board of directors may adopt a resolution to engage other individuals as experts.

A committee of the board of directors shall be chaired by a member of the board of directors who is not the chairman of Company's management board. The independent directors shall be the heads (chairpersons) of the committees of the board of directors specified in subparagraphs 1)-5) of this paragraph.

The procedures for formation and operation, the number of members within the committees of the board of directors, as well as procedures for interaction with the board of directors of the Company shall be established by the Company's internal documents developed in accordance with best practices applied at listed companies, and approved by the board of directors.

12.4. Issues within the exclusive competence of the board of directors may not be transferred to the decision of the management board of the Company.

The board of directors may not make resolutions on the issues which in accordance with the Charter fall within the exclusive competence of the management board and adopt resolutions contradicting any decisions of the general meeting of shareholders.

12.5. Resolutions of the board of directors on issues specified in subparagraphs 3), 7 (with respect to the Charter and amendments thereto only), 14), 24), 27) and 33) of paragraph 12.2 of the Charter shall be taken by a majority vote of the members of the board of directors including majority vote of independent directors.

When considering any issue stipulated in subparagraphs 3), 5), 7), 14), 24), 26), 27), 31), 33), 37), 38) of paragraph 12.2 of this Charter, the independent directors shall:

- 1) have a right at the expense of the Company to get consultation of professional experts (including legal and financial advisers) with respect to such provisions that they think necessary;
- 2) undertake to act in good faith, in a reasonable and fair manner in compliance with requirements of the laws, ethical principles, and the rules of business ethics in the best interest of the Company's shareholders as a whole.

12.6. Only a natural person may be a member of the board of directors.

Members of the board of directors shall be elected from:

- 1) shareholders who are natural persons;
- 2) persons proposed (recommended) to be elected to the board of directors as representatives of the shareholders;
- 3) other persons (subject to limitations provided for by paragraph 12.8 of the Charter).

Members of the board of directors shall be elected by cumulative voting with the use of voting ballots except for cases where one candidate stands for a single post in the board of directors. Each shareholder may give votes, according to the number of shares it has, all for 1 (one) candidate or distribute them between several candidates to the board of directors. Candidates having the majority of votes are considered to be elected to the board of directors. If two or more candidates gain an equal number of votes then with respect to these candidates a further cumulative voting shall be held with provision to shareholders of cumulative voting ballots indicating the candidates with equal number of votes.

A cumulative voting ballot shall contain the following columns:

- 1) list of candidates for members of the board of directors;
- 2) number of shareholder's votes;
- 3) number of votes given by a shareholder for a candidate to the board of directors.

Voting options "against" and "abstained" shall not be included in cumulative voting ballot.

- 12.7. A member of the board of directors may be elected from natural persons that are neither shareholders of the Company nor proposed (recommended) for election to the board of directors as persons representing the shareholders. The number of such persons may not exceed fifty per cent of the members of the board of directors.

At least thirty (30) per cent of the members of the board of directors shall be independent directors.

- 12.8. Members of the management board except for its chairman may not be elected to the board of directors. The general director (chairman of the management board) may not be elected as chairman of the board of directors as well as chairman of any committee of the board of directors.

- 12.9. The number of members of the board of directors shall (in the absence of temporary vacancies) be at least eight (8) persons, including independent directors and the general director (chairman of the management board).

- 12.10. No person may be a member of the board of directors that:

- 1) does not have a higher education or a secondary professional education;
- 2) has an outstanding or not cancelled conviction in accordance with the procedure established by Legislation;
- 3) has been earlier an executive employee (chairman of the board of directors, chief executive officer (chairman of the management board), deputy CEO, chief accountant) of a legal entity which was declared bankrupt or exposed to conservation, rehabilitation, compulsory liquidation during the term of office of such person. This requirement has its effect within five years from the date when decision on bankruptcy, conservation, rehabilitation or compulsory liquidation was taken;
- 4) has been earlier an official of a joint stock company which was found guilty

by the court of crimes against property, in business activity or against the interests of service in commercial or other organizations, and released from criminal liability based on non-exonerate grounds for the above crimes. This requirement has its effect within five years from the date of cancellation of or clearing a criminal record or relief from criminal liability in the manner established by law.

12.11. Persons elected to the board of directors may be re-elected for any number of times unless otherwise stipulated by the Legislation.

12.12. The term of office of the board of directors is established by the general meeting of shareholders.

The term of office of the board of directors shall expire at the moment of holding of the general meeting where the new board of directors is elected.

12.13. The general meeting of shareholders may early terminate the powers of all or any member of the board of directors.

12.14. Early termination of powers of a member of the board of directors on his/her initiative is conducted on the basis of a written notification made to the board of directors.

The powers of such member of the board of directors are terminated from the moment of receipt of such notification by the board of directors.

12.15. In the event of early termination of powers of any member of the board of directors a new member of the board of directors shall be elected by cumulative voting of shareholders present at the general meeting provided that powers of such newly elected member of the board of directors shall be terminated concurrently with expiration of term of office of the board of directors as a whole.

12.16. The chairman of the board of directors shall be elected from its members by a majority of vote of the total number of members of the board of directors by open voting.

12.17. The chairman of the board of directors shall:

- 1) arrange the activities of the board of directors;
- 2) conduct meetings of the board of directors;
- 3) convene meetings of the board of directors and chair such meetings;
- 4) sign on behalf of the Company an employment agreement with the general director (chairman of the management board);
- 5) approve the job descriptions of the head of the internal audit service.

12.18. In the event the chairman of the board of directors is absent, his functions shall be fulfilled by one of the members of the board of directors upon the resolution of the board of directors made by majority votes of its members participating at the meeting.

12.19. A meeting of the board of directors may be convened on the initiative of the chairman of the board of directors or the chairman of the management board or upon request of:

- 1) any member of the board of directors;
- 2) the internal audit service of the Company;
- 3) an audit organization auditing the Company;
- 4) a major shareholder.

12.20. The request for convening the meeting of the board of directors with appropriate

materials enclosed shall be submitted to the chairman of the board of directors by sending an appropriate written notice containing the proposed agenda for the meeting of the board of directors.

If the chairman of the board of directors declines to convene the meeting, the initiator may apply with same request to the management board which is obliged to convene the meeting of the board of directors.

The meeting of the board of directors shall be convened by the chairman of the board of directors or the management board within ten (10) days from the date of receipt of the request for convening. Such meeting of the board of directors shall be held with the mandatory invitation of the person who made such request.

- 12.21. The procedure for submission of notifications on holding a meeting of the board of directors to the members of the board of directors is determined by the board of directors.

The agenda of the meeting of the board of directors in person is approved by the majority of votes of the members of the board of directors present at the meeting. The agenda of the meeting of the board of directors may be amended, if all the members of the board of directors, including the independent directors, vote for its amendment.

- 12.21-1. Materials on agenda items shall be submitted to members of the board of directors at least seven calendar days prior to the meeting.

In the event the issue of entering into a major transaction or interested party transaction is being considered, information on such transaction shall include information on parties thereto, the term of the transaction and its conditions, the nature of and shares of parties concerned, and report of appraiser (in the event property of ten (10) or more per cent from Company's assets is to be acquired or alienated).

- 12.22. A member of the board of directors shall notify the management board of the Company of his/her inability to participate in the meeting of the board of directors in advance.
- 12.23. The members of the board of directors or of any committee of the board of directors as well as experts may participate in a meeting of the board of directors or such committee by means of a conference call or any other communication media allowing all participants to hear and speak to each other. Members of the board of directors participating by such means shall be deemed present in person at the meeting and shall be entitled to vote or be counted in a quorum in accordance with the provisions of the Charter.
- 12.24. The quorum required for a valid meeting of the board of directors shall be not less than 2/3 (two thirds) out of the total number of members of the board of directors, including at least 2/3 (two thirds) of independent directors.

In case of the absence of the quorum for a meeting of the board of directors, the repeat meeting of the board of directors with the same agenda may be held within 10 (ten) days following the date of the meeting of the board of directors that has not occur. In doing so, the quorum required for a valid repeat meeting of the board of directors shall be as determined in first subparagraph of this paragraph 12.24.

In case of the absence of the quorum for the repeat meeting of the board of directors, a new repeat meeting of the board of directors with the same agenda may be held not earlier than 10 (ten) days following the date of the first meeting of the board of directors that has not occur. In doing so, the quorum required for a valid new repeat meeting of the board of directors shall be not less than a half out of the total number



of members of the board of directors.

If the total number of members of the board of directors is not sufficient for the quorum, the board of directors shall convene an extraordinary general meeting of shareholders for the election of new members of the board of directors. The remaining members of the board of directors may make a resolution only on convening of such extraordinary general meeting of shareholders.

In the event the board of directors should make a resolution on interested party transaction (including, for the avoidance of doubt, on interested party transaction to be concluded for the purposes of attracting a loan from organizations within the Sovereign Wealth Fund group or within the JSC NC “KazMunayGas” group, or granting a loan to such organizations), the resolution on conclusion of such transaction is made by simple majority of votes of the members of the board of directors disinterested in the conclusion of such transaction.

- 12.25. Each member of the board of directors shall have one vote. Resolutions of the board of directors shall be adopted by simple majority of votes of the members of the board of directors present at the meeting unless otherwise stipulated by the Legislation or the Charter. The transfer of voting rights by a member of the board of directors of the Company to any person, including other member of the board of directors is not allowed. The members of the board of directors may not appoint its representative to attend any meeting of the board of directors in their absence.

Upon a tied vote the vote of the chairman of the board of directors or the person chairing at the meeting of the board of directors shall be decisive.

In the event of entire or partial disagreement of a member of the board of directors with a resolution adopted by the board of directors, he/she shall set forth the disagreement in the form of dissenting opinion on the item put to vote which is recorded by the corporate secretary in the minutes of the meeting of the board of directors in person. In the event of adopting a decision by the board of directors by absentee voting, the dissenting opinion of a member of the board of directors shall be expressed in writing and attached to the completed ballot.

- 12.26. The board of directors may decide to hold a closed meeting where only the members of the board of directors can participate.
- 12.27. At the discretion of the chairman of the board of directors of the Company, resolutions on issues put to meetings of the board of directors may be adopted by absentee vote. In such a case the ballots shall be used for voting on the agenda items. Resolutions made by absentee vote shall be deemed adopted if a quorum is present by the ballots received by due date.

The resolution of an absentee vote of the board of directors shall be executed in written form and signed by the corporate secretary and the chairman of the board of directors. Within twenty (20) days following the execution of the decision, it shall be sent to the members of the board of directors with copies of the ballots based on which the decision was made.

The meeting of the board of directors by absentee vote is not allowed when the decisions are taken on the priority areas of the Company’s activities, when a new chairman of the board of directors is elected and when other issues are considered as determined by the board of directors.

- 12.28. Resolutions of the board of directors adopted at a meeting in person shall be executed by minutes which shall be prepared and signed by the person that chaired at the meeting and by the corporate secretary within three (3) days of such meeting and shall contain:

- 1) full name and location of the management board of the Company;

- 2) date, time and venue of the meeting;
  - 3) information regarding the persons who participated in the meeting;
  - 4) agenda of the meeting;
  - 5) items put to vote and results of the voting on those items with voting results of each member of the board of directors disclosed on each item on the agenda of the board of directors' meeting;
  - 6) speeches of the persons participating at the meeting of the board of directors;
  - 7) dissenting opinions of the members of the board of directors;
  - 8) decisions made;
  - 9) other information upon resolution of the board of directors.
- 12.29. The minutes of meetings and decisions of the board of directors shall be kept at the Company.
- The corporate secretary of the Company that is elected by the board of directors on a permanent basis and performs job responsibilities of the secretary of the board of directors, upon the request of a member of the board of directors shall provide such member with the minutes of the meeting of the board of directors for review and resolutions passed by absentee voting and/or provide him/her with excerpts from the minutes and resolution certified by the signature of the corporate secretary and affixed with the seal of the board of directors.
- 12.30. A member of the Company's board of directors, who failed to attend a meeting of the board of directors or has voted against a resolution passed by the Company's board of directors in violation of the procedure established by the Legislation and the Charter may dispute it in court;
- 12.31. A shareholder may dispute in court a resolution of the Company's board of directors passed in violation of the requirements of the Legislation and the Charter, if the said resolution violates the rights and legitimate interests of the Company and/or such shareholder.
- 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.

### **13. MANAGEMENT BOARD**

- 13.1. The current activities are managed by the management board of the Company. The management board is headed by the general director (chairman of the management board).
- The management board's activities arrangement and the procedure for convening and holding its meetings are regulated by internal documents of the Company approved by the board of directors. All or any of the members of the management board may participate in a meeting of the management board by means of a

conference call or other communication means which allows all the participants of the meeting to hear each other and speak to each other. A person participating in such a way shall be deemed present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

The management board shall be entitled to make decisions on any issues concerning the activities of the Company which are not referred by the Legislation and the Charter to the competence of other bodies and officials of the Company, including:

- 1) adopting decisions on increase in the Company's liabilities for amount which does not exceed an amount in tenge equivalent to 5 (five) million US dollars, on attracting or granting a loan the value of which does not exceed an amount in tenge equivalent to 5 (five) million US dollars as well as on conclusion of any transaction the value of which does not exceed an amount in tenge equivalent to 5 (five) million US dollars (except for any interested party transactions the decision on which is made in accordance with paragraph 12.24 of the Charter);
- 2) making recommendations to the board of directors on obtaining, transfer of subsoil use licenses or contracts in or outside of the Republic of Kazakhstan or by the Company (or any of its affiliates or jointly controlled entities), including introduction of amendments thereto (except for change of details of the parties or editorial alterations);
- 3) **[DELETED]**
- 4) **[DELETED]**
- 5) adopting decisions (resolutions) and giving instructions binding for all employees of the Company;
- 6) approval of documents regulating internal activity of the Company except for the documents to be approved by the board of directors;
- 7) coordination of activity of branches, representative offices of the Company;
- 8) ensuring timely provision of information on activities of the Company, including confidential information, to the members of the board of directors within ten (10) days of receipt of the request;
- 9) adopting decisions on operation issues of the internal activities of the Company;
- 10) **[DELETED]**
- 11) approval of monthly management reports;
- 12) approval of the entry into external financing agreements;
- 13) subject to the subsequent final approval by the board of directors of the Company, preliminary approval of the annual production programme of the Company, as well as the amendments thereto;
- 14) **[DELETED]**
- 14-1) **[DELETED]**
- 14-2) giving recommendation to the boards of directors, supervisory boards of subsidiaries and affiliate organizations of the Company, and authorized representatives of the Company in those bodies with regard to activities of those organizations;
- 15) adopting decisions on other issues concerning maintenance of activities of the Company which do not fall within the exclusive competence of the general

meeting of shareholders, the board of directors and officers of the Company.

A transfer of voting rights by a member of the Company's management board to another person including a member of the Company's management board is not allowed.

The management board is obliged to execute decisions of the general meeting of shareholders and the board of directors of the Company.

The Company shall be entitled to dispute the validity of any transaction entered into based on the resolution of the management board of the Company and in violation of the restrictions established by the Company, if the Company proves that at the moment of the conclusion of the transaction the parties were aware of such restrictions.

- 13.2. The shareholders and employees of the Company who do not hold shares of the Company can be the members of the management board of the Company. The requirements and restrictions for persons nominated to Company's management board are established in the Legislation, the Code and the internal documents of the Company.

A member of the management board has a right to work in other organizations only with the consent of the Board of directors. The general director (chairman of the management board) of the Company may not hold a position of the head of an executive body or a person individually exercising functions of the executive body in other legal entity.

Functions, rights and obligations of a member of the management board are determined by the Charter, the Code and the Legislation, as well as the employment agreement to be signed by the mentioned person with the Company. The employment agreement with the general director (chairman of the management board) with the established amount of salary in accordance with the resolution of the board of directors shall be signed on behalf of the Company by the chairman of the board of directors or any other person authorized by the general meeting of shareholders or the board of directors. The employment agreements with other members of the management board with the established amount of salary in accordance with the resolution of the board of directors shall be signed by the general director (chairman of the management board).

- 13.3. The management board shall consist of at least five (5) persons.
- 13.4. A meeting of the management board is considered valid if at least 2/3 (two thirds) of members of the management board are present at such meeting.
- 13.5. The resolutions of the management board are made by a majority of votes of its members present at the meeting. If there is a tie vote the resolution for which the general director (chairman of the management board) voted shall be decisive.

The resolutions of the Company's management board shall be recorded in the minutes which shall be signed by all members of management board present at the meeting and shall contain the issues put to vote, voting results with votes of each member of the management board disclosed on each item.

- 13.5-1. For the purpose of prompt decisions on the risk management related issues there may be established a risk management committee under the management board. The procedure for establishment and operation of the risk management committee, number of its members and its competence shall be determined by the Company's management board.

- 13.6. The general director (chairman of the management board) of the Company shall:
- 1) be the head of the management board;

- 2) ensure fulfilment of decisions of the general meetings of shareholders, the board of directors and the management board;
  - 3) act without a power of attorney on behalf of the Company in relations with third parties;
  - 4) issue powers of attorney for representing the Company in relations with third parties;
  - 5) hire, rotate and dismiss employees of the Company, except for the cases provided by the Legislation, incentivize and impose disciplinary penalties on employees, determine amounts of salaries of employees of the Company and personal additions to salaries in accordance with the staff schedule of the Company, determine the amount of bonuses to the employees of the Company except for the employees who are members of the management board and the internal audit service as well as the corporate secretary;
  - 6) in the event of his/her absence, entrust his/her duties to one of the members of the management board of the Company;
  - 7) distribute obligations as well as scope of authority and responsibility among the members of the management board of the Company;
  - 8) approve the prosecution or settlement of any litigation, dispute or arbitration proceedings;
  - 9) **[DELETED]**
  - 10) subject to the adoption of the relevant decision by the board of directors of the Company, appoint and dismiss the heads of branches and representative offices of the Company;
  - 11) set the working hours of the Company;
  - 12) submit to the board of directors semi-annual reports on implementation of the basic parameters of the consolidated annual budget and business plan and strategic chart of key performance indicators of the general director (chairman of the management board);
  - 13) open bank and other accounts of the Company;
  - 14) within his/her competence, issue orders and give instructions;
  - 15) convene meetings of the management board;
  - 16) ensure notification of the chairman of the board of directors or persons authorized by the chairman of the board of directors, on emergencies (accidents, disasters or catastrophe) connected with the operation of the Company in the shortest time span;
  - 17) take decisions on all other issues concerning the current activity of the Company, which does not fall within the exclusive competence of the general meeting of shareholders and the board of directors of the Company and the competence of the management board.
- 13.7. The secretary of the management board elected by the management board on the permanent basis, upon the request of a member of the management board shall submit to such member the minutes of the meeting of the management board for review attested by the signature of the secretary of the management board and affixed with the seal of the management board.

#### **14. THE COMPANY OFFICIALS AND CORPORATE SECRETARY**

- 14.1. The officials of the Company (members of the board of directors and members of the

management board) shall:

- 1) perform duties imposed on them in good faith and use methods which represent the interests of the Company and shareholders to the utmost. In case of any conflict of interests of the Company and its official, the latter shall immediately notify the management board (or the board of directors) on such conflict;
- 2) not use or allow to use the property of the Company in contravention of the Charter and the resolutions of the general meetings of shareholders and the board of directors as well as for personal purposes and take advantage thereof while concluding transactions with its affiliates;
- 3) shall secure consistency of accounting and financial reporting systems including conducting an independent audit;
- 4) control disclosure and provision of information on the activity of the Company in accordance with the Legislation;
- 5) keep confidential information on the Company's activity, including within three (3) years upon termination of employment with the Company, unless otherwise is provided in the internal documents of the Company.

14.1-1. The members of Company's board of directors shall:

- 1) act in compliance with the laws of the Republic of Kazakhstan, the Charter, the Code and internal documents of the Company based on awareness, transparency, in the interests of the Company and its shareholders;
- 2) treat any shareholder fairly, make objective and independent judgment on corporate matters.

142. Subject to the Legislation and provided that a member of the board of directors has disclosed to the board of directors the nature and extent of his/her material interest, the member of the board of directors irrespective of his/her office:

- 1) may be a party to, or otherwise interested in, any contract with the Company or in which the Company is interested;
- 2) may be a head or other officer of, be employed by, be a party to any contract, or be interested in any legal entity promoted by the Company or in which the Company is interested or regarding to which the Company has any rights of appointment. The general director (chairman of the management board) of the Company may not hold a position of the head of an executive body or be a person individually exercising functions of the executive body in other legal entity; and
- 3) shall not, by virtue of his/her office, be accountable to the Company for any remuneration or benefit which he derives from any such office or employment or from any such contract or from any interest in such legal entity and shall not avoid such office, employment or contract on the grounds of having any such interest or benefit.

143. Except as otherwise provided by the Charter, a member of the board of directors shall not vote, or be counted in the quorum in relation to, any resolution of the board of directors or a committee of the board of directors concerning any matter in which he/she has, to the best of his/her knowledge, directly or indirectly, an interest or duty which (along with any interest of a person connected with him) is material and, if he shall do so, his/her vote shall not be counted. A member of the board of directors shall be entitled to vote on and be counted in the quorum in respect of any resolution concerning any of the following matters:

- 1) any arrangement for the benefit of employees of the Company or any of its

subsidiaries, under which he benefits in a similar manner as the employees, and which does not provide a privilege or an advantage to any member of the board of directors or a member of the management board which is not provided to the employees to whom the arrangement relates;

- 2) participation by the Company in any state procurement tender with respect to supply of crude oil to JSC Trade House KazMunaiGas for supply to the domestic market of the Republic of Kazakhstan until 2016.
144. Subject to the Legislation, and provided that a member of the management board has disclosed to the management board the nature and extent of his/her material interest, the member of the management board irrespective of his/her office:
- 1) may be a party to, or be otherwise interested in, any contract with the Company or the one the Company is interested in;
  - 2) may be a head or other officer, or be employed by subject to consent of the board of directors, or be a party to any contract with, or be interested in, any legal entity promoted by the Company or the one the Company is interested in or regarding which the Company has any rights of appointment. The general director (chairman of the management board) of the Company may not hold a position of the head of an executive body or be a person individually exercising functions of the executive body in other legal entity;
  - 3) shall not, by virtue of his/her office, be accountable to the Company for any remuneration or benefit which he derives from any such office or employment or from any such contract or from any interest in such legal entity and shall not avoid (provided that all necessary approvals have been obtained) such office, employment or contract on the grounds of having any such interest or benefit.

Except as otherwise provided by the Charter, a member of the management board shall not participate in voting, or be counted in the quorum in relation to, any resolution of the management board concerning any matter in which he/she has, to the best of his/her knowledge, a direct or indirect interest (other than his/her interest in shares or bonds or other securities of, or otherwise in or through, the Company) or duty which (along with any interest of a person connected with him/her) is material and, if he shall do so, his/her vote shall not be counted. A member of the management board shall be entitled to vote and be counted in the quorum in respect of any resolution concerning any contract concerning any insurance which the Company is empowered to purchase or conclude for the benefit of, any member of the board of directors or members of the management board.

145. The officials of the Company shall be liable before the Company and the shareholders pursuant to the laws of the Republic of Kazakhstan for losses incurred by the Company, caused by their acts and/or omission to act including but not limited to losses incurred as a result of:
- 1) provision of misleading information or false representation;
  - 2) violation of procedure for provision of information as established by the Law of the Republic of Kazakhstan “On Joint Stock Companies”;
  - 3) a suggestion and/or adopted decision to enter into a major transaction and/or a interested party transaction resulting in losses incurred by the Company as a result of their wrongful acts or omission to act, including those aimed at making profit for themselves or for their affiliates from such transactions with the Company.

The officials shall be liable before the Company and the shareholders in the event and in the manner established by the Law of the Republic of Kazakhstan “On Joint

Stock Companies”.

- 14.6. The authority of the Company’s corporate secretary shall be determined in accordance with the Legislation, the Charter, the Code and the internal documents of the Company.

## **15. INTERNAL AUDIT SERVICE**

- 15.1. The internal audit service consisting of at least three (3) persons shall be established in order to exercise control over financial and economic activity of the Company.
- 15.2. The employees of the internal audit service may not be elected to the board of directors or to the management board.

The employees of the internal audit service, including the head, are appointed to and removed from the office by the board of directors, as advised by the internal audit committee of the board of directors.

The head of the internal audit service may be present at a general meeting of shareholders with regard to the issues which have been previously reviewed by the internal audit service; be present at the meetings of the board of directors where the issues of the internal audit service activity are reviewed; initiate issues for inclusion in the agenda of the meetings of the board of directors; submit for consideration of the internal audit committee of the board of directors the candidates for the staff of the internal audit service.

- 15.3. The internal audit service shall be directly subordinate to the board of directors and reports on its activity to the board of directors on quarterly basis.
- 15.4. The internal audit service shall have a right of absolute access to any documentation and information of the Company in order to fulfil the annual plan of work subject to amendments and supplements thereto.
- 15.5. The working procedure, competence and functions of the internal audit service shall be determined by the internal documents of the Company approved by the board of directors following the preliminary approval by the internal audit committee.

## **16. FINANCIAL REPORTING, ACCOUNTING RECORDS AND AUDIT**

- 16.1. The financial year of the Company is a calendar year (from January 1 (the first) till December 31 (the thirty-first)).
- 16.2. The procedure of accounting and preparation of financial statements of the Company is governed by the legislation of the Republic of Kazakhstan on accounting and financial reporting.
- 16.3. Financial and statistical reporting, accounting records and periodical financial statements are compiled and if necessary submitted for consideration of the competent state authorities in accordance with the accounting principles stipulated by the Legislation as well as other principles approved by the general meeting of shareholders.
- 16.4. The management board of the Company annually submits to the general meeting of shareholders the annual consolidated financial statements for the past year, audited in compliance with legislation on auditing of the Republic of Kazakhstan, for discussion and approval. In addition to consolidated financial statements, the management board submits an auditor’s report to the general meeting of shareholders.
- 16.5. The annual and interim consolidated financial statements are subject to approval by the general director, deputy general director on economy and finance and the financial controller.



The final approval of the annual consolidated financial statements of the Company is made at the annual general meeting of shareholders.

Should the financial statements of the Company misrepresent the financial standing of the Company, the officials of the Company who have signed the said financial statements shall be liable before the third parties who suffer material damage as a result of this.

- 16.6. The Company shall annually publish in mass media specified in paragraph 10.16 of the Charter its consolidated annual financial statements and an auditor's report in the manner and within the timeframe established by the authorized body.
- 16.7. The Company shall conduct an audit of its annual consolidated financial statements.
- 16.8. The audit of the Company may be conducted on the initiative of the board of directors, the management board at the expense of the Company or upon the request of a major shareholder at its expense provided that such major shareholder has the right at its own discretion to choose the auditor.
- 16.9. If the management board of the Company evades an audit of the Company, the audit may be prescribed by a court decision upon a claim of any interested person.
- 16.10. The Company annually conducts an audit following the financial year results no later than the dates of publication of financial statements established by the listing rules of the stock exchanges on which the Company's securities are listed.

## **17. DISCLOSURE OF INFORMATION BY THE COMPANY AND DOCUMENTS OF THE COMPANY**

- 17.1. The Company shall notify its shareholders and investors of corporate events of the Company, the list of such information being established by the Law of the Republic of Kazakhstan "On Joint Stock Companies".

The mass media which shall be used by the Company and its shareholders for publication of their notices and other information subject to mandatory publication according to the Law of the Republic of Kazakhstan "On Joint Stock Companies" are specified in paragraph 10.16 of the Charter.

As required by the laws of the Republic of Kazakhstan and other applicable requirements the Company discloses a part of the information on the Company's corporate events on the Company's corporate web-site and other web resources. In the event the Law of the Republic of Kazakhstan "On Joint Stock Companies" and other legal acts of the Republic of Kazakhstan do not stipulate the term of announcement (making available to shareholders) of information, such information shall be published (made available to shareholders) within five business days from the date it first emerged.

Information on initiation of a corporate dispute case shall be provided to the shareholders within seven (7) business days from the date of receipt by the Company of the relevant court notice (summons) in respect of the civil corporate dispute case.

- 17.2. Upon request of a shareholder, the Company shall provide such shareholder with copies of documents as stipulated by the Law of the Republic of Kazakhstan "On Joint Stock Companies".

The amount of fees for provision of copies of documents shall be set by the Company and may not exceed the expenses for making copies and the expenses for delivery of copies to the shareholder.

The documents regulating individual matters of issuance, placement, trading and conversion of the Company's securities containing information constituting official, commercial or other secret protected by law, shall be submitted for examination to a

shareholder upon request.

- 17.3. The information on corporate events shall be provided in accordance with the Law of the Republic of Kazakhstan “On Joint Stock Companies” and this Charter.
- 17.4. The documents of the Company concerning its activities shall be kept by the Company for the whole period of its operation at the location of the management board.

The following documents shall be kept:

- 1) the Charter, amendments made to the Charter;
  - 2) foundation agreements (merger agreements), amendments made thereto;
  - 3) certificate of state registration (re-registration) of the Company as a legal entity;
  - 4) the Code and terms of reference of any committee of the board of directors;
  - 5) statistical card of the Company;
  - 6) licenses for certain activities of the Company and/or performance of certain actions;
  - 7) documents confirming the rights of the Company to property which is/was on the balance sheet of the Company;
  - 8) prospectuses of the Company;
  - 9) documents confirming state registration of securities issuance of the Company, cancellation of securities, as well as approval of reports on results of placement and repayment of securities of the Company, submitted to an authorized body;
  - 10) regulations on branches and representative offices of the Company;
  - 11) minutes of the general meetings of shareholders, minutes of voting results and ballots (including invalid ballots), materials on the issues of agenda of general meetings of shareholders;
  - 12) lists of shareholders submitted to the general meetings of shareholders;
  - 13) minutes of the meetings of the board of directors (resolutions of the meetings of the board of directors made by absent voting) and ballots (including invalid ballots), materials on the agenda items of the board of directors;
  - 14) minutes of the meetings (resolutions) of the management board.
- 17.5. Other documents including financial statements of the Company shall be kept during the period prescribed in accordance with legislation of the Republic of Kazakhstan.
- 17.6. In order to obtain the information (copies of documents) a shareholder shall apply to the management board of the Company in written form. The application of the shareholder shall be included in the register of incoming documents in the prescribed manner. The Company shall provide the requested information (copies of the requested documents) within 10 (ten) calendar days from the date of the shareholder’s application.

Information regarding the Company’s operations marked as “Confidential” or “For Official Use” that has become known to the shareholders may not be disclosed in writing or otherwise to any third party. A shareholder to whom such information is available shall keep it confidential.

Confidential information of the Company may only be disclosed by such shareholders with permission of the board of directors of the Company, otherwise such

shareholders shall be liable in accordance with the Legislation.

The board of directors of the Company may impose restrictions on provision of information constituting official, commercial or other secret protected by law.

- 17.7. The Company shall keep a register of employees having information constituting official or commercial secret.
- 17.8. The board of directors shall define the information a free access to which is available for a limited number of people on the legal grounds, the procedure for its communication to all persons concerned and public disclosure, as well as measures for protection of such information.

## **18. DISCLOSURE OF INFORMATION REGARDING AFFILIATES**

- 18.1 In the cases provided for by the Legislation, the Charter and the Code and at the Company's request, the shareholders and/or officials of the Company shall provide the Company with the information regarding their affiliates, including their full name, date and number of state registration and address (for legal entities) and the full name, date of birth and address (for individuals), the grounds and date of affiliation and other information regarding such affiliates as the Company may require.
- 18.2 The Company's shareholders and/or officials of the Company shall provide, in accordance with the Legislation, the general director (chairman of the management board) with information regarding their affiliates within seven (7) days following the occurrence of affiliation.

If a person previously indicated by a shareholder or an official of the Company as an affiliate of such shareholder or official, ceases to be affiliate, then the shareholder or the official of the Company shall notify the Company's general director (chairman of the management board) within five (5) days of such cessation.

The information on affiliates shall be provided by the general director (chairman of the management board) of the Company in the form approved by the state body regulating and supervising the financial market and financial organizations in accordance with the Legislation.

- 18.3 A person in respect of which a shareholder and/or an official of the Company provides information as his/her affiliate, shall be deemed to be his/her affiliate until the Company is provided with documents evidencing the termination of the grounds on which such person was recognized as an affiliate.
- 18.4 If a Company shareholder and/or official fails to provide information regarding his/her affiliates which resulted in or promoted damage caused to the Company, the Company may request full indemnification of such damage from the person at fault.
- 18.5 The Company shall maintain records of its affiliates on the basis of information provided by such persons.
- 18.6 The Company shall provide the state body regulating and supervising the financial market and financial organizations with a list of its affiliates in accordance with the procedures established by such state body.
- 18.7 The affiliates, recognized in accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies" as parties interested in conclusion of the Company's interested party transactions, shall notify the board of directors by sending a relevant notice to the Company of the following:
  - 1) that they are a party to the transaction or participate in it as a representative or an intermediate agent;
  - 2) on legal entities that they are affiliated with, as well as on legal entities in

which they own individually or jointly with their affiliates ten (10) and more per cent of voting shares (interest, equity stake), and on legal entities in the bodies of which they hold office;

- 3) on transactions they are concluding or proposed transactions that they are aware of and in which they can be recognized as interested parties.

## **19. LEGAL PROTECTION OF THE COMPANY OWNERSHIP**

- 19.1. Legal protection of ownership of the Company and rights owned by the Company shall be performed in accordance with the Legislation, the Charter and other applicable laws and listing rules of the stock exchange on which the ordinary shares of the Company are listed.

## **20. REORGANIZATION OF THE COMPANY**

- 20.1. Reorganization of the Company (by merger, accession, separation, extraction, transformation) is performed in accordance with the Legislation.
- 20.2. Reorganization may be performed voluntarily or involuntarily.
- 20.3. Involuntarily reorganization may be performed upon the decision of the judicial authorities in the cases stipulated by the Legislation.
- 20.4. If the Company terminates its activities by means of reorganization, the issue of its shares shall be subject to cancellation in accordance with the Legislation.

## **21. LIQUIDATION OF THE COMPANY**

- 21.1. The decision on the voluntary liquidation of the Company shall be taken by the general meeting of shareholders which determines the procedure of liquidation upon agreement with and under control of the creditors in accordance with the Legislation.
- 21.2. The involuntary liquidation of the Company is performed by the court in the cases stipulated by the Legislation.  

A claim for the Company's liquidation may be brought to court by interested parties unless otherwise is stipulated by the Legislation.
- 21.3. The liquidation commission is appointed by court decision or decision of general meeting of shareholders on the Company's liquidation.  

The liquidation commission has powers to manage the Company during the period of its liquidation and to act as provided for by the Legislation.

The liquidation commission shall include representatives of the Company's creditors, representatives of major shareholders and other persons according to the decision of the general meeting of shareholders.
- 21.4. The procedure of liquidation and the procedure of settlement of the creditors' claims are governed by the Legislation.
- 21.5. Upon liquidation of the Company, its authorized shares including outstanding shares shall be cancelled in the manner prescribed by the Legislation.
- 21.6. The property of the Company shall, following liquidation, be distributed in accordance with the Legislation.

## **22. FINAL PROVISIONS**

- 22.1 If any provision of the Charter becomes invalid, it shall not affect other provisions. The invalid provision is replaced by the provision which is legally eligible and has

the closest meaning to the invalid provision.

- 22.2 Except as expressly provided herein, the Company shall be governed by the Legislation.
- 22.3 The Charter becomes effective from the date of its state registration with the justice authorities of the Republic of Kazakhstan.

Signature of person

authorized by the general meeting of shareholders

\_\_\_\_\_ (signature)

\_\_\_\_\_ (surname, name, paternal name)

**PART C: COMPARISON OF EXISTING AND AMENDED CHARTERS**

***THE TEXT OF THE COMPARISON OF EXISTING AGAINST DRAFT AMENDED CHARTER FOLLOWS FROM THE NEXT PAGE***

**THE TEXT OF THIS DOCUMENT IN ENGLISH LANGUAGE IS A TRANSLATION PREPARED FOR INFORMATION PURPOSES ONLY. THE TRANSLATION MAY CONTAIN DISCREPANCIES AND OMISSIONS AND DOES NOT REPLACE THE RUSSIAN TEXT OF THE DOCUMENT. IN ANY AND ALL CASES THE TEXT OF THIS DOCUMENT IN RUSSIAN LANGUAGE SHALL PREVAIL.**

With amendments approved by the general meeting of shareholders:

- 1) (Minutes dated 24 September 2008), registered on 17 November 2008;
- 2) (Minutes dated 9 December 2008), registered on 1 September 2009;
- 3) (Minutes dated 25 May 2010), without registration stamp;
- 4) (Minutes dated 16 August 2011), without registration stamp;
- 5) (Minutes dated 6 November 2012), without registration stamp;
- 6) (Minutes dated 25 February 2014), without registration stamp;
- 7) (Minutes dated 24 May 2016), without registration stamp;
- 8) [\(Minutes dated \[\\*\] 2016\), without registration stamp.](#)

**CHARTER**  
**of Joint Stock Company**  
**KazMunaiGas Exploration Production**

**Astana, 2016**

| [K6570536/0-13/446590830/0\\_10/15](#) Jun 2016



## 1. GENERAL PROVISIONS

- 1.1. This Charter of Joint Stock Company KazMunaiGas Exploration Production (hereinafter referred to as the "Company") defines its name, location, formation procedure and competence of its bodies, conditions of reorganization and termination of activities of the Company and other provisions that do not contradict the legislation of the Republic of Kazakhstan.
- 1.2. Name of the Company:
  - the full name in the state language is "ҚазМұнайГаз" Барлау Өндіру" акционерлік қоғамы, the short name is "ҚазМұнайГаз" БӨ" АҚ;
  - the full name in the Russian language is акционерное общество "Разведка Добыча "КазМунайГаз", the short name is АО "РД "КазМунайГаз";
  - the full name in the English language is **Joint Stock Company "KazMunaiGas" Exploration Production**", the short name is **JSC "KazMunaiGas" EP**".
- 1.3. Location of the Company (the executive body of the Company) is 17 Kabanbai Batyr Avenue, Astana, 010000, Republic of Kazakhstan.
- 1.4. Corporate web-site of the Company – www.kmgep.kz.
- 1.5. Period of the Company activity is not limited.

## 2. LEGAL STATUS

- 2.1. The Company was created as a result of merger of Open Joint Stock Company "Embamunaigas" and Open Joint Stock Company "Uzenmunaigas" and is the legal successor of all property, rights and obligations of Open Joint Stock Company "Embamunaigas" and Open Joint Stock Company "Uzenmunaigas".
- 2.2. The Company is a legal entity under the legislation of the Republic of Kazakhstan having its independent balance sheet and bank accounts, being entitled on its own behalf to acquire and exercise property and personal non-property rights, bear responsibilities and act as a plaintiff and a defendant in court.
- 2.3. The Company is guided in its activity by the Constitution of the Republic of Kazakhstan, Civil Code of the Republic of Kazakhstan, the Law of the Republic of Kazakhstan "On Joint Stock Companies" and other laws and regulations of the Republic of Kazakhstan (hereinafter referred to as the "**Legislation**") as well as this Charter (hereinafter referred to as the "**Charter**") and the Corporate Governance Code (hereinafter referred to as the "**Code**").
- 2.4. The Company shall have the status of a legal entity from the date of its state registration with the justice authorities.  
Financial and operational activities of the Company shall be performed on the basis of economic independence.
- 2.5. The Company has a seal, letterheads specifying the full name of the Company in Kazakh, English and Russian languages, its own trademark and a logo the samples of which shall be approved by the Management Board of the Company and registered in the prescribed manner as well as stamps in the state and Russian languages, a corporate web-site and other corporate details required for conducting its operations.

### 3. THE GOAL AND THE SCOPE OF THE COMPANY'S BUSINESS

- 3.1 The goal of the Company is to earn net profit in the course of its independent business activities.
- 3.2 The scope of Company's business is:
- 1) geological exploration, survey works, approbation, testing, trial production and development of oil, gas and gas condensate fields; production, formational pressure maintenance (FPM), gathering, infield transportation of oil and gas; oil treatment and oil and gas refining, sale of raw material and refined products, including production and sale of oil products and petrochemicals in the form of liquefied gas, different gasoline grades, aviation and lighting kerosene, diesels of different grade, vacuum gas oil, mazut, tar, bitumen, oil coke, ethane, ethylene, different grades of polyethylene, propane, propylene, benzene, butene-1, ethyl benzene, styrene, different grades of polystyrene and other refined and oil chemical products;
  - 2) drilling of core, appraisal, exploration, prospecting and development wells for oil, gas and water, their conservation and abandonment;
  - 3) arrangement of oil and gas fields;
  - 4) testing and development of production (oil, gas) and injection wells;
  - 5) complex hydrodynamic study and testing of oil, gas and water wells;
  - 6) complex geophysical surveys and perforation drilling-in of reservoirs;
  - 7) production enhancement through application of physical and/or chemical techniques of stimulation in well bottom zone (hydro fracturing, gas dynamics formation fracturing, thermal vacuum and chemical treatment, injection of chemical reagents, acids, emulsion comprehensive stimulation and aqueous hydrocarbon emulsion, etc.);
  - 8) topographic and surveying operations;
  - 9) laboratory works for testing physical and chemical properties of oil, gas, water and stratum;
  - 10) investigation of the seismic and geodynamical conditions in the area under the field development;
  - 11) monitoring and determining the types and extent of contamination of the first water-bearing level and impact of contaminants into fields environment;
  - 12) remedial (underground) servicing and workover of production wells on oil and gas fields, including side-tracking;
  - 13) production of hydrocarbon blend, furnace fuel and other gas products;
  - 14) stimulation of oil production;
  - 15) carrying out of certification tests for oil, oil products, gas and gaseous oxygen products;
  - 16) derrick building;
  - 17) technical re-equipment, renovation and reconstruction of production capacities to ensure effective extraction and utilization of oil;
  - 18) management of introduction of new types of technologically safe equipment, carrying out commissioning and contract supervision works on oil and gas production facilities, oil and gas transportation sites, refineries and chemical facilities;
  - 19) development of engineering and technical documentation of oil field equipment to resolve bottlenecks in oil production and their implementation;

- 20) manufacturing, capital repair of drilling, oil field and other types of special equipment, transportation means, tools and spare parts for its own use;
- 21) operation of industrial dangerously explosive productions, exploitation and repair of high pressure vessels and pipelines;
- 22) installation and all items of works on technological oil field equipment operation;
- 23) manufacturing of welding/installation constructions (including bearing), their non-destructive testing, repair and testing, development of design and estimate documentation;
- 24) carrying out works on extension of the life of equipment after repairs, recording types of maintenance into certificate of equipment not registered with technical supervision agencies;
- 25) operation, installation and repair of pipelines delivering gas to furnace, and of isolation valves and pressure controllers;
- 26) planned preventive maintenance and gas equipment servicing;
- 27) repair, setup and testing of preheating furnaces, high pressure vessels, pots, reservoirs, gas production equipment, gas transportation equipment, lifting units, motor gas balloon units, forge shops;
- 28) performance of the overall range of works for improvement of the ecological situation at the oil fields;
- 29) recovery, recycling, processing and disposal of oil-spills and lake oil, oil sludge, oil contaminated grounds (territories) and soil recultivation;
- 30) laboratory research, environmental monitoring and chemical analysis of substances;
- 31) dewaxing of wells, pipes and equipment;
- 32) works on chemicalization of oil production process;
- 33) overhaul of equipment, networks and facilities of chemicalization, carrying out of ecological measures, setup works;
- 34) reception and storage of chemical materials, reagents (including flammable and poisonous), their transportation and application;
- 35) technical maintenance of electrical installations. Transfer, distribution, transportation and sale of electric power;
- 36) technical maintenance and repair of electromechanical equipment, installation of instrumentations and automation, communication means;
- 37) assembling and setup of electrical networks and electrical equipment with voltage up to and above 1,000 (one thousand) V, 35 (thirty five) kV inclusive;
- 38) storage, use and transportation of explosives, blasting means and ionizing radiation sources (radiation materials), import of these materials in the established order;
- 39) exploitation of special equipment, auto transport means, earthmoving machines, hoisting machines;
- 40) automobile, railroad, sea and air transportation of goods and passengers;
- 41) survey, design of industrial (including field construction), social and residential objects, general construction and assembling operations and repair and construction works in the area of architecture and urban planning, construction, maintenance and repair of highways, access railways, waterfront structures and power transmission lines;
- 42) survey and design of objects with respect to development of oil, gas and gas condensate fields, their construction and overhaul;
- 43) construction and repair of engineering communications, networks (including water and gas supply networks), objects of industrial purpose, residential and social and culture objects;



- 44) design, development, manufacturing, assembling, setup, exploitation, repair and maintenance of instruments, units, outfit, equipment of technical cybernetics, automatic control and management, electronics, computing machinery, informational systems, systems of (tele)communication;
  - 45) assembling and repair of equipment and control systems, fire protection, automatics and alarm, hoisting machines, and high pressure pots, high pressure vessels and pipelines;
  - 46) exploitation, storage, technical maintenance, transportation and disposal of ionizing radiation sources;
  - 47) organization of uninterrupted operation of telecommunication means, information technologies and information security of the Company;
  - 48) metrological testing and examination of measuring equipment, measure unit systems;
  - 49) introduction of innovative technologies, the best in the world types of equipment with regard to automatic control, information technologies of (tele)communications;
  - 50) implementation of measures on corrosion protection of water pipes, equipment and tanks;
  - 51) assembling, maintenance, repair, setup, non-destructive examination and test of water pipes (including high-pressure), tanks and pumps (including subsurface), metering devices, instrumentations and automation and other equipment;
  - 52) providing methods for the most effective extraction and utilization of oil, including by means of development, technical re-equipment and reconstruction of production capacities, geological and survey works;
  - 53) foreign economic activity in accordance with the Legislation: export-import of goods and services, development of mutually beneficial foreign economic connections, commercial and economic as well as scientific-technical cooperation with foreign companies and other activities as specified in this clause not contradicting the Legislation;
  - 54) issue of a corporate periodic printed publication;
  - 54-1) training, re-training and professional development of personnel;
  - 54-2) provision of package of services connected with:
    - organization of production, implementation of new equipment and technologies, organization of industrial safety and environment protection, production control;
    - organization of transportation and freight forwarding, processing and sales of oil, gas and products derived from them for export and domestic market;
    - financial management and organization of accounting, tax accounting and tax planning, automation of financial and production control and formation of financial and management accounting;
    - consultation on strategic, investment, legal, marketing, technical and technological matters as well as on matters of insurance, procurement and other management matters;
    - management, administration, organization and development of business;
    - provision of loans (credits) to subsidiary and affiliate entities of the Company on the terms of serviceability, maturity and recoverability;
  - 54-3) provision and sales of property, works, services and personnel in oil and gas industry;
  - 55) other activities not prohibited by the Legislation, corresponding to the goals and objectives of the Company provided for by this Charter.
- 3.3. Activities requiring a license or other permit which has to be obtained in the order stipulated by the Legislation shall be undertaken only after obtaining of the appropriate license or any other permit.

#### 4. RIGHTS AND OBLIGATIONS OF THE COMPANY

- 4.1. The Company shall enjoy all the rights and shall bear all the responsibilities stipulated by the Legislation. The Company shall act in the best interests of the shareholders as a whole.
- 4.2. The Company shall own the property separated from the property of its shareholders and shall not be liable for their obligations. The Company shall be liable for its obligations within the limits of its property.
- 4.3. The Company shall not be responsible for obligations of the State as well as the State shall not be responsible for the Company's obligations.
- 4.4. The Company shall be entitled to conclude transactions on its behalf (agreements, contracts), to acquire property and personal non-property rights and obligations, to act as a plaintiff or defendant in the court and to undertake any other actions not in conflict with the Legislation.
- 4.5. The Company may acquire and grant rights for possession and use of documents of title, technologies, know-how and other information.
- 4.6. The Company may issue securities; the terms and procedure for issue, placement, circulation and redemption thereof shall be established by the Legislation.
- 4.7. The Company may establish its branches and representative offices outside of its current location in the Republic of Kazakhstan and abroad, which are not legal entities and shall act for and on behalf of the Company. The Company shall vest them with fixed and working assets using its own property and shall establish their operating procedures in accordance with the Legislation. The property of a branch or a representative office is included into its separate balance sheet and into the Company's general balance sheet.

The management of the Company's branches and representative offices shall be exercised by the persons appointed by the general director (chairman of the management board) of the Company. The heads of branches and representative offices shall act on the basis of the power of attorney issued by the Company.

- 4.8. The ~~Company independently and in accordance with applicable procedure shall resolve all~~ issues related to planning production activity, remuneration of ~~its~~the Company's employees, material and technical supply ~~on the basis of the approved budget~~, social development, distribution of earnings, recruitment, placement, training and re-training of personnel shall be resolved taking into account unified standards approved by the board of directors of the Company by simple majority of votes of the members of the board of directors present at the meeting of the board of directors of the Company.
- 4.9. The Company may in the prescribed manner open bank accounts with banks located in the Republic of Kazakhstan and abroad both in national and a foreign currency.
- 4.10. The Company shall be entitled to grant loans and use credits in tenge and foreign currency, both from domestic and foreign legal entities and physical persons according to the Legislation. The Company may receive loans and pledge all or any part of the obligations, property and assets.
- 4.11. The Company shall develop and approve its internal regulatory and technical documentation.
- 4.12. The Company may redeem its shares subject to the Legislation and any rights conferred to the holders of the shares of any class.
- 4.13. The Company may have other rights and incur other obligations stipulated by the Legislation, the Charter and the Code.

#### 5. RIGHTS AND OBLIGATIONS OF THE SHAREHOLDERS

- 5.1. The shareholders of the Company shall not be liable for its obligations and shall bear the risk of losses related to the Company's activities to the extent of the value of their shares except for the cases stipulated by the legal acts of the Republic of Kazakhstan.
- 5.2. Rights and obligations of the Company's shareholders including the scope of rights certified by preferred shares shall be determined by the Legislation and this Charter.



- 5.3. The Company shall treat all the holders of the same class of its shares equally in respect of the rights attached to such shares.

## 6. THE PROPERTY OF THE COMPANY

The Company's property shall be comprised of:

- 1) the property transferred to the Company by OJSC Uzenmunaigas and OJSC Embamunaigas as a result of their merger;
- 2) proceeds gained as a result of its activities;
- 3) other property acquired on the terms not prohibited by the Legislation.

## 7. SHARES, BONDS, PREREQUISITES FOR SECURITIES' PLACEMENT

- 7.1. The Company shall be entitled to issue ordinary and preferred shares. The shares are issued in a non-documentary form and no share certificate shall be issued in respect of any share.
- 7.2. An ordinary share authorizes a shareholder to participate in and vote at a general meeting of shareholders for solving all questions put for voting, the right to dividends in case the Company has a net profit (on the basis of the relevant resolution of the general meeting of shareholders), as well as the right to part of the Company's property in case of its liquidation in the manner established by the Legislation.
- 7.3. A preferred share authorizes its owner to have a priority over the holders of ordinary shares to receiving dividends in predetermined guaranteed amount as established by the Charter and to receive a part of the Company's property in case of its liquidation in accordance with the procedure established by the Legislation.
- 7.4. A preferred share shall not give its holder the voting right to participate in the Company's management except for the following cases:
- 1) the general meeting of shareholders considers an issue that might restrict the rights of a holder of preferred shares. The decision on such issue shall be deemed adopted only if approved by the holders of no less than 2/3 (two thirds) out of the total number of placed (with deduction of bought out) preferred shares.  
Issues with respect to which decision-making may restrict the rights of a holder of preferred shares are as follows:  
reduction of dividend size or change of procedure for calculation of dividend size payable as per preferred shares;  
change of procedure for payment of dividends as per preferred shares;  
swap of the Company preferred shares to ordinary shares;
  - 1-1) the general meeting of shareholders considers an issue on approval of amendments into procedure for determining a cost of preferred shares upon their buy-out by the Company at over-the-counter market in accordance with Law of the Republic of Kazakhstan "On Joint Stock Companies";
  - 2) the general meeting of shareholders considers the issue of reorganization or liquidation of the Company;
  - 3) in case the dividends on preferred shares are not paid in full within 3 (three) months from the date stipulated for their payment.
- 7.5. Each holder of preferred shares having the right to vote at the general meeting of shareholders and present at the meeting in person or through his/her representative shall have one vote per each preferred share held by him/her.
- 7.6. The Company shall be entitled to issue bonds and other securities including securities convertible into the Company's shares. [The Company shall be entitled to swap placed shares of](#)

the Company of one type for shares of the Company of another type.

- 7.7. Only the Company's registrar who is not an affiliated person of the Company or its affiliate shall be responsible for maintaining the registers of the Company's shareholders.
- 7.8. Pledging of shares and other securities of the Company shall be regulated by the Legislation and the relevant pledge agreement.
- 7.9. In the course of execution of the pre-emptive rights of shareholders to purchase the shares or other securities convertible into ordinary shares of the Company as well as to purchase the placed shares and securities previously bought-out by the Company, the Company shall notify its shareholders on execution of such pre-emptive right by means of publication of a notice in the newspaper specified in paragraph 10.16 of this Charter as well as in other mass media as required by the listing rules of the stock exchange the Company's ordinary shares are listed on.

## 8. DIVIDENDS ON SHARES

- 8.1. The Company's net profit defined on the basis of consolidated financial statements prepared in accordance with the International Financial Reporting Standards shall be distributed, including dividends distribution, in the order determined by the resolution of the general meeting of shareholders.

Dividends on the Company's shares may be paid following the quarter or half-year results upon the decision of general meeting of shareholders.

Alienation of a share with unpaid dividends shall be carried out with the right to their receipt by a new owner of the share unless otherwise provided by an agreement on alienation of shares.

The registrar of the Company shall produce the list of shareholders authorized to receive dividends on the basis of the Company's shareholder register data. The record date of this list may not be scheduled for earlier than 10 (ten) calendar days after the date of decision on dividend payment. The beginning of dividend payment shall be scheduled for the date not earlier than 30 (thirty) calendar days after the date of completion of the list of shareholders entitled to dividends.

- 8.2. The dividends on ordinary shares of the Company shall be paid in cash or securities of the Company provided that any decision on payment of dividends has been taken at the general meeting of shareholders by a simple majority of voting shares of the Company.

Payment of dividends on preferred shares of the Company by securities is not permitted.

Payment of dividends on the Company's shares by its securities shall be allowed only if such payment is made by the Company's authorized shares and bonds issued by the Company subject to a written consent of the shareholder.

- 8.3. Payment of dividends on the Company's shares may be executed through a paying agent. Payment for services of the paying agent shall be made at the expense of the Company.
- 8.4. Dividends shall not be attributed and paid for the shares which haven't been placed or have been bought-out by the Company and if the court or general meeting of shareholder of the Company has taken a decision on liquidation of the Company.
- 8.5. Dividends on ordinary or preferred shares of the Company shall not be distributed, if:
  - 1) the amount of the Company's equity capital is negative or if its amount of the Company's equity capital becomes negative as result of distribution of dividends on shares;
  - 2) the Company meets insolvency or bankruptcy characteristics according to the Legislation or the above mentioned characteristics appear as a result of distribution of dividends on its shares.

A shareholder has the right to request payment of outstanding dividends regardless of the date of arising of the Company's debt.

- 8.6. The decision on payment of dividends on ordinary shares of the Company shall be made by the general meeting of the shareholders.



The general meeting of the Company's shareholders shall be entitled to make a decision on non-payment of dividends on the Company's ordinary shares with its mandatory publication in mass media specified by this Charter within ten days from the date of the decision.

- 8.7. Within ten business days from the date of the decision on payment of dividends on the Company's ordinary shares, such decision shall be published in the mass media specified by this Charter and on the corporate web-site of the Company unless otherwise provided for by the requirements of the stock exchange where the Company's securities are listed on.

Resolution on payment of dividends on shares of the Company shall contain the following information:

- 1) the Company's name, location, bank details and other Company details;
  - 2) period the dividends are paid for;
  - 3) dividend rate per ordinary, preferred share;
  - 4) date of beginning of dividend payment;
  - 5) procedure and form of dividend payment.
- 8.8. The size of the dividend distributed per preferred share shall be at least 25 (twenty five) tenge and may not be less than the size of the dividend distributed per ordinary share for the same period of time.
- Dividend payment for ordinary shares shall not be made until the full payment of dividends on the Company's preferred shares.
- 8.9. Within five business days prior to a dividend payment on preferred shares, the Company is obliged to publish in mass media specified by this Charter the information on such dividend payment including details specified in subparagraphs 1)-5) of paragraph 8.7 of the Charter.

## 9. BODIES OF THE COMPANY

- 9.1. The Company's bodies shall be as follows:
- 1) the supreme body – the general meeting of shareholders;
  - 2) the management body – the board of directors;
  - 3) the executive body – the management board;
  - 4) the body authorized to exercise control over financial and economic activities of the Company – the internal audit service unless the Company decides that, for the purposes of the unified and centralized internal auditing practice within the JSC NC "KazMunayGas" group of companies, the services related to the internal auditing will be provided to the Company by JSC NC "KazMunayGas", being the parent organization of the Company.

## 10. GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY

- 10.1. General meetings of shareholders shall be annual and extraordinary.
- 10.2. The Company shall be obliged to hold an annual general meeting of shareholders on an annual basis. Other general meetings of shareholders are extraordinary.
- 10.3. The annual general meeting of shareholders shall approve annual financial statements and annual report of the Company, determine the procedure for distribution of the Company's net income for the last financial year and dividend rates per 1 (one) ordinary and 1 (one) preferred share of the Company as well as review applications of the shareholders in relation to actions of the Company and its officers and results of review of such applications.

The chairman of the board of directors shall inform the Company's shareholders on the extent and structure of remuneration of the members of the board of directors and the management board of the Company.



The annual general meeting of shareholders may consider any other issues deciding on which is within the competence of the general meeting of shareholders.

- 10.4. The annual general meeting of shareholders is to be convened within 5 (five) months following the end of the fiscal year.

This period shall be deemed to be extended for up to 3 (three) months in case of impossibility to complete the Company's audit for the accounting period.

- 10.5. The annual general meeting of shareholders shall be called by the board of directors.

- 10.6. An extraordinary general meeting of the shareholders shall be called by:

- 1) the board of directors;
- 2) major shareholder.

An extraordinary general meeting of shareholders of the Company, if it is under the process of a voluntary liquidation, may be convened, prepared and held by the Company's liquidation committee.

Obligatory convocation of an extraordinary general meeting of shareholders may be provided for by the Legislation.

- 10.7. Preparation and holding of a general meeting of the shareholders of the Company shall be carried out by:

- 1) the management board;
- 2) the Company's registrar in accordance with an agreement entered into therewith;
- 3) the board of directors;
- 4) the Company's liquidation committee (if applicable).

- 10.8. The expenses on convocation, preparation and holding of a general meeting of shareholders shall be borne by the Company except as otherwise provided by the Legislation.

- 10.9. An annual general meeting of shareholders may be convened and held on the basis of a court decision adopted on the claim of any interested party should the Company violate the order of convening the annual general meeting of shareholders established by the Legislation.

An extraordinary general meeting of shareholders may be convened and held based on a court decision adopted on the claim of a major shareholder if the bodies of the Company failed to fulfil this shareholder's request to hold an extraordinary general meeting of shareholders.

- 10.10. Request for convening an extraordinary general meeting of shareholders, including by the major shareholder, shall be submitted to the board of directors by delivering an appropriate written request containing agenda of such meeting to the place of location of the Company's management board.

The Company's board of directors may not amend the wording of agenda items or change the proposed order of an extraordinary general meeting of shareholders convened at the request of the major shareholder.

When convening an extraordinary general meeting of shareholders in accordance with the submitted request, the board of directors may add any items to the agenda of the general meeting, at its own discretion.

Should the request for convening an extraordinary general meeting of shareholders come from the major shareholder (shareholders), it shall contain names (corporate names) of the shareholders (shareholder) requesting convening of such a meeting, and specification of the number and type of the shares he/it owns.

A request for convening an extraordinary general meeting of shareholders shall be signed by a person (persons) requesting convening of the extraordinary general meeting of shareholders.

- 10.11. The board of directors shall, within ten business days from receipt of the said request, pass a resolution and, no later than three business days from passing such a resolution, send a notice to

the person who had submitted such request informing about the resolution passed to convene an extraordinary general meeting of shareholders or to refuse its convening.

A resolution of the Company's board of directors to refuse convening an extraordinary general meeting of shareholders at the request of the major shareholder may be passed in case:

- 1) the procedure for submission of a request for convening an extraordinary general meeting of shareholders established by the Legislation has not been observed;
- 2) items proposed for inclusion in the agenda of an extraordinary general meeting of shareholders do not meet the requirements of the Legislation.

A resolution of the Company's board of directors to refuse convening an extraordinary general meeting of shareholders may be disputed in court.

In case the Company's board of directors does not pass a resolution to convene an extraordinary general meeting of shareholders at the submitted request within the period established by the Legislation, the person requesting to convene it may apply to court with the claim to oblige the Company to hold an extraordinary general meeting of shareholders.

- 10.12. The list of shareholders authorized to participate in the general meeting of shareholders shall be produced by the registrar of the Company on the basis of data kept in the system of registers of the holders of the Company's shares. The date of this list shall not be earlier than the date of the resolution to hold the general meeting.

The information to be included into the list of shareholders is established by the authorized body.

- 10.13. If after completion of the list of shareholders authorized to participate in and vote at the general meeting of shareholders a person included into this list has alienated its voting shares in the Company, the right to take part in the general meeting of shareholders shall be transferred to a new shareholder. For this purpose, the documents evidencing the ownership right to the shares shall be presented.

- 10.14. The date and time of holding a general meeting of shareholders are to be determined in a way to make possible for the greatest number of the persons eligible to participate in the meeting to take part therein. The general meetings of shareholders shall be held in Astana, Republic of Kazakhstan.

- 10.15. The shareholders shall be notified of a forthcoming general meeting not later than 30 (thirty) calendar days prior to its holding, and in case of absentee or mixed voting not later than 45 (forty five) calendar days prior to the date of the meeting.

- 10.16. A notification of holding a general meeting of shareholders shall be published in "Kazakhstanskaya Pravda" and/or "Yegemen Kazakhstan" newspapers as well as in other mass media subject to the requirements of the listing rules of the stock exchange the ordinary shares of the Company are listed on.

The time periods provided for in paragraph 10.15 of the Charter shall commence from the date of publication of the notification of the general meeting of shareholders in the mass media as specified in this paragraph or from the date of sending written notifications to the shareholders.

- 10.17. The notification of holding the general meeting of shareholders of the Company shall contain:

- 1) full name of the Company and location of its management board;
- 2) information on the initiator of the meeting;
- 3) date, time and venue of the general meeting of shareholders of the Company, time of the commencement of registration of the participants of the meeting, and also date and time of any repeat general meeting of shareholders of the Company to be held in case of the original meeting is not held;
- 4) date of completion of the list of shareholders entitled to participate in the general meeting of shareholders;
- 5) agenda of general meeting of shareholders;
- 6) procedures for familiarization of shareholders with materials relating to the agenda items of



- the general meeting of shareholders;
- 7) [procedures of conducting of the meeting;](#)
- 8) [procedures of absentee voting;](#)
- 9) [provisions of the legislative acts of the Republic of Kazakhstan in accordance with which the meeting is held.](#)

A minority shareholder may refer to the Company's registrar for the purpose of joining with other shareholders for adopting the decisions on the agenda items of the general meeting of shareholders.

The procedure for the minority shareholders applications and distribution of information to other shareholders by the registrar of the Company shall be established by an agreement on maintaining the system of registers of security holders.

- 10.18. The repeat general meeting of shareholders may be appointed for a day not earlier than the next day after the date fixed for the original ( not held) general meeting of shareholders.
- 10.19. The venue of the repeat general meeting of shareholders shall be the same as that of the general meeting of shareholders which has not been held.
- 10.20. The agenda of the repeat general meeting of shareholders must not differ from the agenda of the meeting that has not been held.
- 10.21. An agenda of general meeting of shareholders shall be formed by the board of directors and shall contain an exhaustive list of particularly worded issues submitted for discussion. It is not permitted to use in agenda the wording with a broad interpretation including "miscellaneous", "other", "some" and the similar.

An agenda of general meeting of shareholders may be supplemented by a [major shareholder owning individually, or in aggregate with other shareholders, 5% or more of voting shares of the Company](#) or by the board of directors subject to the Company's shareholders have been notified about such supplements not later than 15 (fifteen) days prior to the holding of the general meeting or in the manner established by paragraph 10.24 of the Charter.

- 10.22. At the opening of a general meeting of shareholders attended in person, the corporate secretary shall report on the received proposals for amending the agenda.
- 10.23. The approval of an agenda of general meeting of shareholders shall be made by a majority vote of the total voting shares represented at the meeting.
- 10.24. The amendments to the agenda may be introduced if the majority of shareholders (or their representatives) participating in the general meeting of shareholders and holding in aggregate no less than 95% (ninety five per cent) of the Company's voting shares vote affirmatively.

The agenda may be supplemented with an item, resolution on which may restrict the rights of the shareholders owning preferred shares, if at least two thirds of the total number of the outstanding (less redeemed) preferred shares have voted for its introduction.

If the general meeting of shareholders takes a decision by absentee voting, then its agenda may be neither amended nor supplemented.

- 10.25. The general meeting of shareholders may not consider issues which haven't been included into its agenda and take any decisions thereon.
- 10.26. The materials concerning items on the agenda of the general meeting of shareholders shall contain information to the extent necessary for making reasonable decisions on such items. The corporate secretary shall ensure preparation of the materials on the agenda items of the general meeting of shareholders.
- 10.27. The materials on electing the Company's bodies (board of directors) shall include the following information about the proposed candidates:
  - 1) last name, first name, patronymic is optional;
  - 2) information on education;
  - 3) affiliation with the Company;

- 4) work record and positions filled within the last 3 years;
- 5) other information that verifies the qualification and experience of the candidates.

In the event an item concerning election of the Company's board of directors (election of a new member of the board of directors) is included in the agenda of the general meeting of shareholders, the materials shall specify a shareholder nominating a candidate for the board of directors or whether this person is a candidate for the position of the independent director of the Company. If the candidate for the board of directors is a shareholder or an individual specified in the first part of paragraph 12.7 of the Charter, then this information shall also be specified in the materials including information on the percentage of voting shares of the Company owned by the shareholder as of the date the shareholders list is made.

- 10.28. The materials for the agenda of the annual general meeting of shareholders shall include:
  - 1) annual consolidated financial statements of the Company;
  - 2) audit report regarding the annual consolidated financial statements;
  - 3) proposals made by the board of directors on the procedure for the distribution of the Company's net income for the last financial year and the amount of the dividend for the year per one (1) ordinary and one (1) preferred share of the Company;
  - 4) materials on applications of the shareholders in relation to actions of the Company and its officers and results of review of such applications;
  - 5) annual report of the Company, annual report on the performance of the board of directors and the management board;
  - 6) other documents at the discretion of the initiator of the general meeting of shareholders.
- 10.29. The annual report of the Company shall be prepared by the management board of the Company, approved and submitted for consideration of the general meeting of shareholders by the Company's board of directors.

The annual report of the Company shall include at least audited financial statements, report on the material events in the Company's activity for the past period and a description of liability of the Company's officers for the accuracy of the information stated in the Company's annual report.

The approved annual report of the Company shall be posted on the corporate web-site of the Company.
- 10.30. The materials for agenda of a general meeting of shareholders shall be prepared and accessible for shareholders' review at the location of the Company's management board not later than 10 (ten) days before the date of the meeting, and upon the request of a shareholder shall be sent to it within 3 (three) business days since the request was received; a shareholder shall bear the expenses connected with copying and delivering the documents.
- 10.31. The general meeting of shareholders shall be entitled to consider and take decisions on agenda items if by the closing of registration of the meeting participants, the shareholders or their representatives included into the list of shareholders entitled to participate in and vote at such meeting holding in aggregate 50 (fifty) and more per cent of the Company's voting shares have been registered.
- 10.32. The repeat general meeting of shareholders taking place instead of the meeting that has not been held shall be entitled to review agenda items and to take decisions thereon, if:
  - 1) the order of convening of the general meeting of shareholders that has not been held due to



absence of a quorum was observed;

- 2) by the time of closing of registration, the shareholders or their representatives included into the list of shareholders and absentee voting shareholders, holding in aggregate 15 (fifteen) and more per cent of the Company's voting shares have been registered for participation in it.

- 10.33. If absentee ballots are sent to shareholders, votes shown on these ballots and received by the Company by the time of registration of the general meeting participants shall be taken into account in determining quorum and summing up the results of the voting.

If there is no quorum at a general meeting of shareholders held through absentee voting, no repeat general meeting of shareholders shall be held.

- 10.34. A shareholder shall be entitled to participate in a general meeting of shareholders and to vote on the issues under consideration personally or through its representative.

Members of the Company's management board shall not be allowed to act as representatives of shareholders at a general meeting of shareholders. Employees of the Company shall not be allowed to act as representatives of shareholders at a general meeting of shareholders unless such representation is based on a power of attorney containing specific instructions on voting with respect to all items on the agenda of the general meeting of shareholders.

A shareholder's representative shall act on the basis of a power of attorney issued in compliance with the Legislation.

- 10.35. A power of attorney is not required for participation in a general meeting of shareholders and voting on the reviewed matters for a person who has the right according to the Legislation or contract to act without a power of attorney on behalf of a shareholder and to represent its interests.

- 10.36. The procedure for holding a general meeting of shareholders shall be determined in accordance with the Legislation, this Charter, the Code or directly by the decision of the general meeting of shareholders.

- 10.37. All the shareholders (their representatives) arrived shall be registered before the meeting is opened. A shareholder's representative shall present a power of attorney to confirm his (her) authorities to participate and vote at the general meeting of shareholders.

A shareholder (or shareholder's representative), if failed to be registered, shall be disregarded in determining the quorum and shall not be authorized to take part in voting.

The Company's shareholder, being the owner of preferred shares, shall have the right to be present at a general meeting of shareholders attended in person and shall be authorized to participate in the discussions of the issues considered at the meeting but shall have no right to vote except for the cases provided for in paragraph 7.4 hereof.

Invited persons may be present at a general meeting of shareholders attended in person, and such persons shall have a right to deliver a speech at the general meeting of shareholders with the permission of the chairman.

- 10.38. A general meeting of shareholders shall be opened in the announced time subject to the quorum is met.

A general meeting of shareholders may not be opened earlier than the announced time, except for the cases when all shareholders (their representatives) are already registered and notified and have no objections against changing the time of opening the meeting.

If within 1 (one) hour after the time appointed for the commencement of the meeting a quorum is not present, the meeting shall be adjourned for the date and time of the repeat general meeting of shareholders of the Company as specified in the notification of the meeting.

10.39. General meeting of shareholders shall elect the chairman (presidium).

The general meeting of shareholders shall determine a voting procedure, either open or secret (by ballots). Voting on election of the chairman (presidium) of the general meeting of shareholders shall be executed on 1 (one) share – 1 (one) vote basis with a decision to be taken by a simple majority of votes out of the total number of voting shares of the Company present and entitled to vote. Members of the management board may not chair the general meeting of shareholders except for the cases when all shareholders present at the meeting are the members of the management board.

The corporate secretary of the Company shall act as the secretary of the general meeting of shareholders.

10.40. In the course of general meeting of shareholders, its chairman shall have the right to put to vote a proposal on closure of debates with respect to the matter under consideration as well as on changing the way of voting on such issue.

The chairman may not prevent persons, authorized to participate in discussion of the agenda items from delivering their speeches, except for the cases when such speeches result in breach of any rules of procedure of the general meeting of shareholders or when the debates over such issue have been closed.

10.41. The general meeting of shareholders shall be entitled to take a decision on taking a break or continuation of its work, including rescheduling the consideration of certain items of the agenda of the general meeting of shareholders for the next day, and a relevant record in the minutes of the meeting is made.

10.42. The general meeting of shareholders shall be declared closed only after consideration of all items on the agenda and taking decisions on them.

10.43. The secretary of the general meeting of shareholders shall be responsible for completeness and accuracy of any information recorded in the minutes of the general meeting of shareholders.

10.44. The decisions of a general meeting of shareholders may be taken through an absentee voting. The absentee voting may be applied alongside with voting of shareholders attending the general meeting of shareholders (mixed voting), or without holding a general meeting of shareholders.

10.45. At absentee voting, ballots for voting of the unified form shall be sent (distributed) to persons who are included in the list of shareholders.

The Company may not send voting ballots in a differentiated way to selected shareholders for the purpose of affecting the results of voting at a general meeting of shareholders.

10.46. Voting ballots are to be forwarded to persons included in the list of shareholders not later than 45 (forty five) days prior to a general meeting of shareholders. In absentee voting without holding a general meeting of shareholders, the Company shall publish an absentee voting ballot along with a notification on holding the general meeting of shareholders in the mass media specified in paragraph 10.16 of the Charter.

10.47. A ballot for absentee voting shall contain:

- 1) full name of the Company and location of the Company's Management Board;
- 2) information on the initiator of the meeting to be convened;
- 3) final date of submission of ballots for absentee voting;
- 4) date on which the general meeting of shareholders will be held or the date on which the absentee votes will be counted without holding a general meeting of shareholders;
- 5) agenda of the general meeting of shareholders;
- 6) names of candidates proposed for election if the agenda of general meeting of shareholders contains items regarding the election of members to the Board of Directors;
- 7) wording of the issues to be voted on;

- 8) voting options for each item of the agenda of the general meeting of shareholders expressed by words “for”, “against” and “abstained”;
  - 9) an explanation of the voting procedures (filling out of ballot) for every item of the agenda.
- 10.48. An absentee ballot is to be signed by a shareholder being a physical person with specification of his/her personal identity document details.
- An absentee ballot for a shareholder being a legal entity shall be signed by its head and affixed with the seal of such legal entity.
- A ballot without the signature of a shareholder being a physical person or the head of a shareholder which is a legal entity as well as without a seal affixed by such shareholder being a legal entity shall be considered invalid.
- The votes shall be counted only on such issues on which the respective shareholder has observed the voting procedure specified in the ballot and marked only one possible voting option.
- 10.49. If the agenda of general meeting of shareholders includes items regarding the election of members to the Board of Directors, the ballot for absentee voting shall contain fields for indication of the number of votes given for individual candidates.
- 10.50. If a shareholder who has earlier forwarded an absentee ballot, arrives to participate and vote at the general meeting of shareholders, at which mixed voting is used, his (her) ballot shall not be taken into account in determining the quorum of the general meeting of shareholders and counting votes on the agenda items.
- 10.51. Voting at a general meeting of shareholders shall be conducted on a “one (1) share-one (1) vote” basis, except the following cases:
- 1) limitation of maximum number of votes for shares granted to one (1) shareholder in cases stipulated by the legislative acts of the Republic of Kazakhstan;
  - 2) cumulative voting when electing members of the Board of Directors;
  - 3) granting every person authorized to vote at a general meeting of shareholders one (1) vote to be used on the procedural matters of a general meeting of shareholders.
- Following the results of voting, the counting commission shall draft and sign the minutes on the results of voting.
- If a shareholder has a dissenting opinion on an item put to vote, the Company’s counting commission is obliged to make a relevant record in the minutes.
- Once the minutes on the results of voting have been prepared and signed, completed ballots for secret voting in person and for absentee voting (including cancelled ballots), on the basis of which the minutes were drafted, are to be laced together with the minutes and kept at the Company.
- The minutes on voting results are to be attached to the minutes of the general meeting of shareholders.
- The result of voting shall be announced at the general meeting during which voting was taken.
- The result of voting at a general meeting of shareholders or the result of absentee voting shall be brought to notice of shareholders by publishing such results in the mass media specified in paragraph 10.16 of the Charter within 15 (fifteen) calendar days after closing of general meeting of shareholders.
- 10.52. The minutes of a general meeting of shareholders shall be drafted and signed within 3 (three) business days following the meeting closure.
- 10.53. The minutes of general meeting of shareholders shall specify:
- 1) full name of the Company and location of the Company’s management board;
  - 2) date, time and venue of the general meeting of shareholders;
  - 3) information on the number of voting shares of the Company represented at the general



- meeting of shareholders;
- 4) quorum at the general meeting of shareholders;
- 5) agenda of the general meeting of shareholders;
- 6) voting procedure at the general meeting of shareholders;
- 7) chairman (presidium) and secretary of the general meeting of shareholders;
- 8) number of persons participating in the general meeting of shareholders;
- 9) total number of shareholders' votes on each agenda item of the general meeting of shareholders put to vote;
- 10) items put to vote, results of voting thereon;
- 11) resolutions made by the general meeting of shareholders.

In the event of consideration of the item concerning election of the Company's board of directors (election of a new member of the board of directors) at a general meeting, the minutes of such general meeting shall specify which shareholder the elected member of the board of directors represents and/or which of the elected members of the board of directors is an independent director.

10.54. The minutes of general meeting of the shareholders shall be signed by:

- 1) the chairman (members of the presidium) of the general meeting of shareholders and the corporate secretary;
- 2) members of the counting commission;
- 3) shareholders holding 10 (ten) or more per cent of voting shares in the Company and participating in the general meeting of shareholders;

In case of impossibility to sign the minutes by a person responsible to do so, it shall be signed by his/her representative on the basis of a power of attorney issued thereto or by a person authorized in accordance with the laws of the Republic of Kazakhstan or an agreement to act without a power of attorney on behalf of the shareholder or represent its interests.

10.55. Should any person, referred to in paragraph 10.54 of the Charter, disagree with the content of the minutes, the above person shall be entitled to refuse to sign it by providing the reasons for such refusal in writing which should be attached to the minutes.

10.56. The minutes of the general meeting of shareholders shall be laced together with minutes of the results of voting, powers of attorney authorizing the participation and voting at the general meeting, as well as the signing of the minutes, and written explanations of those who have not signed the minutes indicating the reasons why they refused to sign the minutes. These documents shall be kept by the management board of the Company and shall be provided to the shareholders for familiarization at any time. If requested, a shareholder shall be given a copy of the minutes of the general meeting of shareholders.

## **11. COMPETENCE OF THE GENERAL MEETING OF SHAREHOLDERS**

11.1. The following issues fall within the exclusive competence of the general meeting of shareholders:

- 1) introduction of amendments to the Charter or approval of its new version;
- 2) voluntary reorganization or liquidation of the Company;
- 3) adopting a decision on increase in number of authorized shares of the Company, determining their type or change of type of unplaced authorized shares of the Company;
- 4) stipulation of conditions and procedures for conversion of securities of the Company and variation thereof;
- 4-1) adopting a decision on issuance of securities convertible into ordinary shares of the Company;



- 4-2) adopting a decision on swapping of placed shares of one type for shares of another type, stipulation of conditions and procedure for such swap;
- 5) adopting a decision on temporary or permanent removal of securities of the Company from the official stock exchange list where they are listed on;
- 6) amending the Code or approval of its new version;
- 7) determination of the number of members and term of office of the counting commission of the general meeting of shareholders and election of members of the counting commission and early termination of their powers;
- 8) determination of the number of members and term of office of the board of directors, election of its members and early termination of their powers, approval of the regulation of the board of directors as well as determining the amount and terms of remuneration and compensation of expenditures of members of the board of directors for performance of their duties;
- 9) determination of an audit organisation conducting audit of the Company;
- 10) approval of the annual consolidated financial statements and annual report of the Company;
- 11) approval of a procedure of distribution of the net income of the Company for the reported financial year, adoption of a decision on payment of dividends on ordinary and preferred shares and approval of the dividend rate per one (1) ordinary and one (1) preferred share of the Company;
- 12) adopting a decision on non-payment of dividends on ordinary shares of the Company;
- 13) adopting a decision on conclusion of the Company's interested party transactions in the event such decision cannot be taken by the board of directors of the Company;
- 13-1) adopting a decision on conclusion by the Company of a major transaction as a result of which the Company sells (may sell) its property, the value of which constitutes fifty percent or more of the total book value of the Company's assets as of the date of adopting such decision;
- 14) specification of the form of notification of shareholders by the Company concerning convocation of the general meeting shareholders and adopting a decision on publication of such information in mass media;
- 15) approval of the methodology of determining the value of the shares for redemption thereof by the Company at an unorganised market as well as amending thereof;
- 16) adopting a decision on granting of share options to the members of the board of directors (except for the general director (chairman of the management board) and independent directors);
- 17) approval of an agenda for a general meeting of shareholders;
- 18) approval of the decision on acquisition by the Company of any interests in subsoil use rights in the Republic of Kazakhstan (by way of acquisition of a participation interest in the relevant legal entity owing such subsoil rights or otherwise) provided that such acquisition was contemplated by the Company at the time of listing of its securities on the London Stock Exchange and is expressly disclosed in the prospectus relating to the listing of such securities on the London Stock Exchange;
- 19) adopting a decision on participation of the Company in establishing or activities of other legal entities or withdrawal as a participant (shareholder) from other legal entities by transfer (receipt) of a part or a number of parts of the assets constituting in aggregate 25 (twenty five) per cent or more of all the assets belonging to the Company in accordance with the recent financial statement published on the stock exchange.

- 20) other issues within the exclusive competence of the general meeting of shareholders according to the Legislation and/or the Charter.
- 11.2. Resolutions of the general meeting of shareholders on the issues specified in subparagraphs 1)-3), 5)-6), 15) of paragraph 11.1 of the Charter shall be adopted by a qualified majority out of the total number of voting shares of the Company.
- Resolutions of general meeting of shareholders on other issues shall be made by a simple majority of votes out of the total number of voting shares of the Company participating in voting, unless otherwise provided for by ~~this Charter~~ the Law of the Republic of Kazakhstan “On Joint Stock Companies”.
- 11.3. Delegation of decision-making authorities on the issues that fall within the exclusive competence of general meeting of shareholders to other bodies, officials or employees of the Company is not permitted unless otherwise provided for by the Legislation.
- 11.4. The general meeting of shareholders has the right to cancel any decision made by other bodies of the Company on the issues related to the internal activity of the Company.

## 12. BOARD OF DIRECTORS

- 12.1. The board of directors shall be responsible for the general management of the Company’s activities except for the issues referred by the Legislation and/or the Charter to the exclusive competence of a general meeting of the shareholders. Each member of the board of directors shall act at all times in the best interests of the Company.
- 12.2. The following issues fall within exclusive competence of the board of directors:
- 1) determining the priority areas of activity of the Company;
  - 2) adopting a decision regarding the convening of annual and extraordinary general meetings of shareholders;
  - 3) adopting a decision on placement (disposal) of and the number of the Company’s shares to be placed (disposed) within the number of authorized shares, procedure and price of placement (disposal) of shares;
  - 4) adopting a decision on redemption of the placed shares or other securities by the Company and the purchase price;
  - 5) adopting a decision on redemption by the Company of its shares from shareholders on non-proportional basis (except for the purchase of such shares on securities market);
  - 6) preliminary approval of the annual consolidated financial statements of the Company, approval of the annual report on performance of the board of directors and the management board of the Company;
  - 7) approval of the Charter, the Code, and amendments thereto;
  - 8) determination of terms of issuance of bonds and derivative securities of the Company as well as adopting a decision on their issuance;
  - 9) approval of prospectus for the listing of the Company’s securities on a stock exchange;
  - 10) determination of the number of members and term of office of the Company’s management board, approval of its regulation, election of the general director (chairman of the management board) and members of the management board, as well as early termination of their powers;
  - 11) giving recommendations to the general meeting of shareholders as to the amount and terms of payment of remuneration to the members of the board of directors;
  - 12) defining the official salary and salary and bonus payment conditions, adopting decisions on imposition of disciplinary penalties on the members of the management board;



- 13) establishment of the Company's internal control procedures and their compliance monitoring as well as approval of the annual action plan for the internal audit service;
- 14) as advised by the internal audit committee, determination of the number of members and personal composition, term of office of the employees of the internal audit service and early termination of their powers;
- 15) as advised by the internal audit committee, determination of the working procedure of the internal audit service, its competence and functions, amounts and terms of remuneration and bonuses, adopting decisions on imposing disciplinary penalties on the members of the internal audit service;
- 16) appointment, determination of the term of office of the corporate secretary, early termination of his/her powers, approval of the company secretary regulation as well as determining the amount of his/her salary and compensation terms, adopting decisions on imposition of disciplinary penalties on the corporate secretary;
- 17) determination of the remuneration payable to an audit organization for auditing the financial statements and to an appraiser for valuation of property either transferred as payment for the shares of the Company or being a subject of a major transaction as well as determination of an appraiser and its remuneration for valuation of shares in accordance with the methods of valuation of the shares for redemption thereof by the Company at over-the-counter market;
- 18) determination of procedure for the use of the reserve capital of the Company, if any;
- 19) approval of documents regulating the internal activities of the Company; the list of such documents shall be approved by the board of directors of the Company, including the internal document establishing the conditions and procedure for placement of securities of the Company by holding an auction and/or subscription;
- 19-1) adopting decisions on the matters as determined by the general meeting of shareholders and the board of directors (including on those stipulated by internal documents approved by the said bodies) except for the matters that are within the competence of the executive body and the general meeting of shareholders according to the Charter;
- 20) adopting decisions on opening and closing of branches and representative offices of the Company and approval of regulations of such branches and representative offices, as well as on appointing and dismissing the heads of branches and representative offices of the Company, direction of activity of branches and representative offices of the Company;
- 21) adopting decisions on acquisition (disposal) by the Company of ten (10) or more per cent of shares (participating interests in charter capital) in other legal entities;
- 21-1) adopting decisions in respect of the matters falling within the competence of a general meeting of shareholders (participants) of a legal entity whose 10 (ten) and more per cent of shares (participation interests in the charter capital) are owned by the Company;
- 22) **[DELETED]**
- 23) determination of information about the Company and its activities constituting official, commercial or other secret protected by law;
- 24) adopting decisions on conclusion of major transactions; ~~25) adopting decisions on conclusion by the Company of interested party transactions,~~ except for major transactions with respect to which decision-making is within the competence of the ~~management-board~~ general meeting of shareholders of the Company;
- 25) adopting decisions on conclusion by the Company of interested party transactions;
- 26) adopting decisions on increase in the Company's liabilities ~~of the Company by amount of ten (10) or more per cent of the Company's equity capital~~ for an amount which exceeds an amount in tenge equivalent to 5 (five) million US dollars, on attracting or granting a loan the

value of which exceeds an amount in tenge equivalent to 5 (five) million US dollars as well as on conclusion of any transaction the value of which exceeds an amount in tenge equivalent to 5 (five) million US dollars;

- 27) obtainment, transfer by the Company (or by any of its affiliates or jointly controlled entities) of subsoil use licenses or contracts in the Republic of Kazakhstan or elsewhere, introduction of amendments to such licenses or contracts (except for change of details of the parties or editorial alterations);
- 28) approval of the strategy and the strategic development plans of the Company;
- 29) approval of the consolidated annual budget and business plan of the Company;
- 30) development of recommendations to the general meeting of shareholders on the procedure for distribution of net income of the Company for the past financial year and on the amount of dividends to be paid per one (1) ordinary share and one (1) preferred share of the Company paid by the Company at the year-end;
- 31) establishment of a committee or other body of the board of directors, determination of procedures for their formation and operation, composition, activity and powers, as well as approval of regulations thereof;
- 32) control over the compliance with the listing rules of the stock exchange on which the Company's shares are listed;
- 33) approval of a resolution on temporary or permanent delisting of the Company's securities from the stock exchange the Company's securities are listed on;
- 34) adopting decisions on participation of the Company in establishment of other organizations;
- 35) approval of any share option plans and long term incentive plans for the officers and employees of the Company;
- 36) adopting decisions on granting share options and premium under the share option plans and long-term incentive plans of the Company employees, except for options granted to the members of the board of directors (except for the general director (chairman of the management board) and independent directors);
- 37) approval of voluntary liquidation or reorganization of the Company;
- 38) approval of social expenditures of the Company (except for the expenditures required by law or existing agreements);
- 39) approval of the structure and staff (total headcount) of the employees of the Company's central office, branches, representative offices and administrative staffs, as well as the total number of employees of organization departments of branches and representative offices;
- 40) approval of accounting policy of the Company;
- 40-1) determining the strategy and risk management policy of the Company;
- 40-2) consideration of the issues determined by the Cash Management Policy of JSC "KazMunaiGas" EP";
- 40-3) final approval of the annual production programme of the Company, as well as the amendments thereto;
- 40-4) approval of the long-term plan for procurement of goods, works, and services;
- 41) other issues stipulated by the Legislation, listing rules of the relevant stock exchange and/or the Charter.

~~Issues specified in paragraphs 1), 20), 21), 24), 29), 34), 35), 39) and being submitted for consideration of the board of directors are subject to preliminary approval by the management board of the Company.~~



12.2-1. The board of directors shall:

- 1) monitor and, where possible, eliminate any potential conflict of interest on the level of officers and shareholders, including unlawful use of Company's property and abuse while entering into interested party transactions;
- 2) exercise control over efficiency of corporate governance practice in the Company.

12.3. In order to review the most important issues and develop recommendations for the board of directors the committees of the board of director on the following issues shall be established within the Company:

- 1) strategic planning;
- 2) human resources;
- 3) remunerations;
- 4) internal audit;
- 5) social matters;
- 6) business planning;
- 7) corporate governance;
- 8) other matters provided for by the Legislation and internal documents of the Company.

The committees of the board of directors shall consist of the members of the board of directors and experts having the professional knowledge necessary for working at the specific committee. The board of directors may engage experts out of employees of the Company who have necessary knowledge, as advised by the management board of the Company. The board of directors may adopt a resolution to engage other individuals as experts.

A committee of the board of directors shall be chaired by a member of the board of directors who is not the chairman of Company's management board. The independent directors shall be the heads (chairpersons) of the committees of the board of directors specified in subparagraphs 1)-5) of this paragraph.

The procedures for formation and operation, the number of members within the committees of the board of directors, as well as procedures for interaction with the board of directors of the Company shall be established by the Company's internal documents developed in accordance with best practices applied at listed companies, and approved by the board of directors.

12.4. Issues within the exclusive competence of the board of directors may not be transferred to the decision of the management board of the Company.

The board of directors may not make resolutions on the issues which in accordance with the Charter fall within the exclusive competence of the management board and adopt resolutions contradicting any decisions of the general meeting of shareholders.

12.5. Resolutions of the board of directors on issues specified in subparagraphs 3), ~~5)~~ 7) (with respect to the Charter and amendments thereto only), 14), 24), ~~26)~~ 27), ~~31)~~ and 33), ~~37)~~ ~~38)~~ of paragraph 12.2 of the Charter shall be taken by a majority vote of the members of the board of directors including majority vote of independent directors.

When considering any issue stipulated ~~herein in subparagraphs 3), 5), 7), 14), 24), 26), 27), 31), 33), 37), 38)~~ of paragraph 12.2 of this Charter, the independent directors shall:

- 1) have a right at the expense of the Company to get consultation of professional experts (including legal and financial advisers) with respect to such provisions that they think necessary;
- 2) undertake to act in good faith, in a reasonable and fair manner in compliance with requirements of the laws, ethical principles, and the rules of business ethics in the best interest of the Company's shareholders as a whole.

12.6. Only a natural person may be a member of the board of directors.

Members of the board of directors shall be elected from:

- 1) shareholders who are natural persons;
- 2) persons proposed (recommended) to be elected to the board of directors as representatives of the shareholders;
- 3) other persons (subject to limitations provided for by paragraph 12.8 of the Charter).

Members of the board of directors shall be elected by cumulative voting with the use of voting ballots except for cases where one candidate stands for a single post in the board of directors. Each shareholder may give votes, according to the number of shares it has, all for 1 (one) candidate or distribute them between several candidates to the board of directors. Candidates having the majority of votes are considered to be elected to the board of directors. If two or more candidates gain an equal number of votes then with respect to these candidates a further cumulative voting shall be held with provision to shareholders of cumulative voting ballots indicating the candidates with equal number of votes.

A cumulative voting ballot shall contain the following columns:

- 1) list of candidates for members of the board of directors;
- 2) number of shareholder's votes;
- 3) number of votes given by a shareholder for a candidate to the board of directors.

Voting options "against" and "abstained" shall not be included in cumulative voting ballot.

12.7. A member of the board of directors may be elected from natural persons that are neither shareholders of the Company nor proposed (recommended) for election to the board of directors as persons representing the shareholders. The number of such persons may not exceed fifty per cent of the members of the board of directors.

At least thirty (30) per cent of the members of the board of directors shall be independent directors.

12.8. Members of the management board except for its chairman may not be elected to the board of directors. The general director (chairman of the management board) may not be elected as chairman of the board of directors as well as chairman of any committee of the board of directors.

12.9. The number of members of the board of directors shall (in the absence of temporary vacancies) be at least eight (8) persons, including independent directors and the general director (chairman of the management board).

12.10. No person may be a member of the board of directors that:

- 1) does not have a higher education or a secondary professional education;
- 2) has an outstanding or not cancelled conviction in accordance with the procedure established by Legislation;
- 3) has been earlier an executive employee (chairman of the board of directors, chief executive officer (chairman of the management board), deputy CEO, chief accountant) of a legal entity which was declared bankrupt or exposed to conservation, rehabilitation, compulsory liquidation during the term of office of such person. This requirement has its effect within five years from the date when decision on bankruptcy, conservation, rehabilitation or compulsory liquidation was taken;
- 4) has been earlier an official of a joint stock company which was found guilty by the court of crimes against property, in business activity or against the interests of service in commercial or other organizations, and released from criminal liability based on non-exonerate grounds for the above crimes. This requirement has its effect within five years from the date of cancellation of or clearing a criminal record or relief from criminal liability in the manner established by law.

12.11. Persons elected to the board of directors may be re-elected for any number of times unless otherwise stipulated by the Legislation.



- 12.12. The term of office of the board of directors is established by the general meeting of shareholders. The term of office of the board of directors shall expire at the moment of holding of the general meeting where the new board of directors is elected.
- 12.13. The general meeting of shareholders may early terminate the powers of all or any member of the board of directors.
- 12.14. Early termination of powers of a member of the board of directors on his/her initiative is conducted on the basis of a written notification made to the board of directors. The powers of such member of the board of directors are terminated from the moment of receipt of such notification by the board of directors.
- 12.15. In the event of early termination of powers of any member of the board of directors a new member of the board of directors shall be elected by cumulative voting of shareholders present at the general meeting provided that powers of such newly elected member of the board of directors shall be terminated concurrently with expiration of term of office of the board of directors as a whole.
- 12.16. The chairman of the board of directors shall be elected from its members by a majority of vote of the total number of members of the board of directors by open voting.
- 12.17. The chairman of the board of directors shall:
- 1) arrange the activities of the board of directors;
  - 2) conduct meetings of the board of directors;
  - 3) convene meetings of the board of directors and chair such meetings;
  - 4) sign on behalf of the Company an employment agreement with the general director (chairman of the management board);
  - 5) approve the job descriptions of the head of the internal audit service.
- 12.18. In the event the chairman of the board of directors is absent, his functions shall be fulfilled by one of the members of the board of directors upon the resolution of the board of directors made by majority votes of its members participating at the meeting.
- 12.19. A meeting of the board of directors may be convened on the initiative of the chairman of the board of directors or the chairman of the management board or upon request of:
- 1) any member of the board of directors;
  - 2) the internal audit service of the Company;
  - 3) an audit organization auditing the Company;
  - 4) a major shareholder.
- 12.20. The request for convening the meeting of the board of directors with appropriate materials enclosed shall be submitted to the chairman of the board of directors by sending an appropriate written notice containing the proposed agenda for the meeting of the board of directors. If the chairman of the board of directors declines to convene the meeting, the initiator may apply with same request to the management board which is obliged to convene the meeting of the board of directors. The meeting of the board of directors shall be convened by the chairman of the board of directors or the management board within ten (10) days from the date of receipt of the request for convening. Such meeting of the board of directors shall be held with the mandatory invitation of the person who made such request.
- 12.21. The procedure for submission of notifications on holding a meeting of the board of directors to the members of the board of directors is determined by the board of directors. The agenda of the meeting of the board of directors in person is approved by the majority of votes of the members of the board of directors present at the meeting, ~~including the majority of votes of independent directors~~. The agenda of the meeting of the board of directors may be amended, if all

the members of the board of directors, including the independent directors, vote for its amendment.

- 12.21-1. Materials on agenda items shall be submitted to members of the board of directors at least seven calendar days prior to the meeting.

In the event the issue of entering into a major transaction or interested party transaction is being considered, information on such transaction shall include information on parties thereto, the term of the transaction and its conditions, the nature of and shares of parties concerned, and report of appraiser (in the event property of ten (10) or more per cent from Company's assets is to be acquired or alienated).

- 12.22. A member of the board of directors shall notify the management board of the Company of his/her inability to participate in the meeting of the board of directors in advance.
- 12.23. The members of the board of directors or of any committee of the board of directors as well as experts may participate in a meeting of the board of directors or such committee by means of a conference call or any other communication media allowing all participants to hear and speak to each other. Members of the board of directors participating by such means shall be deemed present in person at the meeting and shall be entitled to vote or be counted in a quorum in accordance with the provisions of the Charter.
- 12.24. The quorum required for a valid meeting of the board of directors shall be not less than 2/3 (two thirds) out of the total number of members of the board of directors, including at least 2/3 (two thirds) of independent directors.

In case of the absence of the quorum for a meeting of the board of directors, the repeat meeting of the board of directors with the same agenda may be held within 10 (ten) days following the date of the meeting of the board of directors that has not occur. In doing so, the quorum required for a valid repeat meeting of the board of directors shall be as determined in first subparagraph of this paragraph 12.24.

In case of the absence of the quorum for the repeat meeting of the board of directors, a new repeat meeting of the board of directors with the same agenda may be held not earlier than 10 (ten) days following the date of the first meeting of the board of directors that has not occur. In doing so, the quorum required for a valid new repeat meeting of the board of directors shall be not less than a half out of the total number of members of the board of directors.

If the total number of members of the board of directors is not sufficient for the quorum, the board of directors shall convene an extraordinary general meeting of shareholders for the election of new members of the board of directors. The remaining members of the board of directors may make a resolution only on convening of such extraordinary general meeting of shareholders.

In the event the board of directors should make a resolution on interested party transaction, ~~the quorum shall be at least 2 (two) members of the board of directors, disinterested (or deem to be so) in such transaction. The~~ (including, for the avoidance of doubt, on interested party transaction to be concluded for the purposes of attracting a loan from organizations within the Sovereign Wealth Fund group or within the JSC NC "KazMunayGas" group, or granting a loan to such organizations), the resolution on conclusion of such transaction is ~~adopted~~ made by simple majority of votes of the members of the board of directors ~~present at the meeting and~~ disinterested in the conclusion of such transaction.

- 12.25. Each member of the board of directors shall have one vote. Resolutions of the board of directors shall be adopted by simple majority of votes of the members of the board of directors present at the meeting unless otherwise stipulated by the Legislation or the Charter. The transfer of voting rights by a member of the board of directors of the Company to any person, including other member of the board of directors is not allowed. The members of the board of directors may not appoint its representative to attend any meeting of the board of directors in their absence.

Upon a tied vote the vote of the chairman of the board of directors or the person chairing at the meeting of the board of directors shall be decisive.

In the event of entire or partial disagreement of a member of the board of directors with a



resolution adopted by the board of directors, he/she shall set forth the disagreement in the form of dissenting opinion on the item put to vote which is recorded by the corporate secretary in the minutes of the meeting of the board of directors in person. In the event of adopting a decision by the board of directors by absentee voting, the dissenting opinion of a member of the board of directors shall be expressed in writing and attached to the completed ballot.

- 12.26. The board of directors may decide to hold a closed meeting where only the members of the board of directors can participate.
- 12.27. At the discretion of the chairman of the board of directors of the Company, resolutions on issues put to meetings of the board of directors may be adopted by absentee vote. In such a case the ballots shall be used for voting on the agenda items. Resolutions made by absentee vote shall be deemed adopted if a quorum is present by the ballots received by due date.

The resolution of an absentee vote of the board of directors shall be executed in written form and signed by the corporate secretary and the chairman of the board of directors. Within twenty (20) days following the execution of the decision, it shall be sent to the members of the board of directors with copies of the ballots based on which the decision was made.

The meeting of the board of directors by absentee vote is not allowed when the decisions are taken on the priority areas of the Company's activities, when a new chairman of the board of directors is elected and when other issues are considered as determined by the board of directors.

- 12.28. Resolutions of the board of directors adopted at a meeting in person shall be executed by minutes which shall be prepared and signed by the person that chaired at the meeting and by the corporate secretary within three (3) days of such meeting and shall contain:
- 1) full name and location of the management board of the Company;
  - 2) date, time and venue of the meeting;
  - 3) information regarding the persons who participated in the meeting;
  - 4) agenda of the meeting;
  - 5) items put to vote and results of the voting on those items with voting results of each member of the board of directors disclosed on each item on the agenda of the board of directors' meeting;
  - 6) speeches of the persons participating at the meeting of the board of directors;
  - 7) dissenting opinions of the members of the board of directors;
  - 8) decisions made;
  - 9) other information upon resolution of the board of directors.

- 12.29. The minutes of meetings and decisions of the board of directors shall be kept at the Company.

The corporate secretary of the Company that is elected by the board of directors on a permanent basis and performs job responsibilities of the secretary of the board of directors, upon the request of a member of the board of directors shall provide such member with the minutes of the meeting of the board of directors for review and resolutions passed by absentee voting and/or provide him/her with excerpts from the minutes and resolution certified by the signature of the corporate secretary and affixed with the seal of the board of directors.

- 12.30. A member of the Company's board of directors, who failed to attend a meeting of the board of directors or has voted against a resolution passed by the Company's board of directors in violation of the procedure established by the Legislation and the Charter may dispute it in court;
- 12.31. A shareholder may dispute in court a resolution of the Company's board of directors passed in violation of the requirements of the Legislation and the Charter, if the said resolution violates the rights and legitimate interests of the Company and/or such shareholder.
- 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.

### 13. MANAGEMENT BOARD

- 13.1. The current activities are managed by the management board of the Company. The management board is headed by the general director (chairman of the management board).

The management board's activities arrangement and the procedure for convening and holding its meetings are regulated by internal documents of the Company approved by the board of directors. All or any of the members of the management board may participate in a meeting of the management board by means of a conference call or other communication means which allows all the participants of the meeting to hear each other and speak to each other. A person participating in such a way shall be deemed present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

The management board shall be entitled to make decisions on any issues concerning the activities of the Company which are not referred by the Legislation and the Charter to the competence of other bodies and officials of the Company, including:

- 1) adopting decisions on increase in the Company's liabilities for ~~amounts from five (5) to ten (10) per cent of the equity capital of the Company~~ amount which does not exceed an amount in tenge equivalent to 5 (five) million US dollars, on attracting or granting a loan the value of which does not exceed an amount in tenge equivalent to 5 (five) million US dollars as well as on conclusion of any transaction the value of which does not exceed an amount in tenge equivalent to 5 (five) million US dollars (except for any interested party transactions the decision on which is made in accordance with paragraph 12.24 of the Charter);
- 2) making recommendations to the board of directors on obtaining, transfer of subsoil use licenses or contracts in or outside of the Republic of Kazakhstan or by the Company (or any of its affiliates or jointly controlled entities), including introduction of amendments thereto (except for change of details of the parties or editorial alterations);
- 3) ~~approval of the structure and staff schedule of employees of the central office of the Company;~~ [DELETED]
- 4) ~~approval of the structure of branches and representative offices and the total number of employees and staff (staff schedule) of administrative staffs, as well as the total number of employees of organization departments of branches and representative offices;~~ [DELETED]
- 5) adopting decisions (resolutions) and giving instructions binding for all employees of the Company;
- 6) approval of documents regulating internal activity of the Company except for the documents to be approved by the board of directors;
- 7) ~~coordination and direction~~ of activity of branches, representative offices of the Company;
- 8) ensuring timely provision of information on activities of the Company, including confidential information, to the members of the board of directors within ten (10) days of receipt of the request;
- 9) adopting decisions on operation issues of the internal activities of the Company;
- 10) ~~approval of the long term plan for procurement of goods, works and services;~~ [DELETED]
- 11) approval of monthly management reports;
- 12) approval of the entry into external financing agreements;



- 13) subject to the subsequent final approval by the board of directors of the Company, preliminary approval of the annual production programme and the pricing policy of the Company, as well as introduction of the amendments thereto;
- 14) ~~approval of the annual report of the Company;~~ [DELETED]
- 14-1) ~~adopting decisions on conclusion of interested party transactions with organizations;~~ [DELETED]  
~~where the Company is the sole shareholder (participant);~~  
~~within the Sovereign Wealth Fund group provided that the value of such a separate transaction or a total value of a series of connected transactions does not exceed five hundred million (500,000,000) Tenge;~~
- 14-2) giving recommendation to the boards of directors, supervisory boards of subsidiaries and affiliate organizations of the Company, and authorized representatives of the Company in those bodies with regard to activities of those organizations;
- 15) adopting decisions on other issues concerning maintenance of activities of the Company which do not fall within the exclusive competence of the general meeting of shareholders, the board of directors and officers of the Company.

A transfer of voting rights by a member of the Company's management board to another person including a member of the Company's management board is not allowed.

The management board is obliged to execute decisions of the general meeting of shareholders and the board of directors of the Company.

The Company shall be entitled to dispute the validity of any transaction entered into based on the resolution of the management board of the Company and in violation of the restrictions established by the Company, if the Company proves that at the moment of the conclusion of the transaction the parties were aware of such restrictions.

- 13.2. The shareholders and employees of the Company who do not hold shares of the Company can be the members of the management board of the Company. The requirements and restrictions for persons nominated to Company's management board are established in the Legislation, the Code and the internal documents of the Company.

A member of the management board has a right to work in other organizations only with the consent of the Board of directors. The general director (chairman of the management board) of the Company may not hold a position of the head of an executive body or a person individually exercising functions of the executive body in other legal entity.

Functions, rights and obligations of a member of the management board are determined by the Charter, the Code and the Legislation, as well as the employment agreement to be signed by the mentioned person with the Company. The employment agreement with the general director (chairman of the management board) with the established amount of salary in accordance with the resolution of the board of directors shall be signed on behalf of the Company by the chairman of the board of directors or any other person authorized by the general meeting of shareholders or the board of directors. The employment agreements with other members of the management board with the established amount of salary in accordance with the resolution of the board of directors shall be signed by the general director (chairman of the management board).

- 13.3. The management board shall consist of at least five (5) persons.
- 13.4. A meeting of the management board is considered valid if at least 2/3 (two thirds) of members of the management board are present at such meeting.
- 13.5. The resolutions of the management board are made by a majority of votes of its members present at the meeting. If there is a tie vote the resolution for which the general director (chairman of the management board) voted shall be decisive.

The resolutions of the Company's management board shall be recorded in the minutes which shall

be signed by all members of management board present at the meeting and shall contain the issues put to vote, voting results with votes of each member of the management board disclosed on each item.

13.5-1. For the purpose of prompt decisions on the risk management related issues there may be established a risk management committee under the management board. The procedure for establishment and operation of the risk management committee, number of its members and its competence shall be determined by the Company's management board.

13.6. The general director (chairman of the management board) of the Company shall:

- 1) be the head of the management board;
- 2) ensure fulfilment of decisions of the general meetings of shareholders, the board of directors and the management board;
- 3) act without a power of attorney on behalf of the Company in relations with third parties;
- 4) issue powers of attorney for representing the Company in relations with third parties;
- 5) hire, rotate and dismiss employees of the Company, except for the cases provided by the Legislation, incentivize and impose disciplinary penalties on employees, determine amounts of salaries of employees of the Company and personal additions to salaries in accordance with the staff schedule of the Company, determine the amount of bonuses to the employees of the Company except for the employees who are members of the management board and the internal audit service as well as the corporate secretary;
- 6) in the event of his/her absence, entrust his/her duties to one of the members of the management board of the Company;
- 7) distribute obligations as well as scope of authority and responsibility among the members of the management board of the Company;
- 8) approve the prosecution or settlement of any litigation, dispute or arbitration proceedings;
- 9) ~~on behalf of the Company conclude transactions for the amount of up to five (5) per cent of the equity capital subject to the adoption of the relevant decision by the board of directors of the Company;~~ **[DELETED]**
- 10) ~~10) appoint and dismiss the heads of branches and representative offices of the Company;~~
- 11) set the working hours of the Company;
- 12) submit to the board of directors semi-annual reports on implementation of the basic parameters of the consolidated annual budget and business plan and strategic chart of key performance indicators of the general director (chairman of the management board);
- 13) open bank and other accounts of the Company;
- 14) within his/her competence, issue orders and give instructions;
- 15) convene meetings of the management board;
- 16) ensure notification of the chairman of the board of directors or persons authorized by the chairman of the board of directors, on emergencies (accidents, disasters or catastrophe) connected with the operation of the Company in the shortest time span;
- 17) take decisions on all other issues concerning the current activity of the Company, which does not fall within the exclusive competence of the general meeting of shareholders and the board of directors of the Company and the competence of the management board.

13.7. The secretary of the management board elected by the management board on the permanent basis, upon the request of a member of the management board shall submit to such member the minutes of the meeting of the management board for review attested by the signature of the secretary of the management board and affixed with the seal of the management board.

#### 14. THE COMPANY OFFICIALS AND CORPORATE SECRETARY



14.1. The officials of the Company (members of the board of directors and members of the management board) shall:

- 1) perform duties imposed on them in good faith and use methods which represent the interests of the Company and shareholders to the utmost. In case of any conflict of interests of the Company and its official, the latter shall immediately notify the management board (or the board of directors) on such conflict;
- 2) not use or allow to use the property of the Company in contravention of the Charter and the resolutions of the general meetings of shareholders and the board of directors as well as for personal purposes and take advantage thereof while concluding transactions with its affiliates;
- 3) shall secure consistency of accounting and financial reporting systems including conducting an independent audit;
- 4) control disclosure and provision of information on the activity of the Company in accordance with the Legislation;
- 5) keep confidential information on the Company's activity, including within three (3) years upon termination of employment with the Company, unless otherwise is provided in the internal documents of the Company.

14.1-1. The members of Company's board of directors shall:

- 1) act in compliance with the laws of the Republic of Kazakhstan, the Charter, the Code and internal documents of the Company based on awareness, transparency, in the interests of the Company and its shareholders;
- 2) treat any shareholder fairly, make objective and independent judgment on corporate matters.

14.2. Subject to the Legislation and provided that a member of the board of directors has disclosed to the board of directors the nature and extent of his/her material interest, the member of the board of directors irrespective of his/her office:

- 1) may be a party to, or otherwise interested in, any contract with the Company or in which the Company is interested;
- 2) may be a head or other officer of, be employed by, be a party to any contract, or be interested in any legal entity promoted by the Company or in which the Company is interested or regarding to which the Company has any rights of appointment. The general director (chairman of the management board) of the Company may not hold a position of the head of an executive body or be a person individually exercising functions of the executive body in other legal entity; and
- 3) shall not, by virtue of his/her office, be accountable to the Company for any remuneration or benefit which he derives from any such office or employment or from any such contract or from any interest in such legal entity and shall not avoid such office, employment or contract on the grounds of having any such interest or benefit.

14.3. Except as otherwise provided by the Charter, a member of the board of directors shall not vote, or be counted in the quorum in relation to, any resolution of the board of directors or a committee of the board of directors concerning any matter in which he/she has, to the best of his/her knowledge, directly or indirectly, an interest or duty which (along with any interest of a person connected with him) is material and, if he shall do so, his/her vote shall not be counted. A member of the board of directors shall be entitled to vote on and be counted in the quorum in respect of any resolution concerning any of the following matters:

- 1) any arrangement for the benefit of employees of the Company or any of its subsidiaries, under which he benefits in a similar manner as the employees, and which does not provide a privilege or an advantage to any member of the board of directors or a member of the management board which is not provided to the employees to whom the arrangement relates;

- 2) participation by the Company in any state procurement tender with respect to supply of crude oil to JSC Trade House KazMunaiGas for supply to the domestic market of the Republic of Kazakhstan until 2016.
- 14.4. Subject to the Legislation, and provided that a member of the management board has disclosed to the management board the nature and extent of his/her material interest, the member of the management board irrespective of his/her office:
- 1) may be a party to, or be otherwise interested in, any contract with the Company or the one the Company is interested in;
  - 2) may be a head or other officer, or be employed by subject to consent of the board of directors, or be a party to any contract with, or be interested in, any legal entity promoted by the Company or the one the Company is interested in or regarding which the Company has any rights of appointment. The general director (chairman of the management board) of the Company may not hold a position of the head of an executive body or be a person individually exercising functions of the executive body in other legal entity;
  - 3) shall not, by virtue of his/her office, be accountable to the Company for any remuneration or benefit which he derives from any such office or employment or from any such contract or from any interest in such legal entity and shall not avoid (provided that all necessary approvals have been obtained) such office, employment or contract on the grounds of having any such interest or benefit.

Except as otherwise provided by the Charter, a member of the management board shall not participate in voting, or be counted in the quorum in relation to, any resolution of the management board concerning any matter in which he/she has, to the best of his/her knowledge, a direct or indirect interest (other than his/her interest in shares or bonds or other securities of, or otherwise in or through, the Company) or duty which (along with any interest of a person connected with him/her) is material and, if he shall do so, his/her vote shall not be counted. A member of the management board shall be entitled to vote and be counted in the quorum in respect of any resolution concerning any contract concerning any insurance which the Company is empowered to purchase or conclude for the benefit of, any member of the board of directors or members of the management board.

- 14.5. The officials of the Company shall be liable before the Company and the shareholders pursuant to the laws of the Republic of Kazakhstan for losses incurred by the Company, caused by their acts and/or omission to act including but not limited to losses incurred as a result of:
- 1) provision of misleading information or false representation;
  - 2) violation of procedure for provision of information as established by the Law of the Republic of Kazakhstan "On Joint Stock Companies";
  - 3) a suggestion and/or adopted decision to enter into a major transaction and/or a interested party transaction resulting in losses incurred by the Company as a result of their wrongful acts or omission to act, including those aimed at making profit for themselves or for their affiliates from such transactions with the Company.

The officials shall be liable before the Company and the shareholders in the event and in the manner established by the Law of the Republic of Kazakhstan "On Joint Stock Companies".

- 14.6. The authority of the Company's corporate secretary shall be determined in accordance with the Legislation, the Charter, the Code and the internal documents of the Company.

## **15. INTERNAL AUDIT SERVICE**

- 15.1. The internal audit service consisting of at least three (3) persons shall be established in order to exercise control over financial and economic activity of the Company.
- 15.2. The employees of the internal audit service may not be elected to the board of directors or to the management board.

The employees of the internal audit service, including the head, are appointed to and removed



from the office by the board of directors, as advised by the internal audit committee of the board of directors.

The head of the internal audit service may be present at a general meeting of shareholders with regard to the issues which have been previously reviewed by the internal audit service; be present at the meetings of the board of directors where the issues of the internal audit service activity are reviewed; initiate issues for inclusion in the agenda of the meetings of the board of directors; submit for consideration of the internal audit committee of the board of directors the candidates for the staff of the internal audit service.

- 15.3. The internal audit service shall be directly subordinate to the board of directors and reports on its activity to the board of directors on quarterly basis.
- 15.4. The internal audit service shall have a right of absolute access to any documentation and information of the Company in order to fulfil the annual plan of work subject to amendments and supplements thereto.
- 15.5. The working procedure, competence and functions of the internal audit service shall be determined by the internal documents of the Company approved by the board of directors following the preliminary approval by the internal audit committee.

#### **16. FINANCIAL REPORTING, ACCOUNTING RECORDS AND AUDIT**

- 16.1. The financial year of the Company is a calendar year (from January 1 (the first) till December 31 (the thirty-first)).
- 16.2. The procedure of accounting and preparation of financial statements of the Company is governed by the legislation of the Republic of Kazakhstan on accounting and financial reporting.
- 16.3. Financial and statistical reporting, accounting records and periodical financial statements are compiled and if necessary submitted for consideration of the competent state authorities in accordance with the accounting principles stipulated by the Legislation as well as other principles approved by the general meeting of shareholders.
- 16.4. The management board of the Company annually submits to the general meeting of shareholders the annual consolidated financial statements for the past year, audited in compliance with legislation on auditing of the Republic of Kazakhstan, for discussion and approval. In addition to consolidated financial statements, the management board submits an auditor's report to the general meeting of shareholders.
- 16.5. The annual and interim consolidated financial statements are subject to approval by the general director, deputy general director on economy and finance and the financial controller.

The final approval of the annual consolidated financial statements of the Company is made at the annual general meeting of shareholders.

Should the financial statements of the Company misrepresent the financial standing of the Company, the officials of the Company who have signed the said financial statements shall be liable before the third parties who suffer material damage as a result of this.

- 16.6. The Company shall annually publish in mass media specified in paragraph 10.16 of the Charter its consolidated annual financial statements and an auditor's report in the manner and within the timeframe established by the authorized body.
- 16.7. The Company shall conduct an audit of its annual consolidated financial statements.
- 16.8. The audit of the Company may be conducted on the initiative of the board of directors, the management board at the expense of the Company or upon the request of a major shareholder at its expense provided that such major shareholder has the right at its own discretion to choose the auditor.
- 16.9. If the management board of the Company evades an audit of the Company, the audit may be prescribed by a court decision upon a claim of any interested person.
- 16.10. The Company annually conducts an audit following the financial year results no later than the dates of publication of financial statements established by the listing rules of the stock exchanges

on which the Company's securities are listed.

## **17. DISCLOSURE OF INFORMATION BY THE COMPANY AND DOCUMENTS OF THE COMPANY**

- 17.1. The Company shall notify its shareholders and investors of corporate events of the Company, the list of such information being established by the Law of the Republic of Kazakhstan "On Joint Stock Companies".

The mass media which shall be used by the Company and its shareholders for publication of their notices and other information subject to mandatory publication according to the Law of the Republic of Kazakhstan "On Joint Stock Companies" are specified in paragraph 10.16 of the Charter.

As required by the laws of the Republic of Kazakhstan and other applicable requirements the Company discloses a part of the information on the Company's corporate events on the Company's corporate web-site and other web resources. In the event the Law of the Republic of Kazakhstan "On Joint Stock Companies" and other legal acts of the Republic of Kazakhstan do not stipulate the term of announcement (making available to shareholders) of information, such information shall be published (made available to shareholders) within five business days from the date it first emerged.

Information on initiation of a corporate dispute case shall be provided to the shareholders within seven (7) business days from the date of receipt by the Company of the relevant court notice (summons) in respect of the civil corporate dispute case.

- 17.2. Upon request of a shareholder, the Company shall provide such shareholder with copies of documents as stipulated by the Law of the Republic of Kazakhstan "On Joint Stock Companies".

The amount of fees for provision of copies of documents shall be set by the Company and may not exceed the expenses for making copies and the expenses for delivery of copies to the shareholder.

The documents regulating individual matters of issuance, placement, trading and conversion of the Company's securities containing information constituting official, commercial or other secret protected by law, shall be submitted for examination to a shareholder upon request.

- 17.3. The information on corporate events shall be provided in accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies" and this Charter.

- 17.4. The documents of the Company concerning its activities shall be kept by the Company for the whole period of its operation at the location of the management board.

The following documents shall be kept:

- 1) the Charter, amendments made to the Charter;
- 2) foundation agreements (merger agreements), amendments made thereto;
- 3) certificate of state registration (re-registration) of the Company as a legal entity;
- 4) the Code and terms of reference of any committee of the board of directors;
- 5) statistical card of the Company;
- 6) licenses for certain activities of the Company and/or performance of certain actions;
- 7) documents confirming the rights of the Company to property which is/was on the balance sheet of the Company;
- 8) prospectuses of the Company;
- 9) documents confirming state registration of securities issuance of the Company, cancellation of securities, as well as approval of reports on results of placement and repayment of securities of the Company, submitted to an authorized body;
- 10) regulations on branches and representative offices of the Company;
- 11) minutes of the general meetings of shareholders, minutes of voting results and ballots (including invalid ballots), materials on the issues of agenda of general meetings of



shareholders;

- 12) lists of shareholders submitted to the general meetings of shareholders;
  - 13) minutes of the meetings of the board of directors (resolutions of the meetings of the board of directors made by absent voting) and ballots (including invalid ballots), materials on the agenda items of the board of directors;
  - 14) minutes of the meetings (resolutions) of the management board.
- 17.5. Other documents including financial statements of the Company shall be kept during the period prescribed in accordance with legislation of the Republic of Kazakhstan.
- 17.6. In order to obtain the information (copies of documents) a shareholder shall apply to the management board of the Company in written form. The application of the shareholder shall be included in the register of incoming documents in the prescribed manner. The Company shall provide the requested information (copies of the requested documents) within 10 (ten) calendar days from the date of the shareholder's application.
- Information regarding the Company's operations marked as "Confidential" or "For Official Use" that has become known to the shareholders may not be disclosed in writing or otherwise to any third party. A shareholder to whom such information is available shall keep it confidential.
- Confidential information of the Company may only be disclosed by such shareholders with permission of the board of directors of the Company, otherwise such shareholders shall be liable in accordance with the Legislation.
- The board of directors of the Company may impose restrictions on provision of information constituting official, commercial or other secret protected by law.
- 17.7. The Company shall keep a register of employees having information constituting official or commercial secret.
- 17.8. The board of directors shall define the information a free access to which is available for a limited number of people on the legal grounds, the procedure for its communication to all persons concerned and public disclosure, as well as measures for protection of such information.

#### **18. DISCLOSURE OF INFORMATION REGARDING AFFILIATES**

- 18.1 In the cases provided for by the Legislation, the Charter and the Code and at the Company's request, the shareholders and/or officials of the Company shall provide the Company with the information regarding their affiliates, including their full name, date and number of state registration and address (for legal entities) and the full name, date of birth and address (for individuals), the grounds and date of affiliation and other information regarding such affiliates as the Company may require.
- 18.2 The Company's shareholders and/or officials of the Company shall provide, in accordance with the Legislation, the general director (chairman of the management board) with information regarding their affiliates within seven (7) days following the occurrence of affiliation.
- If a person previously indicated by a shareholder or an official of the Company as an affiliate of such shareholder or official, ceases to be affiliate, then the shareholder or the official of the Company shall notify the Company's general director (chairman of the management board) within five (5) days of such cessation.
- The information on affiliates shall be provided by the general director (chairman of the management board) of the Company in the form approved by the state body regulating and supervising the financial market and financial organizations in accordance with the Legislation.
- 18.3 A person in respect of which a shareholder and/or an official of the Company provides information as his/her affiliate, shall be deemed to be his/her affiliate until the Company is provided with documents evidencing the termination of the grounds on which such person was recognized as an affiliate.
- 18.4 If a Company shareholder and/or official fails to provide information regarding his/her affiliates which resulted in or promoted damage caused to the Company, the Company may request full

indemnification of such damage from the person at fault.

- 18.5 The Company shall maintain records of its affiliates on the basis of information provided by such persons.
- 18.6 The Company shall provide the state body regulating and supervising the financial market and financial organizations with a list of its affiliates in accordance with the procedures established by such state body.
- 18.7 The affiliates, recognized in accordance with the Law of the Republic of Kazakhstan “On Joint Stock Companies” as parties interested in conclusion of the Company's interested party transactions, shall notify the board of directors by sending a relevant notice to the Company of the following:
- 1) that they are a party to the transaction or participate in it as a representative or an intermediate agent;
  - 2) on legal entities that they are affiliated with, as well as on legal entities in which they own individually or jointly with their affiliates ten (10) and more per cent of voting shares (interest, equity stake), and on legal entities in the bodies of which they hold office;
  - 3) on transactions they are concluding or proposed transactions that they are aware of and in which they can be recognized as interested parties.

#### **19. LEGAL PROTECTION OF THE COMPANY OWNERSHIP**

- 19.1. Legal protection of ownership of the Company and rights owned by the Company shall be performed in accordance with the Legislation, the Charter and other applicable laws and listing rules of the stock exchange on which the ordinary shares of the Company are listed.

#### **20. REORGANIZATION OF THE COMPANY**

- 20.1. Reorganization of the Company (by merger, accession, separation, extraction, transformation) is performed in accordance with the Legislation.
- 20.2. Reorganization may be performed voluntarily or involuntarily.
- 20.3. Involuntarily reorganization may be performed upon the decision of the judicial authorities in the cases stipulated by the Legislation.
- 20.4. If the Company terminates its activities by means of reorganization, the issue of its shares shall be subject to cancellation in accordance with the Legislation.

#### **21. LIQUIDATION OF THE COMPANY**

- 21.1. The decision on the voluntary liquidation of the Company shall be taken by the general meeting of shareholders which determines the procedure of liquidation upon agreement with and under control of the creditors in accordance with the Legislation.
- 21.2. The involuntary liquidation of the Company is performed by the court in the cases stipulated by the Legislation.
- A claim for the Company's liquidation may be brought to court by interested parties unless otherwise is stipulated by the Legislation.
- 21.3. The liquidation commission is appointed by court decision or decision of general meeting of shareholders on the Company's liquidation.
- The liquidation commission has powers to manage the Company during the period of its liquidation and to act as provided for by the Legislation.
- The liquidation commission shall include representatives of the Company's creditors, representatives of major shareholders and other persons according to the decision of the general meeting of shareholders.
- 21.4. The procedure of liquidation and the procedure of settlement of the creditors' claims are governed by the Legislation.

- 21.5. Upon liquidation of the Company, its authorized shares including outstanding shares shall be cancelled in the manner prescribed by the Legislation.
- 21.6. The property of the Company shall, following liquidation, be distributed in accordance with the Legislation.

## 22. FINAL PROVISIONS

- 22.1 If any provision of the Charter becomes invalid, it shall not affect other provisions. The invalid provision is replaced by the provision which is legally eligible and has the closest meaning to the invalid provision.
- 22.2 Except as expressly provided herein, the Company shall be governed by the Legislation.
- 22.3 The Charter becomes effective from the date of its state registration with the justice authorities of the Republic of Kazakhstan.

Signature of person

authorized by the general meeting of shareholders.

\_\_\_\_\_ (signature)

\_\_\_\_\_ (surname, name, paternal name)

**PART D: AMENDMENTS TO THE CHARTER**

***THE TEXT OF THE DRAFT AMENDMENTS TO THE CHARTER FOLLOWS FROM THE NEXT PAGE***

**THE TEXT OF THIS DOCUMENT IN ENGLISH LANGUAGE IS A TRANSLATION PREPARED FOR INFORMATION PURPOSES ONLY. THE TRANSLATION MAY CONTAIN DISCREPANCIES AND OMISSIONS AND DOES NOT REPLACE THE RUSSIAN TEXT OF THE DOCUMENT. IN ANY AND ALL CASES THE TEXT OF THIS DOCUMENT IN RUSSIAN LANGUAGE SHALL PREVAIL.**

**Approved by resolution of the extraordinary general meeting of shareholders  
of Joint Stock Company KazMunaiGas Exploration Production**

**Minutes dated \_\_ \_\_\_\_\_ 2016**

**Amendments to the Charter  
of Joint Stock Company KazMunaiGas Exploration Production**

1. In section 4 "Rights and obligations of the Company":

paragraph 4.8. shall be revised to read as follows:

"4.8 The issues related to planning production activity, remuneration of the Company's employees, material and technical supply, social development, distribution of earnings, recruitment, placement, training and re-training of personnel shall be resolved taking into account unified standards approved by the board of directors of the Company by simple majority of votes of the members of the board of directors present at the meeting of the board of directors of the Company."

2. In section 7 "Shares, bonds, prerequisites for securities' placement":

a sentence shall be added to paragraph 7.6. as follows:

"The Company shall be entitled to swap placed shares of the Company of one type for shares of the Company of another type."

3. In section 9 "Bodies of the Company":

in paragraph 9.1 sub-paragraph 4) shall be revised to read as follows:

"4) the body authorized to exercise control over financial and economic activities of the Company – the internal audit service unless the Company decides that, for the purposes of the unified and centralized internal auditing practice within the JSC NC "KazMunayGas" group of companies, the services related to the internal auditing will be provided to the Company by JSC NC "KazMunayGas", being the parent organization of the Company."

4. In section 10 "General meeting of shareholders":

1) in paragraph 10.17.:

sub-paragraphs 7), 8), 9) shall be added to the first part as follows:

"7) procedures of conducting of the meeting;

8) procedures of absentee voting;

9) provisions of the legislative acts of the Republic of Kazakhstan in accordance with which the meeting is held.";

2) in paragraph 10.21., the second paragraph shall be revised to read as follows:

"An agenda of general meeting of shareholders may be supplemented by a shareholder owing individually, or in aggregate with other shareholders, 5% or more of voting shares of the Company or by the board of directors subject to the Company's shareholders have been notified about such

supplements not later than 15 (fifteen) days prior to the holding of the general meeting or in the manner established by paragraph 10.24 of the Charter."

5. In section 11 "Competence of the general meeting of shareholders":

1) sub-paragraph 13-1) shall be added to paragraph 11.1. as follows:

"13-1) adopting a decision on conclusion by the Company of a major transaction as a result of which the Company sells (may sell) its property, the value of which constitutes fifty percent or more of the total book value of the Company's assets as of the date of adopting such decision;"

in paragraph 11.2.:

in the second paragraph, the words "this Charter" shall be replaced with the words "the Law of the Republic of Kazakhstan "On Joint Stock Companies"".

6. In section 12 "Board of directors":

1) in paragraph 12.2.:

in the first part:

the following words shall be added to sub-paragraph 17): "as well as determination of an appraiser and its remuneration for valuation of shares in accordance with the methods of valuation of the shares for redemption thereof by the Company at over-the-counter market";

the following words shall be added to sub-paragraph 20): ", as well as on appointing and dismissing the heads of branches and representative offices of the Company, direction of activity of branches and representative offices of the Company";

the following words shall be added to sub-paragraph 24): ", except for major transactions with respect to which decision-making is within the competence of the general meeting of shareholders of the Company";

sub-paragraph 25) shall be revised to read as follows:

"25) adopting decisions on conclusion by the Company of interested party transactions;"

sub-paragraph 26) shall be revised to read as follows:

"26) adopting decisions on increase in the Company's liabilities for an amount which exceeds an amount in tenge equivalent to 5 (five) million US dollars, on attracting or granting a loan the value of which exceeds an amount in tenge equivalent to 5 (five) million US dollars as well as on conclusion of any transaction the value of which exceeds an amount in tenge equivalent to 5 (five) million US dollars;"

sub-paragraph 39) shall be revised to read as follows:

"39) approval of the structure and staff (total headcount) of the employees of the Company's central office, branches, representative offices and administrative staffs, as well as the total number of employees of organization departments of branches and representative offices;"

sub-paragraph 40-3) shall be added as follows:

"40-3) final approval of the annual production programme of the Company, as well as the amendments thereto;"

sub-paragraph 40-4) shall be added as follows:

"40-4) approval of the long-term plan for procurement of goods, works, and services;"

the second part shall be deleted;

2) in paragraph 12.5.:

the first paragraph shall be revised to read as follows:

"12.5 Resolutions of the board of directors on issues specified in subparagraphs 3), 7) (with respect to the Charter and amendments thereto only), 14), 24), 27) and 33) of paragraph 12.2 of the Charter shall be taken by a majority vote of the members of the board of directors including majority vote of independent directors.";

in the second paragraph, the word "herein" shall be replaced with the words "in subparagraphs 3), 5), 7), 14), 24), 26), 27), 31), 33), 37), 38) of paragraph 12.2. of this Charter";

3) in the second paragraph of paragraph 12.21., the words ", including the majority of votes of independent directors" shall be deleted;

4) paragraph 12.24. shall be revised to read as follows:

"12.24. The quorum required for a valid meeting of the board of directors shall be not less than 2/3 (two thirds) out of the total number of members of the board of directors, including at least 2/3 (two thirds) of independent directors.

In case of the absence of the quorum for a meeting of the board of directors, the repeat meeting of the board of directors with the same agenda may be held within 10 (ten) days following the date of the meeting of the board of directors that has not occur. In doing so, the quorum required for a valid repeat meeting of the board of directors shall be as determined in first subparagraph of this paragraph 12.24.

In case of the absence of the quorum for the repeat meeting of the board of directors, a new repeat meeting of the board of directors with the same agenda may be held not earlier than 10 (ten) days following the date of the first meeting of the board of directors that has not occur. In doing so, the quorum required for a valid new repeat meeting of the board of directors shall be not less than a half out of the total number of members of the board of directors.

If the total number of members of the board of directors is not sufficient for the quorum, the board of directors shall convene an extraordinary general meeting of shareholders for the election of new members of the board of directors. The remaining members of the board of directors may make a resolution only on convening of such extraordinary general meeting of shareholders.

In the event the board of directors should make a resolution on interested party transaction (including, for the avoidance of doubt, on interested party transaction to be concluded for the purposes of attracting a loan from organizations within the Sovereign Wealth Fund group or within the JSC NC "KazMunayGas" group, or granting a loan to such organizations), the resolution on conclusion of such transaction is made by simple majority of votes of the members of the board of directors disinterested in the conclusion of such transaction."

7. In section 13 "Management board":

1) In paragraph 13.1.:

in the third part:

sub-paragraph 1) shall be revised to read as follows:

"1) adopting decisions on increase in the Company's liabilities for amount which does not exceed an amount in tenge equivalent to 5 (five) million US dollars, on attracting or granting a loan the value of which does not exceed an amount in tenge equivalent to 5 (five) million US dollars as well as on conclusion of any transaction the value of which does not exceed an amount in tenge equivalent to 5 (five) million US dollars (except for any interested party transactions the decision on which is made in accordance with paragraph 12.24 of the Charter);";

sub-paragraphs 3), 4) shall be deleted;

in sub-paragraph 7) the words "and direction" shall be deleted;

sub-paragraph 10) shall be deleted;

sub-paragraph 13) shall be revised to read as follows:

"13) subject to the subsequent final approval by the board of directors of the Company, preliminary approval of the annual production programme of the Company, as well as the amendments thereto;"

sub-paragraph 14) shall be deleted;

sub-paragraph 14-1) shall be deleted;

2) In paragraph 13.6.:

sub-paragraph 9) shall be deleted;

sub-paragraph 10) shall be revised to read as follows:

"10) subject to the adoption of the relevant decision by the board of directors of the Company, appoint and dismiss the heads of branches and representative offices of the Company;"

**General Director  
(Chairman of the Management Board)**

**K. Iskaziyeu**



## **APPENDIX VI: TAXATION**

### **United Kingdom taxation**

The following paragraphs, which are intended as a general guide only, are based on current UK tax law as applied in England and our understanding of HM Revenue & Customs practice (either of which may change at any time, possibly with retrospective effect). They summarise certain limited aspects of the UK taxation consequences of selling the Common Shares, Preferred Shares or GDRs.

The summary relates only to the position of certain classes of taxpayer and only to the absolute beneficial owners of the Common Shares, Preferred Shares or GDRs (1) who are who are resident or (if individuals) domiciled and resident in the UK for tax purposes; (2) who are not resident for tax purposes in any other jurisdiction; and (3) who do not have a permanent establishment or fixed base in Kazakhstan with which the holding of the Common Shares, Preferred Shares or GDRs is connected ("UK holders"). In addition, the summary (1) only addresses the tax consequences for UK holders who hold the Common Shares, Preferred Shares or GDRs as capital assets (otherwise than under an individual savings account), and does not address the tax consequences which may be relevant to certain other categories of UK holders, for example, dealers; (2) assumes that the UK holder does not either directly or indirectly control 10% or more of the voting power of the company; (3) assumes that a holder of the GDRs is beneficially entitled to the underlying Common Shares and to the dividends on those Common Shares; and (4) does not address the tax consequences of UK holders that are insurance companies, collective investment schemes or pensions connected with the Company.

### **UK taxation on chargeable gains**

Liability to UK taxation of chargeable gains will depend on the individual circumstances of each Common Shareholder, Preferred Shareholder or GDR Holder. Where a Common Shareholder, Preferred Shareholder or GDR Holder sells their Common Shares, Preferred Shares or GDRs under the Purchase Offer, this will constitute a disposal of their Common Shares, Preferred Shares or GDRs for the purposes of UK taxation of chargeable gains. Such a disposal may, depending on the individual circumstances of each Common Shareholder, Preferred Shareholder or GDR Holder (including the availability of exemptions, reliefs and allowable losses), give rise to a taxable chargeable gain or an allowable loss.

### **Other direct tax matters**

Special tax provisions may apply to Common Shareholders, Preferred Shareholders and GDR Holders who have acquired or acquire (or are deemed to have acquired or acquire) their Common Shares, Preferred Shares or GDRs by virtue of an office or employment or who exercise the Put Option Right (as described in Appendix III of this Circular).

### **Stamp duty and stamp duty reserve tax**

No stamp duty or stamp duty reserve tax will be payable by Common Shareholders, Preferred Shareholders and GDR Holders as a result of accepting the Purchase Offer.

**THE ABOVE SUMMARY IS INTENDED ONLY AS A GENERAL GUIDE TO THE TAXATION POSITION UNDER UK TAX LAW AND DOES NOT CONSTITUTE TAX OR LEGAL ADVICE. ANY PERSON WHO IS IN DOUBT AS TO THEIR TAXATION POSITION, WHO REQUIRES MORE DETAILED INFORMATION OR WHO IS SUBJECT TO TAXATION IN ANY JURISDICTION OTHER THAN THE UK SHOULD CONSULT THEIR OWN PROFESSIONAL TAX ADVISER.**

#### **United States federal income taxation**

The following is a general discussion of certain US federal income and other tax considerations related to the disposition of the Securities by a US Holder (as defined below) pursuant to the Purchase Offer or the Put Option Right. This discussion is based upon the US Internal Revenue Code of 1986, as amended (the "IRC"), US treasury regulations promulgated thereunder, judicial authorities, published positions of the US Internal Revenue Service and other applicable authorities, and the income tax treaty between the United States and Kazakhstan (the "Treaty"), all as in effect on the date of this document and all of which are subject to change or differing interpretations (possibly with retroactive effect). This discussion is limited to shareholders that hold Securities as capital assets. Furthermore, this discussion does not address all of the tax consequences that may be relevant to a particular shareholder in light of the shareholder's specific circumstances or to certain categories of shareholders subject to special treatment under US federal income tax laws, such as banks, insurance companies or certain other financial institutions, tax-exempt organisations, real estate investment trusts, regulated investment companies, entities that are treated as partnerships for US federal income tax purposes or partners therein, dealers in securities or currencies, certain US expatriates, persons that have a functional currency that is not the dollar, persons that have elected "mark-to-market" accounting (except as described below) and persons that hold their Securities as part of a straddle, hedge, conversion transaction or other integrated investment. In addition, this discussion does not address the Medicare tax on net investment income or any state, local or foreign tax implications, or, except as otherwise provided herein, any aspect of US federal tax law other than income taxation.

**THE US FEDERAL INCOME TAX DISCUSSION SET FORTH HEREIN IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A SHAREHOLDER'S PARTICULAR SITUATION. HOLDERS OF SECURITIES SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE US FEDERAL INCOME AND OTHER TAX CONSEQUENCES OF THE DISPOSITION OF THE SECURITIES PURSUANT TO THE PURCHASE OFFER OR PUT OPTION RIGHTS BASED ON THEIR PARTICULAR CIRCUMSTANCES, INCLUDING ANY CONSEQUENCES ARISING UNDER APPLICABLE STATE, LOCAL AND NON-US TAX LAWS.**

For purposes of this discussion, a "US Holder" means a beneficial owner of Securities that, for US federal income tax purposes, is an individual who is a citizen or resident of the United States, a US domestic corporation, or an entity that is otherwise subject to United States federal income taxation on a net income basis in respect of the Securities.

#### **Non-Participation in the Purchase Offer or non-exercise of the Put Option Right**

Shareholders who do not participate in the Purchase Offer or do not exercise the Put Option Right will not incur any US federal income tax liability as a result of the consummation of the Purchase Offer or the availability of the Put Option Right. However, US Holders should consult their tax advisor

as to the tax consequences to them of holding stock in a company that may qualify as a PFIC, as defined below.

## **Disposition of Securities pursuant to the Purchase Offer**

### ***Passive Foreign Investment Company Rules***

Special adverse US federal income tax rules apply to US persons owning shares of a “passive foreign investment company” (“PFIC”). The Company will be classified as a PFIC in a particular taxable year if either: (i) 75 percent or more of the Company’s gross income for the taxable year is passive income, or (ii) the quarterly average percentage of the value of the Company’s assets that produce or are held for the production of passive income is at least 50 percent. Based on the Company’s publicly available consolidated financial statements, it appears that the Company qualified as a PFIC in 2015 and may be treated as a PFIC for 2016. The remainder of this disclosure assumes that the Company constituted a PFIC in 2015 and will be treated as a PFIC in 2016. US Holders should consult their tax advisors with respect to these determinations, as well as the possibility that the Company constituted a PFIC in prior years.

### ***Sale or Exchange Treatment***

A US Holder generally will recognize gain or loss upon the sale of Securities pursuant to the Purchase Offer equal to the difference between the amount realized by the US Holder on the disposition and the US Holder’s adjusted tax basis in the Securities at the time of the disposition.

Assuming that the Company is a PFIC for any taxable year during which a US Holder owns Securities, the US Holder generally will be subject to special adverse rules with respect to any gain realized on the sale of Securities. Under these rules (a) the gain will be allocated ratably over the US Holder’s holding period, (b) the amount allocated to the current taxable year will be taxed as ordinary income, (c) the amount allocated to any taxable year prior to the first taxable year in which the Company was a PFIC will also be taxed as ordinary income, and (d) the amount allocated to each of the other taxable years (that is, prior years when the Company was a PFIC) will be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit will be imposed on the resulting tax attributable to each such taxable year.

Loss on the sale of Securities generally will be capital loss, and generally will constitute a long-term capital gain loss if the US Holder’s holding period for the Securities is more than one year at the time of the disposition. The deductibility of capital losses is subject to certain limitations.

If a US Holder has made an election to mark the Securities to market, under a special rule for PFIC shares that qualify as “marketable” shares, then any gains from the sale of the Securities pursuant to the Purchase Offer will be treated as ordinary income, and any losses incurred on the sale will be treated as an ordinary loss to the extent of any net mark-to-market gains for prior years and thereafter as capital loss as described in the prior paragraph.

## **Redemption of Securities pursuant to the Put Option Rights**

A payment received by a US Holder from the Company in redemption of Securities pursuant to the exercise of the Put Option Right may be treated as a distribution from the Company, rather than as payment in exchange for the Securities, unless the redemption:

- results in a “complete redemption” of a US Holder’s stock interest in the Company;
- is “not essentially equivalent to a dividend” with respect to a US Holder; or
- is a “substantially disproportionate” redemption with respect to a US Holder.

In determining whether any of these tests has been met, a US Holder must take into account not only Securities that the US Holder actually owns, but also shares of the Company stock that the US Holder is treated as owning under certain constructive ownership rules that apply for these purposes.

If a US Holder redeems all of its Securities pursuant to the exercise of the Put Option Right, it will generally result in a “complete redemption” that is treated as a sale or exchange to which the rules discussed above under “Disposition of Securities pursuant to the Purchase Offer – Sale or Exchange Treatment” will apply. A “complete redemption” occurs when the US Holder no longer owns any of the Company’s outstanding Securities, either actually or through the application of the constructive ownership rules referred to above.

If a US Holder redeems less than all of its all of its Securities pursuant to the exercise of the Put Option Right, the treatment of the payment received by the US Holder from the Company may still qualify as a sale or exchange if the US Holder satisfies either of the other tests described above. A redemption of Securities by a US Holder pursuant to the exercise of the Put Option Right will satisfy the “not essentially equivalent to a dividend” test if, taking into account the applicable constructive ownership rules, it results in a “meaningful reduction” of the US Holder’s proportionate interest in the Company. In general, if a US Holder holds only nonvoting, nonconvertible preferred stock that is limited and preferred as to dividends and in liquidation (such as the Preferred Securities), a redemption of any amount of the Preferred Securities will constitute a “meaningful reduction” and qualify for sale or exchange treatment. Similarly, if a US Holder owns only an insubstantial percentage of Securities and does not participate in control or management of the Company, even a small reduction in percentage interest of the US Holder’s Securities generally will constitute a “meaningful reduction” and qualify for sale or exchange treatment.

If a US Holder does not satisfy any of the tests described above, the entire amount of cash received by the US Holder pursuant to the exercise of the Put Option Right will be treated as a distribution from the Company with respect to the US Holder, and will be taxed as a dividend to the extent of the Company’s earnings and profits. Because the Company has not reported its earnings and profits under US federal income tax principles, it is expected that any distributions deemed paid to US Holders generally will be reported as dividends.

These rules are complex. US Holders of Securities should consult their tax advisers to determine whether a payment received from the Company in redemption of their Securities pursuant to an exercise of the Put Option Right will be treated for US federal income tax purposes as a payment in exchange for the Securities or as a distribution in their particular circumstances.

As described in “Kazakhstan Taxation” below, proceeds from the redemption of Securities pursuant to the Put Option Right will be subject to Kazakh withholding tax. Generally, a US taxpayer is entitled to use foreign tax credits to offset only the portion of its US federal income tax liability that is attributable to its foreign source income. Because capital gains of US persons are generally treated as US source income, a US Holder would not be permitted to claim a foreign tax credit with respect to US source gain recognized by a US Holder on the disposition of the Securities, unless the US Holder had other foreign source income. Moreover, a US Holder may be eligible for a refund of Kazakh withholding tax under the Treaty. US taxpayers generally may not claim foreign tax credits for taxes that are refundable. Consequently, a US Holder of Securities may be treated as realizing gain on the disposition of Securities pursuant to the Put Option Right in an amount that includes any Kazakh withholding tax, but may be unable to claim a foreign tax credit for those taxes. The foreign tax credit rules are complex. US Holders should consult their tax advisors regarding the tax consequences to them of any Kazakh withholding tax and to determine the possible application to them of these rules.

### **Backup withholding and information reporting**

Proceeds from the disposition of and amounts treated as dividend payments on Securities pursuant to the Purchase Offer or the exercise of the Put Option Right to a US Holder will generally be subject to information reporting unless the US Holder is treated as an exempt recipient. The proceeds and dividends may be subject to backup withholding unless the US Holder (i) is treated as an exempt recipient, (ii) timely provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred, or (iii) is otherwise exempt. Backup withholding is not an additional tax. The amount of any backup withholding collected from a payment to a US Holder will be allowed as a credit against the US Holder’s US federal income tax liability and may entitle the US Holder to a refund, so long as the required information is properly furnished to the US Internal Revenue Service.

### **Kazakhstan Taxation**

The following summary of certain Kazakhstan taxation matters is based on the laws and practice in force as of the date of this document and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to dispose of the Common Shares, Preferred Shares or GDRs, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. Save as otherwise indicated, this summary only addresses the position of investors who do not have any connection with Kazakhstan other than the holding of Common Shares, Preferred Shares or GDRs. Investors should consult their professional advisers on the tax consequences of their disposing of Common Shares, Preferred Shares or GDRs, including their eligibility for the benefits of double tax treaties, under the laws of their country of citizenship, residence, domicile or incorporation, and seek Kazakh tax specialist advice as necessary.

This summary discusses the Kazakhstan tax consequences of disposal of Common Shares, Preferred Shares and GDRs. In general, Kazakhstan tax legislation with respect to the taxation of securities and

financial instruments is not well developed, and in many cases the exact scope of Kazakh tax, compliance rules and enforcement mechanism is unclear or open to different interpretations.

Subject to the above, the taxation in Kazakhstan of the disposal of the Common Shares, Preferred Shares and GDRs should be limited to income tax which may apply in certain circumstances. No other taxes or duties should be levied in Kazakhstan with respect to the above transactions. For all relevant purposes of this summary legal entities and individuals are subject to similar income tax treatment.

### **Tax Residence**

Non-resident persons should not become resident in Kazakhstan for Kazakhstan tax purposes by reason only of the ownership or disposal of Common Shares, Preferred Shares or GDRs. Therefore, under Kazakhstan tax law, non-resident legal owners of Common Shares and Preferred Shares and holders of GDRs should only be taxed on their income earned from sources in Kazakhstan, rather than their worldwide income.

### **Kazakhstan and Non-Kazakhstan Holders (Collectively “Holders”)**

**Non-Kazakhstan Holders** - an individual who is a tax non-resident of Kazakhstan or a legal entity that is neither established in accordance with the legislation of Kazakhstan, nor has its actual governing body (place of effective management) in, nor maintains a permanent establishment in, or otherwise has any legal taxable presence in Kazakhstan.

**Kazakhstan Holders** - residents of Kazakhstan or tax non-residents who maintain a permanent establishment in Kazakhstan and the gain from sale of Shares/ GDRs is attributable to such permanent establishment.

Kazakhstan tax legislation does not contain clear rules on attribution of gains from sale of securities to a permanent establishment, and does not clearly describe the taxation mechanism of such gains if they are attributable to a permanent establishment nor does it clearly address whether there are any other implications that the existence of a permanent establishment may give rise to in the case of such disposals that are not attributed to the permanent establishment. Any non-residents having a permanent establishment in Kazakhstan should consult their professional tax advisers regarding taxation of gains from sale of Shares/ GDRs.

### **Disposals of Common Shares, Preferred Shares and GDRs on KASE and LSE under the Purchase Offer**

Subject to the above, generally, any gains realized by Non-Kazakhstan Holders in relation to disposal of Common Shares, Preferred Shares and / or GDRs, which are listed as of the date of sale on the official list of a stock exchange operating in the territory of Kazakhstan or a foreign stock exchange, and are sold on such stock exchanges via an open trade method should not be subject to Kazakhstan income tax either by direct assessment on the recipient or by withholding tax.

Any gains realized by Kazakhstan Holders in relation to disposal of Common Shares and Preferred Shares, which are listed as of the date of sale on the official list of a stock exchange operating in the territory of Kazakhstan (but not outside of Kazakhstan), and, are sold via an open trade method on such stock exchange, should not be subject to Kazakhstan income tax.

Should Kazakhstan Holders derive gains in relation to disposal of GDRs, such gains will generally be subject to Kazakhstan income tax (and, in case of tax non-residents who maintain a permanent establishment in Kazakhstan, income tax on net income of the permanent establishment). If Kazakhstan Holders are in such a taxation position or require more detailed information on calculation of tax liabilities, they should consult their own professional tax advisers.

The case of a foreign legal entity that has a permanent establishment in Kazakhstan to which the gain is not attributable and is so neither a Kazakhstan Holder or a Non-Kazakhstan Holder as defined above may potentially be more complex and any investors in that position should seek professional tax advice. If the situation is not clear, income tax may be withheld by the purchaser in such a case.

### **Disposals of Common Shares, Preferred Shares and GDRs pursuant to the exercise of the Put Option Right**

As noted in Appendix III, Shareholders and GDR Holders will have the right to require that the Company repurchases such Shareholders' Shares and GDRs at the put price.

Should the Holder disposing their Common Shares, Preferred Shares and / or GDRs provide the Company with Holder's Kazakhstan tax residency certificate (for individuals and /or for legal entities) or a certificate of state registration in Kazakhstan (for legal entities) prior to the payment of the purchase proceeds the Company will not apply withholding tax . Otherwise the Company will apply withholding tax upon purchase of Shares or GDRs as described further below.

Should the Holder, to which / whom withholding tax would apply as described in the paragraph immediately above, provide the Company with documents confirming acquisition price of Common Shares, Preferred Shares and / or GDRs (e.g. sale-purchase agreement / subscription documents) and payment proof (e.g. bank transfer or offset of liabilities) prior to the payment of the purchase proceeds the Company would apply withholding tax to a gain only (positive difference between the price payable by the Company and initial base cost of acquisition of Common Shares, Preferred Shares and / or GDRs). Otherwise the Company will apply withholding tax to a gross price payable by the Company at the moment of payment.

Should the Holder, to which / whom withholding tax would apply as described above, provide the Company with the Holder's tax residency certificate and incorporation / state registration documents (for legal entities) or (for individuals) a passport and documentary proof issued by a competent tax authority in a form acceptable to the tax authorities of Kazakhstan confirming that such Holder is neither tax resident nor is registered in a country with preferential tax regime (in accordance with Order No. 595 dated 29.12.2014), the Company will apply withholding tax at the rate of 15%. Otherwise the Company will apply the withholding tax at the rate of 20%.

The documents mentioned in the paragraphs above should be provided to the Company in original or (notarized) copies or apostilled as the case may be. Where the documents are executed in foreign languages, it may be necessary to have the documents translated into the Russian or Kazakh languages. There may be certain requirements to the execution of or other requirements in relation to the specific documents under applicable Kazakhstan legislation. Holders should consult with their advisors with respect to such requirements for each specific case. Documents will only be

considered by the Company if they are presented on a timely basis with any necessary certifications prior to the payment of the related income.

A limited number of double tax treaties may provide relief from Kazakhstan withholding tax on capital gain. However, such relief may only be applied via a tax refund mechanism, where withholding tax should firstly be paid to the Kazakhstan budget. In practice, obtaining a tax refund may be an onerous process with an uncertain outcome. Holders who seek to apply the double tax treaty relief should consult with their advisers for each specific case.

Generally, capital gains realized by Kazakhstan Holders in relation to disposal of Common Shares, Preferred Shares and GDRS should generally be subject to Kazakhstan income tax via self-assessment (and, in case of tax non-residents who maintain a permanent establishment in Kazakhstan, additional income tax on net income of the permanent establishment).

If Holders are in taxation position or require more detailed information on calculation of tax liabilities, they should consult their own professional tax advisers.

Where Holders are in a taxation position in respect of purchases made other than at full open market prices, the purchaser may determine the purchase price for purposes of calculation of tax, if any, to be withheld.

**THE ABOVE SUMMARY IS INTENDED ONLY AS A GENERAL GUIDE TO THE TAXATION POSITION UNDER KAZAKHSTAN TAX LEGISLATION AND DOES NOT CONSTITUTE TAX OR LEGAL ADVICE. ANY HOLDERS WHO ARE IN DOUBT AS TO THEIR TAXATION POSITION OR WHO REQUIRES MORE DETAILED INFORMATION SHOULD CONSULT THEIR OWN PROFESSIONAL TAX ADVISERS.**



## **APPENDIX VII: DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection (i) online at <http://www.kmgep.kz> and (ii) in hard copy during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at office 1313, 13th floor, 17 Kabanbay Batyr Avenue, Astana 010000, Kazakhstan from 9:00AM to 6:30PM, in each case until 4 August 2016:

- GM Notice
- NC KMG Circular dated 17 June 2016
- Existing Relationship Agreement
- Draft Amended and Restated Relationship Agreement
- Comparison of Existing against Draft Amended and Restated Relationship Agreement
- Draft Agreement Amending and Restating the Relationship Agreement
- Existing Charter
- Draft Amended Charter
- Comparison of Existing against Draft Amended Charter
- Draft Amendments to the Charter

## APPENDIX VIII: DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

<b>Adjourned General Meeting</b>	means the adjourned extraordinary meeting of shareholders of the Company to be held at 17 Kabanbay Batyr Avenue, Astana 010000, Kazakhstan at 10:00 a.m. on 4 August 2016 in the case of failure of the original extraordinary meeting of shareholders of the Company
<b>Approval Condition</b>	means the Management Board Approval, the Board Approval, and the passing of each of the Resolutions by the requisite majority of Holders or, in the case of Resolutions 1 and 2, by a simple majority of Independent Shareholders, being the condition to making of the Purchase Offer
<b>Board</b>	means the board of directors of the Company
<b>Board Approval</b>	means the pre-approval by the Board of the Proposed Amendments
<b>Business Day</b>	means any day other than a Saturday, Sunday or a day which is a federal holiday in the United States or a public holiday in Kazakhstan or the United Kingdom
<b>Charter</b>	means the charter of the Company, as amended from time to time
<b>Commencement Date</b>	means the Business Day following the satisfaction of the Approval Condition, being the date on which the Purchase Offer will be commenced
<b>Common Shares</b>	means common shares in the capital of the Company admitted to the first category of the official list of the KASE
<b>Company or KMG EP</b>	means Joint Stock Company "KazMunaiGas" Exploration Production", a company registered in accordance with Kazakhstan Laws
<b>Consideration</b>	means a fixed price of USD47.28 per Common Share in KZT equivalent calculated on a daily basis, USD27.62 per Preferred Share in KZT equivalent calculated on a daily basis and USD7.88 per GDR
<b>Central Depository</b>	means Joint-Stock Company Central Securities Depository

<b>Depository Agreement</b>	means the GDR depository agreement between KMG EP and Deutsche Bank Trust Company Americas in its capacity as depository
<b>Expiration Date</b>	means the 21st Business Day following the Commencement Date. If the Offeror has suspended its obligation to accept Securities for purchase under the Purchase Offer in accordance with the Force Majeure Condition, the Expiration Date shall mean such Business Day elected by the Offeror following the resolution of the Force Majeure Event as would ensure that the Purchase Offer has been open for at least 21 Business Days (excluding any suspension period during which a Force Majeure Event is continuing) or such longer time as required under applicable law. See "Conditions to the Purchase Offer" in Part IV - "Purchase Offer"
<b>Force Majeure Condition</b>	means the exercise by the Offeror, in its sole discretion, subject to applicable law, of its right to suspend its obligation to make the Purchase Offer or to accept any Securities for purchase thereunder while a Force Majeure Event is continuing
<b>Force Majeure Event</b>	means an event beyond the control of the Offeror which prevents it from complying with any of its obligations under the Purchase Offer. For the avoidance of doubt, such event would be deemed to have occurred only if it makes it legally and/or practically impossible for the Offeror to comply with any of its obligations under the Purchaser Offer and may include, for instance, any general suspension of, or limitation on prices for, trading in securities in Kazakhstan, the United Kingdom, the United States or foreign securities or financial markets; a declaration of a banking moratorium or any suspension of payments in respect of banks in Kazakhstan, the United Kingdom, the United States or elsewhere; a commencement or declaration of war, armed hostilities, terrorist acts or other national or international calamity directly or indirectly involving Kazakhstan, the United Kingdom, the United States or any country in which either the Company or any of its subsidiaries conducts its business; any steps, any corporate action or any legal proceedings instituted or threatened against the Company in respect of its winding-up, dissolution, examination or reorganisation or for the appointment of a receiver, examiner, administrator, administrative receiver, trustee or similar officer of all or any part of its assets or revenues, or any analogous proceedings in any jurisdiction. For the avoidance of doubt, a Force

Majeure Event shall not include the failure of the Offeror to obtain funding from a third party in order to proceed with the Purchase Offer

<b>GDR</b>	means global depositary receipts (each representing 1/6 <sup>th</sup> of one Common Share) listed on the LSE under the Standard GDRs listing category
<b>GDR Depositary</b>	means Deutsche Bank Trust Company Americas or any other entity which from time to time carries out the functions of the depositary in respect of the GDRs
<b>GDR Holders</b>	means registered holders of Common Shares in the form of GDRs
<b>General Meeting or GM</b>	means the extraordinary general meeting of shareholders of the Company to be held at 17 Kabanbay Batyr Avenue, Astana 010000, Kazakhstan at 10:00 a.m. on 3 August 2016
<b>GM Notice</b>	means the notice convening the General Meeting
<b>Holder</b>	means any registered holder of Securities
<b>Independent Shareholders</b>	means holders of Common Shares and GDR Holders who are present and voting (whether in person or by proxy) at the General Meeting, other than the Offeror and legal entities under the control of the Offeror or under common control by a third party together with the Offeror
<b>INEDs</b>	means independent non-executive directors of the Company
<b>IRC</b>	means the US Internal Revenue Code of 1986, as amended from time to time
<b>JSC Law</b>	means the Kazakhstan Law “On Joint-Stock Companies” dated 13 May 2003, as amended from time to time
<b>KASE</b>	means Joint-Stock Company Kazakhstan Stock Exchange
<b>Kazakhstan Business Day</b>	any day other than a Saturday, Sunday or a public holiday in Kazakhstan
<b>KZT or Tenge</b>	means the lawful currency of the Republic of Kazakhstan
<b>Kazakhstan Laws</b>	means the constitution and all laws, edicts, decrees, regulations, instructions, orders and other legal acts of the Republic of Kazakhstan, as amended from time to time
<b>KMG-RM</b>	means JSC KazMunaiGaz – refining and marketing

<b>LSE</b>	means the London Stock Exchange plc and any successor or successors thereto
<b>Management Board</b>	means the management board of the Company
<b>Management Board Approval</b>	means the pre-approval by the Management Board of the Proposed Amendments in respect of the Relationship Agreement only
<b>Master Proxy</b>	means a master proxy issued by the GDR Depositary on the basis of the Proxies it has received to its duly authorised representative(s) who will attend the General Meeting in person and vote on behalf of the GDR Holders
<b>NBK</b>	means the National Bank of Kazakhstan
<b>NBK Shares</b>	means the Shares owned by the NBK on its own behalf. For the avoidance of doubt, the NBK Shares does not include the Pension Fund Shares
<b>Offer Period</b>	means the period of time from the Commencement Date until the Expiration Date
<b>Offeror or NC KMG</b>	means Joint Stock Company "National company "KazMunayGas", a company registered in accordance with Kazakhstan Laws
<b>Open Trade</b>	means a sale and purchase of the relevant securities on the relevant stock exchange which meets the requirements for an "open trade" method under the Kazakhstan Laws
<b>Order</b>	means the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time
<b>Pension Fund</b>	means Joint-stock company "Single Accumulative Pension Fund"
<b>Pension Fund Shares</b>	means the Shares which are owned by the Pension Fund and managed by the NBK pursuant to a trust management agreement between the NBK and the Pension Fund
<b>PFIC</b>	means a "passive foreign investment company"
<b>Pre-approvals Effective Date</b>	means the second Business Day following the Expiration Date being the day when the Management Board Approval and the Board Approval will be deemed to have been adopted and will come into effect

<b>Preferred Shares</b>	means preferred shares in the capital of the Company admitted to the first category of the official list of the KASE
<b>Proposed Amendments</b>	means amendments to the Relationship Agreement and the Charter proposed to be approved by the Company
<b>Proxy</b>	means a proxy issued by the beneficial owners of GDRs and provided to the GDR Depository for the purpose of GDR Depository's voting at the General Meeting on behalf of the GDR Holders
<b>Purchase Offer</b>	means offer to purchase the Common Shares, Preferred Shares, and GDRs on the KASE and the LSE, respectively, for the Offer Period made by the Offeror subject to satisfaction of the Approval Condition and the other terms and conditions of the Purchase Offer
<b>Put Option Right</b>	means the shareholders' right to request the Company to purchase the Shares in case of the occurrence of certain events in accordance with the JSC Law
<b>Relationship Agreement</b>	means the Relationship Agreement between the Company and the Offeror dated 8 September 2006
<b>Resolutions</b>	means resolutions 1, 2, and 3 details of which are provided in the General Meeting Agenda set out in Appendix I
<b>Restricted Jurisdiction</b>	means any jurisdiction in which, or to any person to or from whom, it is unlawful to make Purchase Offer or invitation or for there to be such participation under applicable securities laws
<b>Securities</b>	means Common Shares, Preferred Shares, and GDRs
<b>Shareholders</b>	means holders of the Common Shares and Preferred Shares
<b>Shares</b>	means Common Shares and Preferred Shares
<b>Share Valuation Methodology</b>	means the Methodology for Determining the Share Price in Case of their Repurchase by the Company on a Non-Organized Securities Market, which has previously been approved by a general meeting of shareholders of the Company
<b>Trade Date</b>	means the date on which a valid offer of Securities by a Holder is accepted for purchase on or prior to the Expiration Date

<b>Treaty</b>	means the income tax treaty between the United States and Kazakhstan
<b>UK Business Day</b>	any day other than a Saturday, Sunday or a public holiday in the United Kingdom
<b>UK Holders</b>	mean the absolute beneficial owners of the Common Shares, Preferred Shares or GDRs (1) who are who are resident or (if individuals) domiciled and resident in the UK for tax purposes; (2) who are not resident for tax purposes in any other jurisdiction; and (3) who do not have a permanent establishment or fixed base in Kazakhstan with which the holding of the Common Shares, Preferred Shares or GDRs is connected
<b>USD or US Dollars or \$ or US\$</b>	means the lawful currency of the United States of America
<b>US Holder</b>	means a beneficial owner of Securities that, for US federal income tax purposes, is an individual who is a citizen or resident of the United States, a US domestic corporation, or an entity that is otherwise subject to United Stated federal income taxation on a net income basis with respect of the Securities