

The 10th National Report

On implementation of the Extractive Industry Transparency Initiative in the Republic of Kazakhstan for 2014

The work is performed by «UHY SAPA Consulting» LLP in accordance with the Contract No. 19 dated May 20, 2015 entered into with the RSI “The Republican Center of geological information “Kazgeoinform” of the Committee of geology and subsoil use of the Ministry of investment and development of the Republic of Kazakhstan.

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List of definitions and abbreviations

EITI	Extractive Industries Transparency Initiative
BP	British Petroleum
JSC	Joint Stock Company
KASE	Kazakhstan Stock Exchange
LSE	London Stock Exchange
NCOC	North Caspian Operating Company
LTD	Private Limited Company
SWOP	Operations on Exchange of assets
AGMP	Association of Mining and Metallurgical Enterprises
JSC	Joint Stock Company
KMG NC JSC	KazMunayGas National Company JSC
KMGEP JSC	KazMunayGas Exploration Production JSC
Samruk-Kazyna JSC	Samruk-Kazyna National Welfare Fund JSC
SSGPO JSC	Sokolovsko-Sarbaiskoye Mining and Processing Production Association JSC
CNPC-AktobeMunaiGas	China National Petroleum Corporation – AktobeMunaiGas JSC
APP	Aktau Plastic Plant
BIN	Business identification number
GDP	Gross domestic product
MPP	Mining and processing plant
Mc	Mining Company
GPE	Geological prospecting and exploration
SI	State institution
USSUMS	Unified state subsoil use management system
USSUMS RoK IIS	“The Unified State Subsoil Use Management System of the Republic of Kazakhstan” Integrated Information System
EITI	Extractive Industry Transparency Initiative
“Kazatomprom” NAC JSC	“Kazatomprom” National Atomic Company JSC
NFRK	National Fund of the Republic of Kazakhstan
NMH	National Management Holding
BCC	Budgetary classification code
SRC	State revenue committee of the Ministry of Finance of the Republic of Kazakhstan
KIOG	Kazakh Insitute of Oil and Gas
KPO	Karachaganak Petroleum Operating B.V.
CIT	Corporate income tax
SC	Statistical committee of the Ministry of Finance of the Republic of Kazakhstan
CPC	Caspian Pipeline Consortium
LCC	Licence and contract conditions
LB	Local budget
MID	Ministry of investments and development of the Republic of Kazakhstan
OTP	Oil trunk pipeline
MEMR	Ministry of Energy and Mineral Resources of the

	Republic of Kazakhstan
MoE	Ministry of Energy of the Republic of Kazakhstan
IIC	Inter-institutional commission
MoU	Memorandum of Understanding
MCI	Monthly-calculated index
ISAs	International Standards on Auditing
IFRS	International Financial Reporting Standards
MoF	Ministry of Finance of the Republic of Kazakhstan
MPT	Mineral production tax
VAT	Value-added tax
R&D	Research and development works
Aktobe SEC NC	Aktobe Social-Entrepreneurship Corporation National Company
EPT	Excess profit tax
NCIP	National Council of Interested Parties
PCP	Petroleum chemical plant
NHC	National Holding Company
FP SA	Final Production Sharing Agreement
PC	Production Company
PKOP	“PetroKazakhstan Oil Products” LLP
“Energougol” PD of the CD “ArcelorMittal Temirtau” JSC	“Energougol” production department of the coal division of “ArcelorMittal Temirtau” JSC
RB	Republican budget
RoK	The Republic of Kazakhstan
SEC	Social-Entrepreneurship Corporation
PSA	Production Sharing Agreement
TAI	Total annual income
USSR	The Union of Soviet Socialist Republics
USA	The United States of America
TS	Technical specification
“Kazkhrom” TNC	“Kazkhrom” Transnational Corporation JSC
LLP	Limited Liability Partnership
FS	Feasibility study
TCO	“Tengizchevroil” LLP
UMP	Ulba metallurgical plant

Weighted average exchange rate of Tenge amounted to 179.19 Tenge per 1 USA Dollar in 2014 www.nationalbank.kz

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Report on the results of the implementation of the agreed procedures

To the EITI Secretariat and to the members of the National Council of the Interested Parties regarding implementation of EITI in the Republic of Kazakhstan:

We have reconciled the “Report on substantial tax and non-tax Payments/Receipts” and “Report on Payments/Receipts on socially significant purposes for subsoil users”, whose tax payments are recognized by the NCIP as “significant” submitted by the Payers of the oil and gas and mining sectors in accordance with the requirements of the Technical Specification (TS) to prepare the report on implementation of the Extractive Industry Transparency Initiative (EITI) in 2014, and data of the Recipient.

The Recipient of the taxes and other obligatory payments to the budget (hereinafter referred to as “Recipient”) was:

- State revenue committee of the Ministry of Finance of the Republic of Kazakhstan (RoK).

Purpose of reconciliation – ensure completeness, reliability and accessibility of information regarding payments/receipts to the state coming from the extracting industries during 2014 due to the implementation of the Extractive Industry Transparency Initiative in the Republic of Kazakhstan.

Reconciliation was performed on the basis of the Memorandum of Understanding EITI (hereinafter – “MoU”) on implementation of the EITI dated October 9, 2013, signed by the Government of the RoK, deputies of the RoK Parliament, representatives of the Companies operating in extractive industries and non-governmental organizations, and based on the Contract No.19 on Public Procurement of services dated May 20, 2015 with the RSI Republican centre of geological information “Kazgeoinform” of the Committee for geology and subsoil use of the Ministry of investment and development of the Republic of Kazakhstan.

Reconciliation was performed in accordance with the International Standards on Auditing (ISAs), applicable to related services (ISRS 4400 “Engagements to perform agreed-upon procedures regarding financial information”). An engagement to perform agreed-upon procedures included examination and analysis of the information, and comparison with the primary documentation, data from business accounts of the taxpayers, reports of the Recipient, currency conversion, based on which the reconciliation was performed to obtain sufficient information and evidence in order to express an opinion on the purpose of the audit.

Chief executive officer or the representative of the Payer, who was delegated the relevant authority and with the right of signature, as well as the Chief financial officer bear responsibility for the quality and truthfulness of the information of the Taxpayer. Chief executive officer of the Authorised state authority and/or organization bears responsibility for the quality and truthfulness of the information from the Recipient.

Reconciliation includes examination based on the testing of the evidence, confirming reconciliation of the reports, submitted by the Payers, with the data of the Recipient.

We performed the following procedures:

- We have obtained the filled-in reports on the receipts and payments from the relevant State authorities and extractive Companies from the portal of USSMS IIS which took part in EITI reporting;
- Compared the receipts to the budgets with the payments of the extractive industry Companies in 2014 financial year, including payments in cash and in-kind;
- If there were any discrepancies between the amounts which were included into the reports of the extractive industry Companies and State authorities we::
 - found out the causes for every difference from the extractive industry Companies and State authorities by means of meetings, emails and phone calls;
 - to the extent possible, compared the explanations of the discrepancies that had been submitted by the extractive industry Companies and State authorities with the confirming documents, such as extracts of personal accounts on the status of payments with the budget, payment orders, cheques and/or reconciliation statements;
 - on each discrepancy described the amount and confirming documents submitted;
 - combined all unidentified discrepancies, described them in section IV «Consolidated Report on Essential Tax and Non-Tax Payments/Receipts», determined the percentage of unidentified discrepancies from the tax amount and evaluated the significance level of the impact on misrepresentation of information.

As a result of the work performed such as collection, reconciliation, analysis and consolidation of the reports submitted by Payers and Recipient, study of the source documents, personal accounts and account reconciliation statements requested both from Payer and from Recipient, having analysed and compared them, established the causes of discrepancies we reached common ground that the reports submitted by Payer and Recipient for 2014 were prepared in accordance with the approved Regulations. Discrepancies found out have been explained and described.

In accordance with the requirements of the TS and the new Standards of the EITI the national report includes review of the extractive industries (contextual information) in Chapter III that describes the legal platform and fiscal mode being effective in the extractive industries, the description of the extractive industries, volumes of production and export, export destinations, the contribution of the extractive industries to the economy for 2014, the information on involvement of the state in the extractive industries as well as on the management of income and expenses, on the process and register of licensing and also on beneficial ownership and contracts.

Report of the independent auditor
Page 3

Result of the works performed was preparation of the 10th National Report for 2014 containing a review of the extractive industries and reconciliation of essential tax and non-tax payments/receipts for 2014 in accordance with the requirements of the TS approved by NCPC.

General Director,

Auditor:

T.E. Nurgaziyev

Certificate of competence # 0318

Dated May 2nd, 1997.

Project Executive:

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September 18th, 2015

Mamyr-4, 14, Almaty, Republic of Kazakhstan

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT FOR THE YEAR ENDED DECEMBER 31, 2013

(in thousands tenge)

I. General Information

1.1. Extractive Industries Transparency Initiative

EITI is the global standard developed with the aim to promote the transparency and accounting in the countries rich in oil, gas and/or mineral resources. For the first time, the Initiative was announced at the World Summit for Sustainable Development in Johannesburg in 2002, and officially began with a conference in London in 2003. The Initiative was supported by the international coalition of the developing countries, donors, extractive industry Companies, civil society organizations, investors and international organizations.

The Initiative is aimed to increase the transparency by reconciliation of payments (the information on which is published by the Companies) with governmental incomes. Thus, the EITI facilitates improvement of governance in the countries with significant reserves of oil, gas and mineral resources, and seeks to reduce the risk of diversion or misappropriation of assets received from development of the extractive industries resources. The Initiative is being implemented through joint activities of the government, private sector Companies, civil society, investors and international organizations.

1.2. EITI in the Republic of Kazakhstan

In April 14, 2005, at the Ministry of Energy and Mineral Resources (MEMR), the Government of the Republic of Kazakhstan formed the Interagency Working Group of the EITI whose task was to make recommendations for implementing the EITI in Kazakhstan. N.A. Nazarbayev (the President of the Republic of Kazakhstan) announced on joining Kazakhstan to the EITI officially at the international conference held in Almaty in June 14-16, 2005. On October 5, 2005, the MoU was signed between the Interagency Working Group, representing the Government, and the other three parties: the RoK Parliament, foreign and domestic enterprises of the extractive sector and representatives of civil society. Civil society organizations taking part in the coalition "Oil Revenues - Under Public Control" signed the Memorandum in December 9, 2005 after conduction of a series of further negotiations and coordination of the guidelines of the National Council of the Interested Parties (NCIP).

The process of implementation of the EITI in Kazakhstan was the subject of validation performed by Hart in 2009, as a result of this the EITI Board was provided with Validation Report approved by the NCPC on August 11, 2010. On the basis of this report, in December 13, 2010, the EITI Board awarded Kazakhstan with the status of "Candidate Country close to the status of the country conforming to the Initiative". The Board set June 12, 2011 as the deadline for four corrective actions to achieve the compliance to be implemented by Kazakhstan.

Two of these four actions were successfully completed, but there was no sufficient evidence of adequate compliance for the other two actions. The result of re-activation of the EITI was that in February 15, 2012, the EITI Board decided to prolong the status of

Kazakhstan as a candidate country by 18 months, during which the validation was to be held until August 15, 2013. Many years of work on implementation of the EITI in 2013 resulted in passage of the validation performed by Hart due to which the EITI International Board assessed the compliance of Kazakhstan with all the requirements of the EITI and assigned the status of "EITI Follower Country".

In order to maintain the status assigned, annual preparation of national EITI reports and other significant events of post-validation period are carried out in accordance with the Work Plan for implementation of the EITI.

Whereas "The concept of development of the geological industry of the RoK till 2030" approved by the RoK Governmental Resolution No. 1042 dated August 13, 2012 provides for simplifying the procedure for granting the geological information to all interested users, from 2014 to implement the EITI in Kazakhstan it has been introduced provision by the Companies - subsoil users (taxpayers) with the EITI reporting through the portal of "the Unified State Subsoil Use Management System of the Republic of Kazakhstan" Integrated Information System (USSUMS RoK IIS) on Internet. Data of the RoK Ministry of Finance (Tax Recipient) is reconciled automatically and the final reconciliation reports, including disaggregated information on each Company, are available on-line on the web-site for the public authorities, interested parties and everybody.

1.3. Data on participation of the Companies

76.6 Clause of the Law on subsoil and subsoil use, titled "Obligations of the subsurface users" provides that "all subsurface users have a mandatory obligation to comply with the conditions of the Memorandum of understanding with respect to implementation of the Extractive Industry Transparency Initiative (MoU) in the Republic of Kazakhstan, excluding the contracts on underground waters and common mineral resources". In accordance with the MoU, "the parties: b) value highly and endorse the initiative of the Government of the Republic of Kazakhstan in part that the Companies operating in the extractive industries of the Republic of Kazakhstan, including those operating under the Production Sharing Agreement (PSA), are to submit for the review their reports on payments in accordance with the agreed reporting form, under the condition that the confidentiality terms in the individual subsurface use contracts, including the production sharing agreement, shall be complied with".

A pilot project of submission of EITI reports by the virtue of USSUMS RoK IIS was launched in 2014. All Companies – subsoil users (including branch offices) submit reports on EITI through the portal of USSUMS that are available on-line to all interested authorities and other individuals. At the same time, the reconciliation is performed with respect to certain Companies with the agreed threshold of substantiability.

After preparation of the National Report for 2013, it was revealed that based on the results of tax and non-tax receipts to the budget, the receipts amounted to 4 680,7 bn tenge, 93 % - originating from the subsoil use Companies and 7 % - from mining sector.

Out of 97 oil and gas Companies that were subject to reconciliation in accordance with the TS in 2013, the threshold of materiality – 30 billion tenge, the total amount of the revenues was 98%, 27 Companies with the amount of taxes and payments of more than 1 billion tenge, the total amount of revenues was 2%, other 41 Companies with the amount of taxes and other payments being less than 1 billion tenge, a total amount of revenues was 0%. Out of 106 Companies of the mining sector, that were subject to reconciliation in accordance with the agreed in the TS materiality threshold – 15 million tenge per year, for 33 Companies with the amount of taxes and payments exceeding 1

billion tenge per year, the total amount of revenues was 99%, the rest 73 Companies with the amount of taxes and payments constituting less than 1 billion tenge, the total amount of revenues was 1%.

Considering that the taxes from large Companies constituted almost the whole share, the NCIP decided¹ to increase the materiality threshold:

- for the oil and gas sector – more than 1 billion tenge (100% from the total amount of taxes on hydrocarbon materials) – 56 Companies;
- for the mining sector – more than 100 million tenge (more than 99% of the total tax amount on solid mineral deposits) – 65 Companies.

The fulfillment of the tax obligations on payment of the taxes and other obligatory contributions to the budget is carried out by the Payers in accordance with the Code “On taxes and other obligatory payments to the budget” and the Contracts on subsurface use, entered into with the Government of the RoK.

1.4. Reporting status on EITI

Seven National EITI reports available on website of the Committee of Geology and Subsoil of the RoK MINT <http://geology.gov.kz/ru/otchety/otchety-po-sverke-i-drugie>, as well as on the website of the International EITI Secretariat www.eiti.org, were published in 2005- 2014 in the course of implementation of the EITI. The reports were reconciled by UHU SAPA Consulting LLP elected during the tenders in accordance with the RoK laws.

¹ Minutes No. 52 dated March 10, 2015

II. APPROACH TO DATA RECONCILIATION

2.1 Purpose

Purpose of reconciliation - ensuring the completeness, reliability and accessibility of information on payments/receipts to the state from the extractive industries for 2014 due to implementation of the EITI in the Republic of Kazakhstan.

2.2. Scope of work

Reconciliation was performed based on the cash accounting, while both cash payments and payments in kind were taken into consideration.

When performing the work we had reliance on the reports, information and clarifications received from the relevant state authorities and extractive industry Companies. We make no representations with regard to the accuracy or completeness of such information.

If there were payments which were not shown in the reports submitted by the Companies and state authorities, and these payments were not found out by us in other ways, then our procedures were not sufficient to identify them.

This report was prepared in English, Russian and Kazakh languages. If there are discrepancies or contradictions between the versions in 3 languages, the version in Russian shall prevail.

This report should be read together with the Attachments hereof. All amounts in this report are specified in thousands tenge, unless otherwise specified.

2.3. Approach to Data Reconciliation

- Fully understand the EITI procedures established for the Republic of Kazakhstan by way of discussions with the EITI Secretariat and review of the relevant documents, including, in particular, the accounting principles and procedures established for the reporting forms;
- Obtain and verify the completed forms of the reporting on fees and payments both from Payers and Recipients;
- If any discrepancies between the amount paid by Payer and the amount received by Recipient were found out, additional information was requested from various State authorities and extractive industry Companies.

In order to reconcile the data and prepare the reporting within the EITI for 2014, the following forms of the reports on government receipts and payments of the Companies made during 2014 fiscal year were used:

- Form of the report on tax and non-tax payments which is completed by Payers/Recipients: it shows the payments of the Companies to the state authorities (Attachment 1 of the TS);
- Form on payments made in US Dollars (Attachment 1-4 of the TS);
- Form on the expenses on social development and local infrastructure (Attachment 3-1 of the TS);
- Consolidated reports on the receipts of all the Recipients for each Payer confirmed on the basis of inspection performed by the Accounts Committee

for control over execution of the national budget for each Payer in the RoK Ministry of Finance;

- Other Appendicies provided by the Technical Specification.

We obtained and reviewed the detailed explanations of payments provided in the reports, both of the State authorities and extractive industry Companies.

To the extent possible, we received confirmation of clarification on discrepancies found out in the course of verification. We recorded all discrepancies found out together with confirming documents. Also we specified all issues of concern and areas for further improvement.

The following procedures were performed with regard to each discrepancy found out:

- Confirm that the information submitted by Recipient and Payer is consistent with the amounts shown in Attachment 1 of the TS. Receive the clarifications from Payer and Recipient with respect to any discrepancies found out;
- Further request the confirming documents for the amounts with respect to which such discrepancies were found out;
- If there were no discrepancies, no further actions were taken.

For items that require further clarification, the following procedures have been performed:

- Details of the payments and instructions submitted to identify any transactions that could lead to a discrepancy have been reviewed;
- We received clarifications on the discrepancies found out from the relevant Companies and state authorities by means of meetings, emails and phone calls;
- All significant discrepancies were quantified and shown in Section IV “Consolidated Report on Substantial Tax and Non-Tax Payments”.

Table 1. List of payments and receipts to be reconciled

No. III	Type of tax or payment	Budget split
1	Corporate income tax, CIT	RB/NF
2	Personal income tax, PIT	LB
3	Social tax	LB
4	Property tax of legal entities and individual entrepreneurs	LB
5	Land tax	LB
6	Tax on transport vehicles of legal entities	LB
7	Value-added tax (VAT) on goods produced, work performed and/or services rendered on the territory of the Republic of Kazakhstan	RB
8	Excise taxes	RB/LB
9	Rent tax on crude oil and/or gas condensate being exported, including	RB/NF
10	Excess Profits Tax	RB/NF
11	Bonuses	RB/NF
12	Production Tax	RB/NF
13	Share of the Republic of Kazakhstan on Production Sharing	RB/NF
14	Additional payment of Subsoil User carrying out his/her activities under the Production Sharing	RB/NF

	Contract	
15	Payment on reimbursement of historical costs	RB
16	Environmental Emission Payment	LB
17	Funds received from the subsoil users under the claims on damage to be compensated by the organizations of oil sector	NF
18	Funds received from subsoil users under claims for damage except for funds received from oil sector Companies	RB
19	Other non-tax receipts from oil sector Companies	NF
20	Other non-tax receipts to the national budget, except for the receipts from the organizations of oil sector	RB
21	Other non-tax revenues to the local budget	LB
22	Customs duties	RB
23	Excise taxes on the goods being imported to the RoK territory	RB
24	Report on payments (dividends) on the state shares in the property (Attachment 2 of the TS);	
25	Report on payments (dividends) on the state shares in the property (Attachment 2 of the TS);	

List of payments not to be reconciled:

- Form on payments being made in kind (Attachment 1-3 of the TS) because no payments in kind were made;
- Consolidated report on the expenses for social development of the regions and local infrastructure within Oblasts (Attachment 3-2 of the TS), as it was provided according to data of the akimats on actually assimilated funds from the local budget under the programs. It is impossible to determine whether only using the funds of the subsoil users;
- Funds allocated to develop the social sphere by subsoil users (Attachment 3-3 of the TS);
- Funds allocated to train the specialists, disposal facilities for environmental protection (DEP) and monitoring of the subsoil pollution (Attachment 4 of the TS);
- Volumes of production and export by types of the minerals of oil&gas and mining sector (Attachment 5 of the TS);
- Key oblast where the production is concentrated (Attachment 5 of the TS);
- Description of data on transportation, including the following: the product/commodity (goods); route (routes) of transportation; and relevant Companies and government organizations, including state geological enterprise involved into transportation (Attachment 6 of the TS);
- Taxes and other payments paid on transportation to the budget. Description of the methodology used by the Company for their calculation on this activity (Attachment 6 of the TS);
- Disclosure of tariff rates and volume of the goods being transported (Attachment 6 of the TS);
- Disclosure of proceeds being received in connection with transportation of oil, gas and mineral resources (Attachment 6 of the TS);
- The size of the extractive industries in absolute terms and as a percentage from

GDP (Attachment 7 of the TS);

- Total governmental revenues generated by the extractive industries (including taxes, royalties, bonuses, commissions and other payments) in absolute terms and as a percentage from the total governmental revenues (Attachment 7 of the TS);
- The volume of export from the extractive industries in absolute terms and as a percentage from the total export (Attachment 7 of the TS);
- Employment in the extractive industries in absolute terms and as a percentage from the total employment rate (Attachment 7 of the TS);
- Information on the local content in procurement of goods, services and works of the oil and gas and mining sectors subsurface users (Attachment 8 of the TS).

III. EXTRACTIVE INDUSTRIES REVIEW: CONTEXTUAL INFORMATION

3.1. Legal platform for extractive industries activity

Legal platform for extractive industries in Kazakhstan is as follows:

- The RoK Constitution dated August 30, 1995;
- The RoK Civil Code (General Part dated December 27, 1994 and the Special Part dated July 1, 1999);
- The RoK Environmental Code dated January 9, 2007;
- The RoK Land Code dated June 20, 2003;
- The RoK Code "On Taxes and Other Obligatory Payments to the Budget (Tax code)" dated December 10, 2008;
- RoK Code of Administrative Violations No. 155-II dated January 30, 2001;
- The RoK Water Code dated July 9, 2003;
- The RoK Labour Code dated May 15, 2007;
- The RoK Law No. 291-IV "On Subsoil and Subsoil Use" dated June 24, 2010;
- The RoK Law "On State Support of Industrial Innovation Activity" dated January 9, 2012;
- The RoK Law "On Energy Preservation" dated December 25, 1997;
- The RoK Law "On Industrial Safety at the Hazardous Industrial Facilities" dated April 3, 2002;
- The RoK Law No. 20-V "On the Trunk Pipeline" dated June 22, 2012;
- The RoK Governmental Resolution No. 1412 "On Approval of the Model Subsoil Use Contracts" dated December 25, 2010;
- The RoK Governmental Resolution No. 1456 "On Approval of the Rules presenting the Rights of Subsoil Use" dated December 30, 2010;
- The RoK Governmental Resolution No. 492 "On Approval of the Rules of Assignment of the Subsoil Use Contract providing for Development of the Deposits of Solid Minerals (except for widespread) to the Category of Low-Profit" dated April 8, 2009;
- The RoK Governmental Resolution No. 1019 "On Approval of the Uniform Rules of Protection of Mineral Resources during Development of the Deposits of Solid Minerals, Oil, Gas and Ground Water in the Republic of Kazakhstan" dated July 21, 1999;
- The RoK Governmental Resolution No. 1137 "On Approval of the List of Areas of Subsoil and/or Fields of Strategic Importance" dated October 4, 2011;
- The RoK Governmental Resolution No. 964 "On Approval of Unified Calculation Method by the Organizations of Local Content during Procurement of Goods, Works and Services" dated September 20, 2010 and others.

According to Article 6.3 of the Constitution of the Republic of Kazakhstan "the earth and its resources, and other natural resources are owned by the state".

The Law “On Subsoil and Subsoil Use”² includes the legal framework on provision (Clause 35), transfer (Clause 36), succession in title (Clause 38, Clause 39) or termination of the subsoil use right (Clause 40, Clause 41). Subsoil users are the oil and gas and mining Companies³, that enter into contracts on subsoil use to acquire rights on the development of mineral resources’ reserves.

Since 2008 Kazakhstan had set a moratorium on entering into new subsoil use contracts, but at the end of 2012 the President instructed to lift this restriction.⁴

The law provides for the priority right of the State to acquire the subsoil use right (or part thereof) that is connected with the need to ensure economic security of the state and defeat the corruption. The law authorises the national managing holding (a national Company) or an authorized state body (the Committee of State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan) to acquire such assets. Decisions are taken on the basis of the proposals of a special consultative and advisory body such as the Interdepartmental Commission on the Implementation of the Priority Right of the State.⁵

The contract may be terminated on the initiative of the competent authority before to the scheduled date in the following cases:⁶

- 1) twofold breach of the terms and conditions of the contract if they have not been eliminated when the subsoil user received a notice from the competent authority;
- 2) failure to comply with the priority right of the state by the subsoil users;
- 3) change in the economic interests of the Republic of Kazakhstan resulted in a threat to the national security if it is impossible to reach an agreement with a subsoil user.

The law defines the following obligations of a subsoil user, which are important for the EITI implementation:

- transfer of information recognized by the parties as confidential to the state authorities, the RoK Parliament and/or local authorities can not be considered as a breach of confidentiality (Clause 8);
- all subsoil users are to comply with the conditions of the MoU (Clause 76.6) stating that all Companies operating in extractive industries have to submit their reports on payments in accordance with the legislation of the RoK, principles of EITI, in accordance with the agreed accounting forms, upon condition that all terms of confidentiality stipulated in the individual subsoil use contracts, including the Production sharing agreement, shall be complied with;
- information on procurement and/or expenses for training of the specialists and/or social and economic development of the region is not confidential and is provided in accordance with the requirements of the EITI (Article 78.3).

² <http://adilet.zan.kz/rus/docs/Z100000291>

³ The term “mining sector” encompasses oil&gas and mining sectors

⁴ Minutes of the Meeting with a participation of the President of the RoK No. 01-7.1 dated January 23, 2013, Clause 1.6. “On Elimination of Moratorium”

⁵ Analysis of the applicable regulatory and legal framework for subsoil use of the Republic of Kazakhstan "Republican Association of Mining and Metallurgical Enterprises" Association of Legal Entities, 2013

⁶ Ibid.

In 2014 the a Comprehensive plan on development of the oil&gas sector for the period of 2014-2017 was approved⁷, the Concept of development of the gas sector until 2030⁸, the Program of exploration activities in RoK for 2015-2019 and the General gasification scheme of the RoK were approved.

The reform of the public administration⁹ led to the modifications in the management of extractive industries resulting from abolition of:

- Ministry of oil and gas and transfer of its authorities and rights to the newly established Ministry of the energy of RoK;
- Ministry of industry and new technologies with the transfer of its functions and authorities to the newly established Ministry on investments and development.

The State management of the oil and gas industry is performed by the Ministry of energy of the RoK (MoE). The state management of the mining industry is performed by the Ministry on investments and development of the RoK (MID).

The Ministry of energy of the Republic of Kazakhstan (hereinafter – the Ministry) is the central executive body of the Republic of Kazakhstan, forming and implementation of the public policy, as well as coordinating the process of management in the areas of oil and gas and/or petrochemical industry, transportation of hydrocarbons, governmental regulation of the production of oil products, gas and natural gas supply, trunk pipeline, electroenergy, coal industry, nuclear energy, environmental protection, natural resources management, protection, control and supervision of the rational use of the natural resources, utilization of the the solid waste, development of the renewable energy sources, control of the state policy of “green economy” development.¹⁰

Mission of MoE: develop the fuel and energy sector in order to ensure competitiveness, national and energy security, provide for the growing needs of the economy in raw hydrocarbons, development of the scientific-technological capacity, aimed at its effective use, as well as to establish the conditions for preservation, remediation and enhancement of the state of the environment, ensure the shift of the Republic of Kazakhstan to a low-carbon development and “green economy” to meet the needs of the current and future generations.

The MoE tasks are:

- to form and implement the state policy, improvement of the system of public administration in the oil&gas, petrochemical industry, transportation of raw hydrocarbons, governmental regulation of production of oil products, gas and natural gas supply, trunk pipeline, electroenergy, coal industry, nuclear energy, environmental protection, natural resources management, protection, control and supervision of the rational use of the natural resources, utilization of the the solid waste, development of the renewable energy sources, control of the state policy of “green economy” development and providing with the normative-technical documentation within its competence;

⁷ “On approval of the Comprehensive plan on development of the oil&gas sector for 2014-2018”, a Resolution of the RoK Government No. 567 dated 28.05.2014

⁸ “On approval of the Concept of the development of the gas sector until 2030”, Resolution of the Government of the RoK dated 05.12.2014

⁹ Decree of the President of RoK “On the reform of public administration” No.875 dated 06.08.2014

¹⁰ Regulation on the Ministry of energy of the RoK. Approved by the Resolution of the Government No. 994 dated 19 September 2014.

- implement the cross-sector coordination of the activities of the central and local executive bodies responsible for implementation of the state policy in the sphere referred to the Ministry's competency;
- provide for development of the fuel and energy sector;
- implement the state policy on the matters of international cooperation in the areas in the competency of the Ministry;
- ensure the reproduction of hydrocarbon resources and their efficient use, including associated gas;
- improvement of the quality of environment, preservation of the natural resources, maintenance of the ecological security and achievement of the favorable level of the sustainable development of the society;
- development of the system of information sharing and education in the sphere of environmental protection;
- execution of the authority of the authorized body, originating from the production sharing agreements;
- State governance and implementation of the state control in regulated spheres;
- implementation of other goals for which the Ministry is responsible within its competence.

The Ministry on investments and development of the Republic of Kazakhstan is a state authority¹¹ responsible for management in the areas of industry and industrial and innovation, scientific and technical development of the country, mining and metallurgical complex, development of the local content, mechanical engineering, chemical, pharmaceutical and medical industry, light industry, wood and furniture industry, building industry and construction materials production; safety of machines and equipment and safety of chemical products in accordance with the industry orientation; state investment policy and the state policy on the support of investments, stipulation of the favorable investment climate; establishment, functioning and abolishment of special economic zones; export controls; technical regulation and ensuring the uniformity of measurements; mineral resources, except for raw hydrocarbons; the state geological study, reproduction of the mineral resource base, efficient and complex subsoil use, the state control of subsoil use regarding solid minerals, underground water and therapeutic muds; solid natural resources, excluding coal and uranium; preservation and energy efficiency, tourism, implementation of the state policy of the investments support; in the railway, automobile, inland water transport, merchant shipping, in the sphere of the use of the airspace of the Republic of Kazakhstan and the activities of the civil and experimental aviation, automobile roads; industrial security; telecommunication, informatization and “electronic government”, information; space activities (hereinafter referred to as “regulated spheres”).

¹¹ Resolution of the Government of RoK No. 995 dated 14 September 2014, Regulation concerning the Ministry on investments and development of the RoK.

The mission of MID is to: form the state policy of the industrial development, industrial-innovative development, development of the local content, of the tourism industry, scientific and technological development of the state in the spheres of railway, automobile, inland water transport, merchant shipping, in the sphere of the use of the airspace of the Republic of Kazakhstan and the activities of the civil and experimental aviation, automobile roads, for the purposes of the development of the transport-communication complex, a new and sound space industry, meeting the demands of the society and the economy, in the sphere of industrial security as well as on the development and maintenance of the sustainable performance and security of the unified information space and telecommunications' infrastructure.

We single out those tasks of the MID that relate to the mining industry:

1. to participate in formation and implementation of the state policy in the areas of industry and industrial and innovation development, development of the local content, scientific and technical development of the country, mining and metallurgical complex, mechanical engineering, export control, subsoil use in the part of underground waters and mineral muds, solid natural resources, excluding uranium and coal, the state geological survey, reproduction of the mineral resource base, efficient and complex subsoil use, state control of the subsoil use process in the part of underground waters and mineral muds, solid natural resources, excluding uranium and coal, preservation and energy efficiency, tourism, implementation of the state policy of the investments support; in the railway, automobile, inland water transport, merchant shipping;
2. to implement the cross-sector coordination of the state authorities in the activity referred to the competence of the Ministry;
3. to implement monitoring and cross-industrial coordination of the state authorities in the sphere of industrial-innovative development;
4. to implement monitoring and cross-industrial coordination of the state authorities in the sphere of industrial-innovative and cluster development;
5. to stimulate the innovative activity by the way of creation of the organizational and economic conditions, including those that lead to attraction of the investments for implementation of the state innovative policy;
6. to elaborate the proposals on creation of the favorable investment climate for the purposes of the economic development and stimulation of the investments into construction of the new, expansion of the existing production with the use of the modern technologies;
7. securing the measures on implementation and monitoring of the investment projects;
8. to coordinate the processes of diversification and accelerated industrial and innovative development of the economy;
9. to maintain the security of the transport and the processes of its life cycle for the life and health of a person and the environment;
10. to prevent a negative effect of the harmful industrial factors, originating at accidents, incidents at production sites;
11. to carry out the state control in regulated areas;
12. State management in regulated areas.

The high-priority events related to the oil and gas industry, reported by the President of the RoK – N.Nazarbayev in his Message became a part of the program in 2014¹². Thus, the strategic plans for the mid-term perspective emphasize the following seven directions¹³:

- Improvement of the subsoil use policy;
- Implementation of no-nonsense scenario in the oil production;
- Conformance to the world trends in the gas industry;
- Implementation of the transport projects on a planned basis;
- Active development of the domestic market of oil products;
- Establishment of new sectors with high added value;
- Development of synergetic effect through science and technology policy, innovations, generation of service clusters and personnel training.

3.2. Fiscal mode, being effective in Extractive Industries

The budget system is characterized by high degree of centralization of incomes in the national budget since 2002, when the corporate income tax was fully received by the national budget.¹⁴

Taxation of subsoil users has a number of features and is defined in the relevant section of the Tax Code. The tax regime established for the subsoil user is defined in the subsoil use contract. There are two types of the subsoil use contracts¹⁵: Production Sharing Agreement (PSA) and the contract including a provision on excess profit tax (EPT contract). There is a limited number of PSA entered into before 2009. At the beginning of 2010 the President has stated that Kazakhstan will no longer enter into the PSA.¹⁶ All contracts entered into in the present and in the future will be the EPT contracts.

In accordance with section 11 of the RoK Tax Code, except for tax payments which are common for all Companies, **the subsoil users shall pay** the following special payments and taxes:

- 1. special payments of the subsoil users:**
 - a) subscription bonus;
 - b) commercial discovery bonus;
 - c) payment on reimbursement of the hirstorical payments;
 - d) financing of the scientific and research, scientific-technical and (or) design and experimental works, experimental works, performed by the Kazakhstani producers of the goods, works and services.
- 2. mineral production tax;**
- 3. excess profits tax.**

¹² Notes for the statement of U. Karabalin (the Minister of Oil and Gas of the RoK) in the RoK Parliament in April 7, 2014.

¹³ Message of N. Nazarbayev, the President of the Republic of Kazakhstan) to the nation of Kazakhstan: Kazakh Way – 2050: Shared Objective, Uniform Interests, Uniform Future. January 17, 2014.

¹⁴ Makhmutova, Meruert. 2006. Local Government Organization and Finance in Kazakhstan, Local Governance in Developing Countries. World Bank, Washington, DC: World Bank Institute

¹⁵ Information on taxation is given in accordance with the Tax Code and according to: Ernst & Young. Review of the tax regime in the oil and gas industry. Edition of 2014.

¹⁶ Speech of the RoK President to the nation of Kazakhstan at the meeting in the Government "On the Results of Social and Economic Development of the Country in 2009 and Development Plans for 2010" in January 22, 2010. www.inform.kz

In addition, the subsoil users must annually spend an amount equal to one percent of the total annual income (TAI) on the training of Kazakh specialists, and also one percent from the TAI on R&D.

Generally applicable tax regime, which is used in Kazakhstan for the contracts on exploration and production in the oil industry, includes a combination of corporate income tax, rent tax on oil being exported, bonuses and mineral production tax.

Activities under the contract should be taxed separately from non-contract activities (for example: processing and sales of petroleum products), as well as on each contract separately.

Table 2. Rates of taxes, applicable to Subsoil Users

Applicable taxes	Rate
Bonuses	Variable
Mineral production tax	0,5% - 18%
Excess profits tax	0% - 60%
Payment on reimbursement of historical costs	Variable
Rent tax on oil being exported	0% - 32% ¹⁷
Excise tax on crude oil and gas condensate	0 tenge per tonne
Land tax	Usually insignificant
Property tax	1,5%
Pollution charge	Variable
Other fees (for example: payment for use of radiofrequency spectrum, payment for use of the internal navigable waterways)	Variable
Other taxes and payments	Variable
VAT	12%
Crude oil export duty	80 USA dollars per tonne ¹⁸

Mineral Production Tax (MPT)

MPT is an analogue of royalties based on the volume of production and applies to crude oil, gas condensate and natural gas. The rates are increased depending on the volume. Different rates and taxable bases shall be applied depending on what is being produced, whether the products are exported or sold domestically. The tax base is the value of the products extracted. At the export the value is based on prices in the world market without adjustments.

¹⁷ If the free market price falls below 60 USA Dollars per barrel, zero tax rate should be applied.

¹⁸ It was increased from 60 to 80 per tonne from 1 April 2014

According to the Tax Code (Article 334.3) the world market price for crude oil and gas condensate shall be determined as the arithmetic mean of the daily quotations of Urals Mediterranean (UralsMed) and Dated Brent (BrentDtd) during the tax period on the basis of information published in Platt's Crude Oil Marketwire source.¹⁹ If there is no information on the prices for these sorts here, the Argus Crude source shall be used²⁰. The world market price for natural gas shall be determined as the arithmetic mean of the daily quotations of Zeebrugge Day-Ahead during the tax period on the basis of information published in the Platts' European Gas Daily source²¹. If there is no information here, the Argus European Natural Gas source shall be used²².

Bonuses

Subsoil users shall pay the subscription bonus and commercial discovery bonus.

Subscription bonus is a lump sum payment for the right to carry out subsoil use activities.

For the contracts for the oil exploration (where the reserves have been approved) the bonus is set in the amount of 2,800 monthly calculation index (MCI)²³, which is approximately 5 549 600 tenge.

For contracts for the oil production (where the reserves have not yet been approved) the bonus is set in the amount of 3000 MCI which is approximately 5,946,000 tenge. If the reserves have been approved, the bonus is calculated according to the formula with rates of 0.04% to the approved reserves and 0.01% to the pre-approved reserves, but it shall not be less than 3000 MCI, i.e. it is approximately 5,946,000 tenge.

Commercial discovery bonus is a lump sum payment of the subsoil user for each commercial discovery in the contract area. The basis to calculate the commercial discovery bonus is the cost of the volume of the recoverable mineral reserves approved by the competent state authority.

The cost of the recoverable reserves shall be calculated at the exchange price determined at the International (London) stock exchange according to the Platts Crude Oil Marketwire source. Commercial discovery bonus is paid at the rate of 0.1% of the cost of the approved recoverable reserves.

Corporate income tax

CIT shall be calculated at the rate of 20% of taxable income. Taxable income shall be defined as the difference between the total annual income (as adjusted) and deductions provided by the law.

Rent export tax

The object of rent export taxation shall be the volume of crude oil, gas condensate and coal being sold for the export.

The basis to calculate the tax shall be the value of the crude oil and gas condensate being exported. The tax rate varies from 7% to 32% and shall be applied when the world prices for crude oil and gas condensate exceeds \$ 40 per barrel.

The tax base for rent tax on coal export shall be the actual volume of exported coal, while the tax rate is 2.1%.

¹⁹ The McGraw-Hill Companies Inc. Publishing House

²⁰ Argus Media Ltd. Publishing House

²¹ The McGraw-Hill Companies Inc. Publishing House

²² Argus Media Ltd. Publishing House

²³ From January 1, 2014, the MCI was set in the amount of 1,982 tenge by Law of the Republic of Kazakhstan dated December 3, 2013 No. 148-V "On National Budget for 2014 - 2016".

The rates shall be reduced by 50% if the products are being processed at the domestic market of Kazakhstan by the manufacturer or buyer. In such cases, the special rules to determine the tax base shall be provided.

A flat rate in the amount of 10% shall be applied with regard to the natural gas being exported. If the gas is sold at the domestic market, the applicable rate shall be 0.5-1.5% depending on annual production volume.

Excess profits tax (EPT)

The EPT shall be calculated on an annual basis. The tax shall be paid on a progressive scale of rates applicable to the part of the net income exceeding 25% of the deductions amount. Net income shall be distributed on the scale of rates by applying a coefficient to the deductions.

Customs duty on crude oil export

Since January 1, 2012 the export duty has been set at \$ 40 per tonne of crude oil. Since April 1, 2013, the export duty has been increased up to \$ 60 per tonne of crude oil. Since April 1, 2014, the export duty has been increased up to \$ 80 per tonne.

Payments on reimbursement of historical costs

Starting from 2009 the payment on reimbursement of historical costs has been included in the list of obligatory payments to the state budget. It is an established payment intended to reimburse the state expenses for geology survey and development of the contract area incurred before entering into the subsoil use contract.

Liability with regard to the payment on reimbursement of the historical costs arises as from the date of signing of the confidentiality agreement between the subsoil user and the competent state authority for the subsoil study and use.

Dividends

Dividends paid by the subsoil users both in Kazakhstan and outside of Kazakhstan shall be subject to taxation at source of payment at the rate of 15% which is usually reduced to 5% in accordance with the conventions for the avoidance of double taxation between Kazakhstan and a relevant country.

The branches of foreign legal entities shall be subject to tax on the net income of the branch at the same rates. The net income of the branch shall be the taxable income reduced by the amount of CIT.

Social tax

Social tax shall be paid by the employer for each employee at the rate of 11% from the amount of expenses of the employer paid to the employee (including bonuses in kind).

Personal income tax

The employees shall pay the personal income tax in the amount of 10% of the amount of almost all their incomes. The tax shall be withheld and paid to the budget by the employer.

Property tax

Property tax shall be charged at the rate of 1.5% and applied to the real estate.

Environmental emission payments

Under the law on environmental protection the manufacturers of mineral resources shall be obliged to make the environmental emission payments subdivided into two types:

- Payments for use of certain natural resources;
- Pollution charges.

The objects of taxation and payment rates mentioned above shall depend on the nature of the subsoil user activity, the volume of use of the natural resources, environmental pollution level and so on.

The amounts of the ecology fines are included into the EITI report. The funds, being received from the subsoil users based on the lawsuits on compensation of the harm by the subsoil use sector Companies, are transferred to the National Fund. The funds, received from the subsoil user, are included into the republican budget.

3.3. Review of the Extractive Industries

3.3.1. Oil and gas sector: reserves, geological exploration, production and export

RESERVES

Oil and gas regions occupy 62% of the area of the country and has 267 oil fields, with almost all of them being under development (Figure 1).

More than 90% of oil reserves are concentrated in the 15 largest fields such as: Tengiz, Kashagan, Karachaganak, Uzen, Zhetybai, Zhanazhol, Kalamkas, Kenkiyak, Karazhanbas, Kumkol, North Buzachi, Alibekmola, Central and Eastern Prorva, Kenbai, Korolevskoye.

The fields are located within six of the fourteen oblasts of Kazakhstan. They are Aktobe, Atyrau, West Kazakhstan, Karaganda, Kyzylorda and Manghistau Oblasts. In this case, about 70% of hydrocarbon reserves are concentrated in the west of Kazakhstan.

Figure 1. The Main Fields of Hydrocarbon Resources



Source: Government Institution KazGeoInform Republican Centre of Geological Information of the Committee of Geology and Subsoil Use of the Republic of Kazakhstan

According to the state balance as of January 1, 2015, the proved hydrocarbons reserves, both onshore and offshore, are estimated to be within 4.8 bln. Tons (267 fields); gas reserves (237 fields), non-associated gas and gas cap – 1,6 trn m3, dissolved gas – 1,4 trn m3, condensate – 441 mln tonnes (62 fields).

According to the British Petroleum, Kazakhstan with regard to the oil reserves is among the top 15 countries of the world with 1.8% of the world oil reserves as of the end of 2014²⁴. Ultimately, Kazakhstan will remain a major player in the international market. According to estimates of the British Petroleum, at the level of reserves as of the end of the year and the level of production in 2014, the so-called "Reserves-to-production (R/P) ratio" is 48,3 years - it means that the oil will be exhausted after this period.

The forecasted oil resources estimate to approximately 18 bln tons, including Kazakhstani part of the Caspian Sea – 10 bln tons; non-associated gas and dissolved gas – approximately 11 trn m3.

Almost 90% of the oil reserves are being explored at the fields of 12 large Companies, with the North Caspian Operating Company being the Company possessing the most number of them – 45%, Tengizchevroil – 24%, other major Companies hold 21%, other middle-size and small fields – 10% and 1% belongs to the common fund.

According to estimates of the British Petroleum, at the level of reserves as of the end of the year and the level of production in 2014, the so-called "Reserves-to-production (R/P) ratio" is 78.2 years - it means that the gas reserves will be exhausted after this period.²⁵ Vast majority of gas condensate reserves are concentrated in Karachaganak (the largest field) (74%).

Tengiz

Tengiz oil field was discovered in 1979. Recoverable reserves of crude oil are estimated in the amount from 750 million to 1.1 billion tons (from 6 to 9 billion barrels). Tengizchevroil LLP (TCO) has operated the Tengiz field since 1993.

Table 3. Membership of Tengizchevroil LLP

Owners	Participation Interest, %
Chevron (USA)	50,0
ExxonMobil (USA)	25,0
KazMunayGas National Company (Kazakhstan)	20,0
LukArco (Russia)	5,0

Source: MoE of the RoK

Kashagan

Kashagan is the largest field discovered in 2000 which is being developed under the Production Sharing Agreement for the North Caspian Sea, its proved recoverable reserves amount to 761.1 million tons. The owners of the field will continue to explore other structures in the contract area: Kalamkas-Sea, South West Kashagan, Aktoty and Kayran, according to the PSA for the North Caspian Sea.

The operator of this project is currently North Caspian Operating Company (NCOC) which combines a consortium of foreign Companies and KMG NC JSC the participation interest of which is 16.88% (Table 4). On October 31, 2013, the

²⁴ BP (2014), Statistical Review of World Energy. June 2015

²⁵ BP (2014), Statistical Review of World Energy. June 2015

transaction on sale of share of ConocoPhillips and acquisition of 8.33% by CNPC Company has been completed. As a result, the share of KMG in the project for Kashagan field development has been increased from 16.81 % to 16.88 %: KMG NC JSC has purchased share 8.4% of American Conoco Phillips, and then sold 8.33% to CNPC and it has 0.7%.

The volume of the aggregate capital investments for the period of PSA from 1997 amounts to 52 bln USA dollars, including 3,2 bln USA dollars in 2013.²⁶

Table 4. Membership of North Caspian Operating Company (NCOC)

Owners	Participation interest, %
KazMunayGas National Company (Kazakhstan)	16,88
Eni (Italy)	16,81
ExxonMobil (USA)	16,81
Royal Dutch Shell (the Netherlands/Great Britain)	16,81
Total (France)	16,81
CNPC (China)	8,33
Inpex (Japan)	7,56

Source: MoE of the RoK

Karachaganak

Estimated recoverable reserves of the Karachaganak field being developed by Karachaganak Petroleum Operating (KPO) (joint venture established by several western Companies led by BG Group and Eni) amount to 1.2 billion tons (9 billion barrels) of oil and gas condensate and 1.35 trillion cubic meters of natural gas reserves.

For a long time Karachaganak was the last major oil and gas project without the participation of Kazakhstan. In 2012, KMG NC JSC became part of the participants in the project by acquisition of 10% interest from its current shareholders.

Table 5. Membership of the Kazakh Branch of Karachaganak Petroleum Operating

Owners	Participation interest, %
BG Group (Great Britain)	29,25
Eni (Italy)	29,25
Chevron (USA)	18,0
LUKOIL (Russia)	13,5
KazMunayGas National Company	10,0

Source: MoE of the RoK

²⁶ From the speech of the Minister of Oil and Gas of the RoK in the RoK Parliament in April 7, 2014.

EXPLORATION

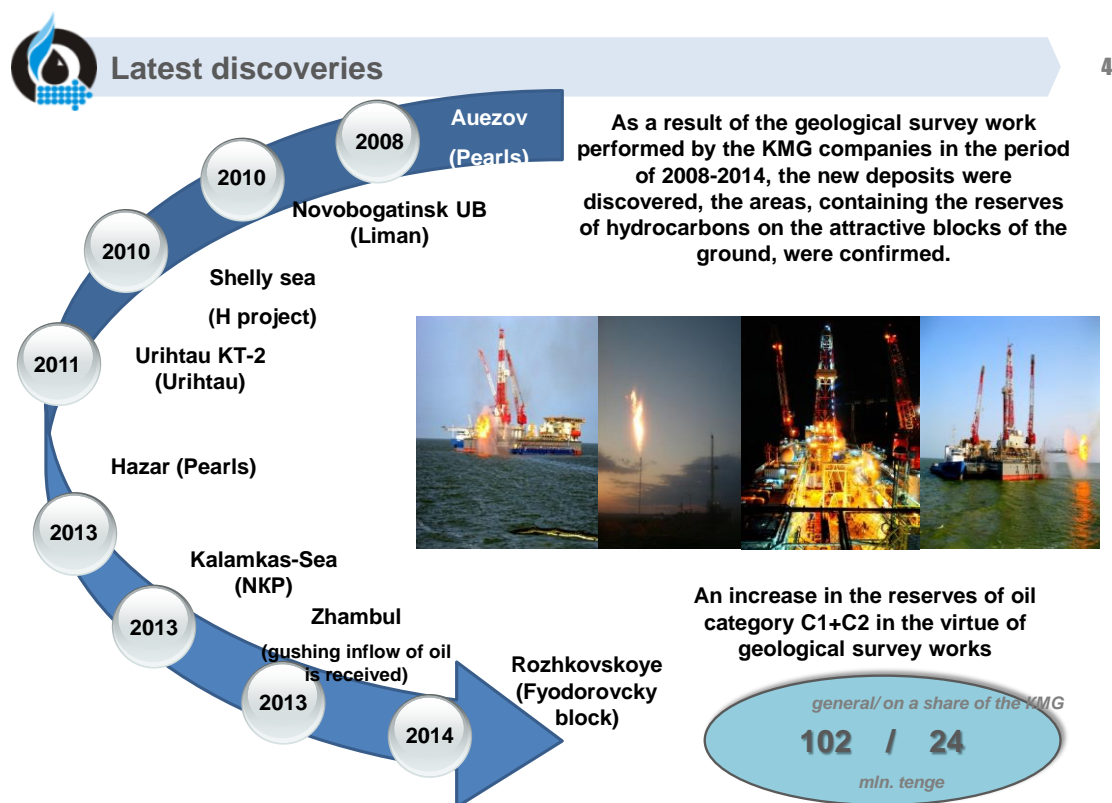
In 2014 the Program of exploration works in the RoK for 2015-2019 with a total budget financing of approximately 120 bln tenge was approved. In addition to that approximately 900 bln tenge will be attracted due to participation of KazMunayGas National Company, Kazatomprom, Tauken-Samruk, Kazgeology and major subsoil users.

As a result of the implementation of the Program of exploration works in 2015-2019, the increase in estimated reserves of gold, copper and polymetals is expected.

In the last 6 years the total increase of the oil and condensate reserves accounted to approximately 100 mln tons due to exploration works, KazMunayGas holds 24 mln tons of them²⁷.

As a result of the exploration works conducted by the group of Companies KazMunayGas from 2008 to 2014, new fields were discovered and the existing zones, containing reserves of hydrocarbons on prospected land panels and in the Kazakhstani sector of the Caspian Sea, were confirmed.

Figure 2. Discovery of the new fields by NC KMG in 2008 - 2014



Source: Report of the Chairman of the Management Board of the KazMunayGas NC JSC – S.Mynbayev at the I International Forum «Kazakhstan Geology Forum, Oil&Gas. 2015»

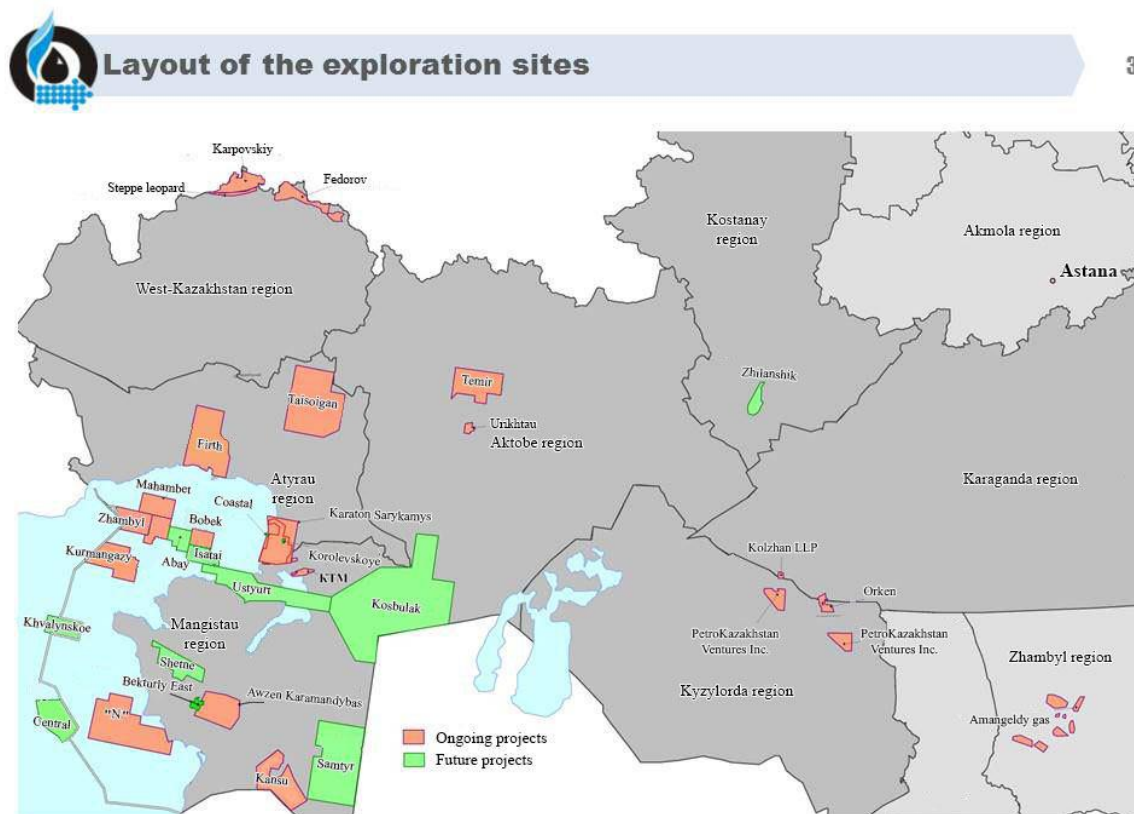
²⁷ Report of the Chairman of the Management Board of the KazMunayGas NC JSC – S.Mynbayev at the I International Forum «Kazakhstan Geology Forum, Oil&Gas. 2015»

“At the same time, resulting from the situation on the global oil market, many sea projects may be considered unprofitable and one of the major issues is the state support of the subsurface users. One of the solutions can be an option to apply the tax preferences. This will allow to overcome the economic hurdles with respect to existing subsoil users and to stimulate an attraction of the new investments for the conduct of the exploration works in Kazakhstani sector of the Caspian Sea – proposed the Minister.²⁸

“Eurasia” project is expected to become an important exploration project, that, as planned, will be implemented by the means of the consortium of the leading world oil and gas Companies. As a result of the project’s realization, the reserves of the hydrocarbons of Kazakhstan may be significantly increased.

In 2000-2014 a total amount of investments to the subsurface use sector summed up to 209, 9 bln USA dollars, 10% of them were transferred to the conduct of the exploration works (EW) – 20,6 bln USA dollars. In 2014 the EW were allocated 1,08 bln USA dollars,²⁹ primarily for the exploration of the hydrocarbon reserves (92%), the share of the mining sector was less than 8%.

Figure 3. Layout of the exploration sites of the NC KMG



Source: Report of the Chairman of the Management Board of the KazMunayGas NC JSC – S.Mynbayev at the I International Forum «Kazakhstan Geology Forum, Oil&Gas. 2015»

²⁸ Ibid

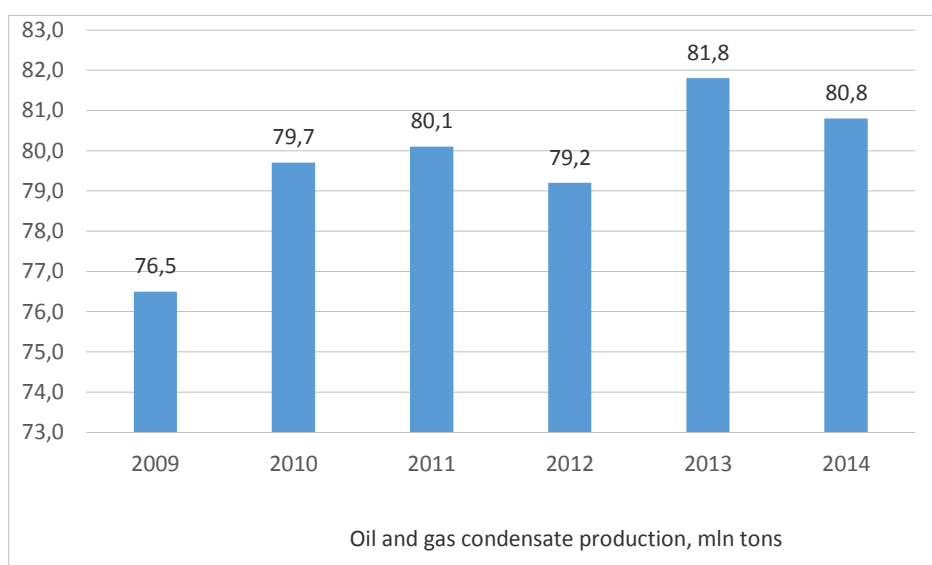
²⁹ E. DzhanTUREYEVA. Subsurface use 2000-2014. Reserves, production, investments. //Kazakhstan. –2015 r. , No.3, p. 38-46

PRODUCTION

Based on the data of the Ministry of energy of the RoK, the production of the oil, including gas condensate was 80,8 mln tons, including 67,9 mln tons of the crude oil and 12,9 tons of the gas condensate, which is 1,2% less than in the year of 2013. This result of the oil production led the country to the 17th world position. Karachaganak Petroleum Operating B.V. provides for the major amount of the condensate's production – 98%.

Regionally the major input to the oil production contributed the Companies of the Atyrau Oblast – 32,0 mln tons and Mangystau Oblast – 18,5 mln tons, West-Kazakhstani Oblast – 13,0 mln tons, Kysylorda Oblast – 9,9 mln tons and Aktobe Oblast – 7,4 mln tons (Attachment 5).

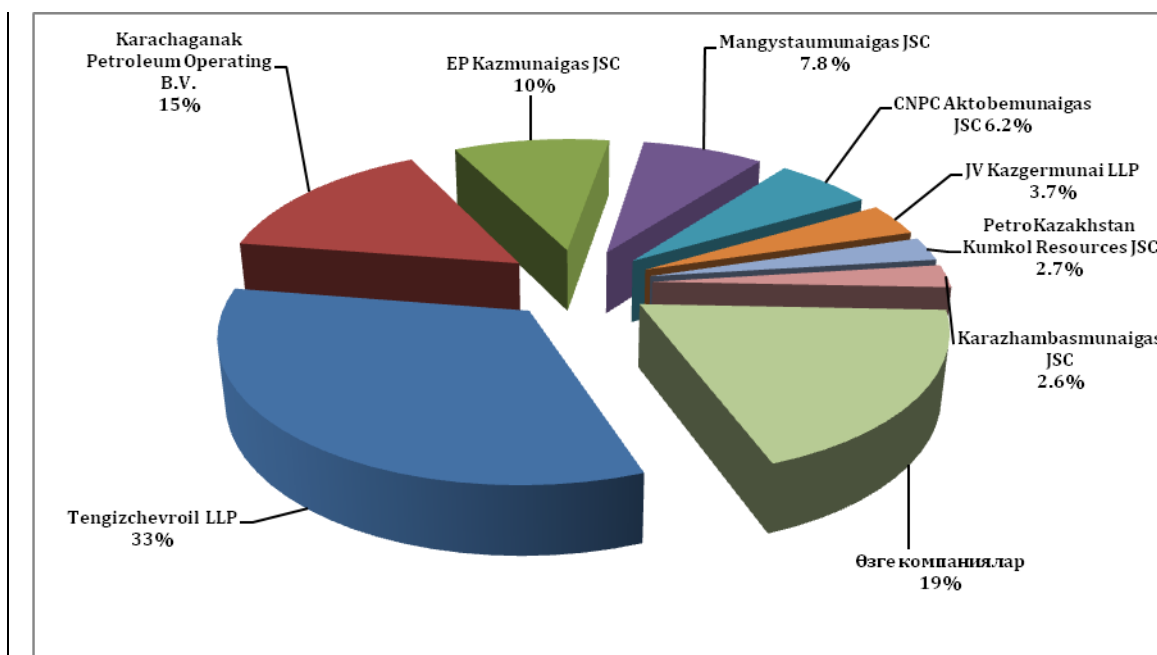
Figure 4. Oil and gas condensate production



Source: Ministry of energy of the RoK

The three largest Companies ensured 58,1% of the total volume of the oil and gas condensate production. Tengizchevroil holds one-third of the market of the hydrocarbons, it is followed by Karachaganak Petroleum Operating B.V. – 15,1% and EP KazMunayGas is on the third place on the amounts of the production with the total 10,0%.

Figure 5. Companies facilitating the key outputs of oil and gas condensate' extraction in 2014.



Source: Ministry of energy of the RoK

A year 2014 experienced a decrease in the volumes of the Tengiz oil production as compared to the record indicator of 27 mln tons in 2013 (Table 12). Payments to the state budget for the years of project's implementation exceeded 72 bln USA dollars, including more than 11 bln USA dollars in 2014.

The Government of the Republic of Kazakhstan and TSO signed in the autumn 2013 a Memorandum on the projects of the future expansion. It is a significant document for the economy that will contribute to:

- increase in the rates of the oil production on the project up to 38 mln tons a year;
- creation of approximately 20,000 new jobs;
- development of the Kazakhstani sector of the steel structures;
- provision of the gas chemical facility in Atyrau with the raw materials;
- and other arrangements.

Total cost of this project is 23 bln USA dollars with the estimated completion in the mid 2018.

Table 6. Key financial and economic indicators of TCO

	Total 1993-2014	2014
Oil production, mln tons	308	26,7
Capital investments, \$ bln.	22,1	3,2
Taxes and payments to the budget of the RoK, \$ bln.	72,9	11,2
Dividends of KMG, \$ bln.	10,2	0,9

Source: Ministry of energy of the RoK.

KPO has produced more than 12 mln liquid hydrocarbon and 18 bln m³ of gas from Karachaganak oil and gas condensate field in 2014.

Table 7. Key financial and economic indicators of KPO

	Total 1998-2014	2014
Production of the liquid hydrocarbons, mln tons	148,2	12,2
Gas production, bln. m ³	186	18,0
Capital investments, \$ bln.	10,9	0,44
Taxes and payments to the budget of the RoK, \$ bln.	11,5	1,2

Sources: Ministry of energy of the RoK, Ministry of oil and gas of the RoL – 1998-2013.

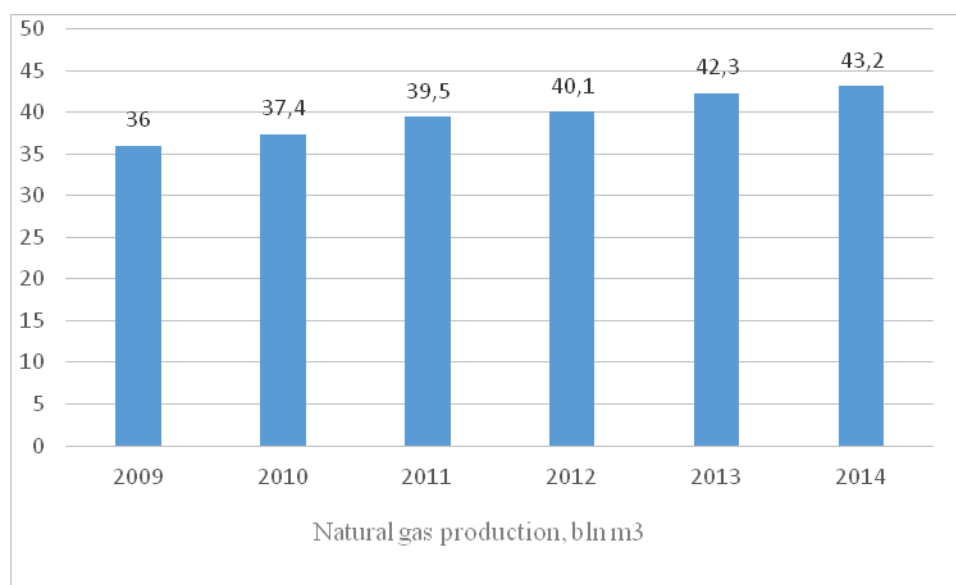
Due to the accidents at gas pipeline in September and October 2013, the participants of the North-Caspian project made a decision to stop the industrial facilities located at Kashagan. The works on the replacement of pipes are currently conducted. A renewal of the commercial production is planned for the end of the year 2016.³⁰

According to the information of the Ministry of energy of the RoK, a production level of the natural gas was 43,2 bln m³ in 2014. It is worth noting, that there is a non-associated gas and dissolved gas, a production of which remains an accompanying activity of the oil-production Companies.

Karachaganak Petroleum Operating B.V. is the leader of the gas production – 48%, Tengizchevroil LLP – 38% and CNPC-AktobeMunaiGas has 10%.

West Kazakhstan Oblast (19,9 bln m³), Atyrau Oblast (14,3 bln m³) as well as Aktobe Oblast (4,5 bln m³) and Mangystau Oblast (2 bln m³) provided for the major production share (Attachment 5).

Figure 6. Gas production performance



Source: Ministry of energy of RoK

³⁰ Report of the Minister of the energy – V.S. Shkolnik “Problems and prospects of the development of the oil and gas sector” at Parliamentary hearings, Astana, 2015.

EXPORT

According to the information of the Committee of the state revenues obtained from Kazakhstani Oblast, the export of oil and gas condensate in 2014 was 67,4 mln tons and in accordance with the information of the Committee on statistics, the export to the countries of the Customs Union accounted for 700 thousands tons – overall 68,2 mln tons, in the monetary terms – 53, 6 bln USA dollars, which is 68,5% of the cumulative export of the country. The unit costs for the export of 1 tonne of oil were approximately \$786,2. Based on the data of the Ministry of energy of the RoK, the export of oil and gas condensate in 2014 was 62,5 mln tons.

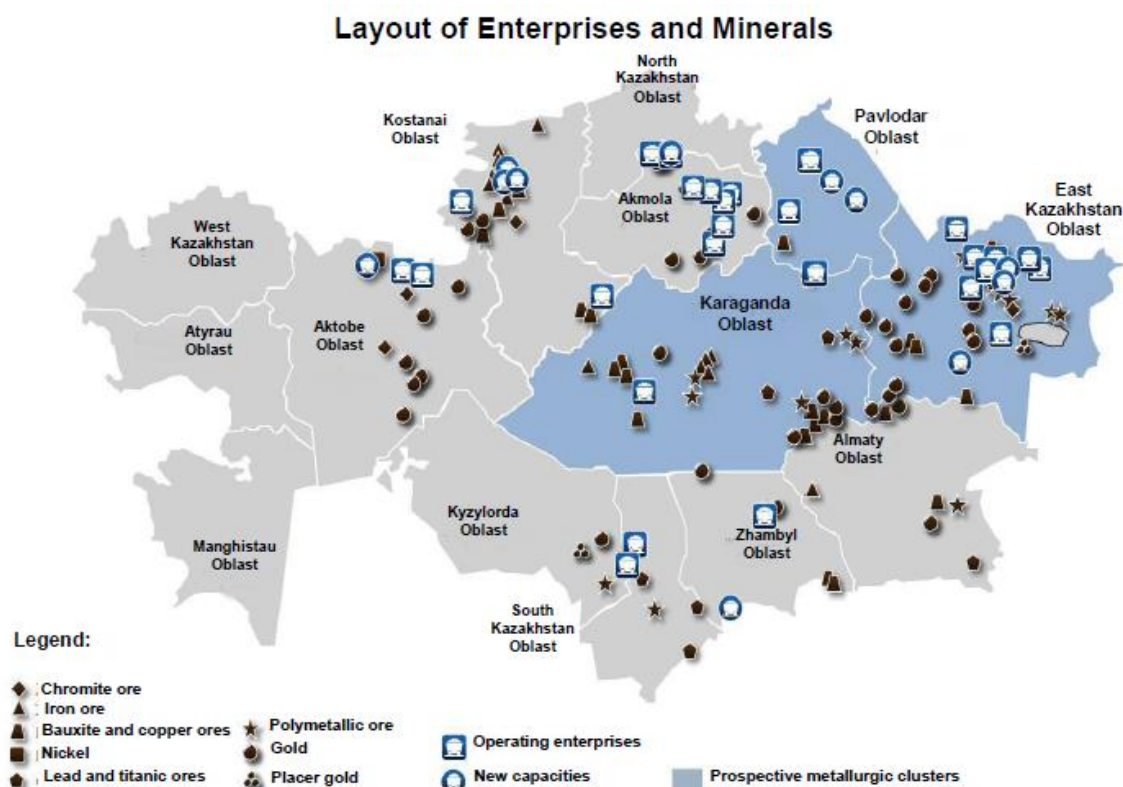
According to the Committee of the committee of state revenues of the MF of the RoK, the export of the natural gas from the Oblast of Kazakhstan accounted for 12,0 bln m3 in 2014, to the states of the Customs Union (Russia) – 8,3 bln m3 (on the basis of the data of the Committee on statistics) – total of 20,3 bln m3 (Attachment 5). According to the Ministry of energy, export of the natural gas in 2014 was 11,1 bln m3.

3.3.2. Mining sector: reserves, production and export

Reserves

The state balances in Kazakhstan accounted for the reserves of minerals on 102 types of mineral raw materials, including on 40 types of solid minerals³¹.

Figure 7. Map of ore mining deposits



Source: Government Institution KazGeoInform Republican Centre of Geological Information of the Committee of Geology and Subsoil Use of the Republic of Kazakhstan

[chromite ore; iron ore; nickel; gold; bauxite and copper ore; lead and titanite ore; polymetals; powder gold; operating enterprises; new capacities]

Uranium

Kazakhstan is the second in the world on the volumes of prospective reserves and resources of uranium which are 1.7 million tons³². State balance accounts for more than 900 thousand tons of uranium (70 fields), in operation – about 45% of reserves (23 fields). The estimated reserves of uranium is 625 thousands tons. Approximately 80% of the uranium reserves of the Kazakhstan are located in two geologic provinces – Shu-Sarysu (south-east part of Karaganda and Kysylorda Oblast, South-Kazakhstani and Zhambyl Oblast and the west part of the Almaty Oblast) and Syrdarya (Kysylorda region and south-west part of Karaganda Oblast).³³

³¹ B. Nurbayev, Geology industry: current status and development perspectives. //static.caspianworld.com/speech/amm/2014/geologiya/Nurbayev.doc

³² Annual report of Kazatomprom www.kazatomprom.kz/sites/default/files/KAP_AR_2012_rus.pdf

³³ E. Dzhanureyeva. FPC. Reserves, production, investments. //Kazakhstan. – No. 4, 2015, p. 18-23

All enterprises mining and processing the uranium are combined in NAC Kazatomprom JSC³⁴ which is the national operator for import and export of uranium, rare metals, nuclear fuel for nuclear power plants, special equipment, technologies and double-use materials.

National Company NAC Kazatomprom JSC is the major and largest actor in nuclear energy, whose main activity is production and it is carried out through joint ventures with the participation of the foreign investors (France, the UK, Japan, China, Russia and Kyrgyzstan). Kazatomprom is a national operator on import-export of the uranium with a more than 55% total uranium's production share in Kazakhstan. Amongst the top 10 large subsoil use Companies involved in uranium reserves' production, which constitutes 98% of their participation, are: Katko JV with the uranium production of 18%, NAC Kazatomprom JSC – 24% respectively; Baiken-U LLP – 5%, Inkai JV LLP – 9%, South mining-chemical Company JV LLP – 14%, Semizbay – U MTD – 5%, Khorasan-U JV LLP (NAC Kazatomprom JSC – 4%, Zarechnoe ZAO KRK JV – 4%, Karatau LLP – 10%, Akbastau JV JSC – 7%).³⁵

Coal

According to the BP Statistical Review of World Energy, as of the end of 2014 the coal reserves of Kazakhstan are 33.6 billion tons (3.8% of the world reserves), almost 64% is bituminous coal and 36% is bevey coal, the country is the eighth in the world³⁶.

So, according to estimates of the British Petroleum, at the level of reserves as of the end of the year and the level of production in 2014, the so-called "Reserves-to-production (R/P) ratio" is 309 years - it means that the coal reserves will be exhausted after this period.³⁷

The developed coal reserves account for more than 34 bln tons, 62% - bituminous coal and 38% - bevey coal. The state balance takes into account 147 fields of the coal in 47 coal-bearing basins.

Forecasted coal resources – 105 bln tons, including 27 bln tons - bituminous and other – bevey coal.

Gold

Kazakhstan ranks 10th in the world on proved reserves of gold and 25th on mining³⁸. The state balance of the Republic of Kazakhstan accounts for the reserves at 325 sites (329 fields), 94 are under operation, 117-explored, 118 – standby. At the end of 2014 the subsoil use operations with gold were conducted at 123 fields, at 32 of which the production is conducted, at 47 – exploration and at 44 – joint exploration and production.³⁹

The gold concentrations are found in all Oblast of Kazakhstan and the leading regions are East-Kazakhstan (36,6%), Akmolinsk Oblast (22%), Karagandy Oblast (12%) and Kostanay Oblast (9%).

³⁴ It was established in 1997 by Order of the RoK President "On Establishment of National Atomic Company Kazatomprom" No. 3593 dated July 14, 1997. 100% of the shares of the Company are owned by the state represented by Samruk-Kazyna National Welfare Fund JSC.

³⁵ <http://www.kazatomprom.kz/ru/#!/reports>

³⁶ BP (2014). Statistical Review of World Energy. June 2015

³⁷ Ibid

³⁸ Prospects of mining and processing of gold-bearing ores in Kazakhstan March 6, 2014.

<http://miningnews.kz/analytics/19-perspektivy-dobychi-i-pererabotki-zolotosoderzhaschih-rud-vkazahstane.html>

³⁹ E. Dzhanureyeva. Subsoil Use 2000-2014. Reserves, production, investments. //Kazakhstan. – 2014, No. 3, page 38-46.

The major gold reserves are concentrated in large Companies, such as: KazZinc LLP (22%), Kazakhmys Corporation LLP (14%), Bakyrchik Mining Company (11%), Mining-metallurgical concern Kazakhaltyn JSC (5%), MaikainZoloto JSC and Koksai Muzbel LLP (2%) and others.

Silver

Silver reserves are available in more than 100 deposits, in this case the major share (about 60%) is accounted for by the polymetallic (copper-lead-zinc) deposits. The silver content in the ore of these deposits is at a level from 40 to 100 grams per 1 ton. About 25% of silver reserves of the country are concentrated in the deposits of cupriferous sandstone (Zhezkazgan, etc.), where the silver content is 10-20 grams per ton.⁴⁰

Copper

Balance copper reserves are 39 thous. Tons. The state balance accounts for 115 gold sites, 58 sites of which are under operation, 38 sites are under exploration and 28 sites are reserve.⁴¹

The main volume of balance reserves and deposits of copper is concentrated in Eastern Kazakhstan Oblast (41%) and Karagandy Oblast (37%).

Vast majority of the copper reserves is distributed between Kazakhmys Corporation LLP (72%), Koksai-Muzbel LLP (5%), "KazZinc LLP (4%) and Copper Technology LLP (4%). In 2014, the subsoil use of the copper is carried out at 53 sites, of them 13 are under production, 22 are under exploration and 18 are under combined exploration and production.⁴²

Polymetals

The forecasted zinc resources are estimated as more than 136 mln. tons, and the lead - 58 mln. tons. The main polymetallic reserves are accounted for Zhairam MPP JSC (26% for lead and 17% for zinc), KazZinc LLP (14% and 23%), Kazakhmys Corporation LLP (13% and 4%), Shalkiya Zinc Ltd. LLP (9% and 15%) and also Saryarka SEC NC JSC (8% and 3%).⁴³

The subsoil use of the polymetal is carried out at 32 sites, of them 17 are under production, 9 are under exploration and 6 are under combined exploration and production.

⁴⁰ National Agency on Export and Investments KAZNEX INVEST JSC, 2012, Astana

⁴¹ B. Nurbayev, Geology industry: current status and development prospects. [//static.caspianworld.com/speech/amm/2014/geologiya/Nurbayev.doc](http://static.caspianworld.com/speech/amm/2014/geologiya/Nurbayev.doc)

⁴² E. Dzhanureyeva. Subsoil Use 2000-2014. Reserves, production, investments. //Kazakhstan. – 2015, No. 3, page 38-46.

⁴³ Ibid

Iron and Manganese

Balance reserves of iron ores are 19 thous. tons. The state balance accounts for 66 sites of iron ores, 32 sites of which are under operation, 19 sites are under exploration and 15 sites are reserve.⁴⁴

The reserves of the iron are divided between Kostanay Oblast (85%), Aktobe region (5%), Karagandy Oblast (4%) and Akmola Oblast (4%). The major reserves of the iron are distributed between SSGPO JSC (21%) and Orken LLP (26%). 5% is accounted for the share of Kazakhstan Mineral Resources MC LLP, Aktobe-Temir-VS LLP and Masalsky MPP LLP.⁴⁵ Another 4% is accounted for Tobol SEC NC JSC. As to manganese reserves, Orken LLP (72%) and Zhairam MPP JSC (24%) are the leaders.

Balance reserves of manganese ores are 700 thous. tons. The state balance accounts for 39 sites of manganese ores, 16 sites of which are under operation, 10 sites are under exploration and 11 sites are reserve. More than 92% reserves of the manganese are concentrated in Karagandy and 6% - in Mangystau Oblasts.

Subsoil use related to the iron and manganese is conducted at 52 sites, 17 sites of which are under operation, 20 – under exploration and 15 – under joint exploration and production.

Bauxites

Balance reserves of bauxites are 345 thous. tons. The state balance accounts for 28 bauxite sites, 10 sites of which are under operation, 2 sites are under exploration and 16 sites are reserve.⁴⁶

Subsoil use related to bauxites is conducted at 5 sites, with 4 sites under production and one site – under exploration.

Chromites

Balance reserves of chromite ores are 366 thous. tons at 18 sites of the chromites, 10 – under operation and 8 - reserve.⁴⁷

Chrome iron ores are being mined and dressed by KazChrome TNC JSC which includes the ferroalloy industry. This Company has accounted for 92% of all reserves of all Kazakhstan chromium, and another 6% are accounted for Voskhod-Oriel LLP.⁴⁸

Subsoil use is carried out on 8 sites, which are now at the stage of production..

PRODUCTION

Uranium

More than 80% of the total production of uranium in Kazakhstan is carried out in the South Kazakhstan Oblast. Betpak Dala JV LLP, JV Katko LLP, Taukentskoe GHP LLP, Stephoe-MD LLP, JV KenDala.kz LLP, Inkai JV LLP and other natural uranium subsoil users operate in the Suzak region of the South Kazakhstan Oblast.

In 2013, uranium mining in Kazakhstan was 22.83 thous. tons⁴⁹ (Attachment 5). It should be noted that the RoK Statistics Agency does not disclose data on uranium

⁴⁴ B. Nurbayev, Geology industry: current status and development perspectives.//static.caspianworld.com/speech/amm/2014/geologiya/Nurabayev.doc

⁴⁵ E. Dzhantureyeva. Subsoil Use 2000-2014. Reserves, production, investments. //Kazakhstan. – 2015, No. 3, page 38-46.

⁴⁶ B. Nurbayev, Geology industry: current status and development perspectives.//static.caspianworld.com/speech/amm/2014/geologiya/Nurabayev.doc

⁴⁷ Ibid

⁴⁸ Ibid

⁴⁹ Web-site of Samruk-Kazyna NWF JSC <http://sk.kz/news/view/3784>

mining. Kazatomprom NAC JSC, including participating interests in subsidiaries and affiliates, in 2014, mined 13.16 thous. tons of uranium.⁵⁰

Coal

In 2014 the production of the coal and earth coal decreased by 5% compared to the year of 2013 and accounted for 108,674 mln tons, with 61,8% of it being provided by the Pavlodar Oblast and 27,9% by Karaganda Oblast (Attachment 5). As a result, the target value of 123,0 million tons in 2014 stipulated in the Program on development of the electroenergy in the Republic of Kazakhstan for 2010-2014, was not unfortunately met⁵¹.

A share of participation of the largest Companies in exploration of the coal reserves amounts to 92%, including: "Energougol" PD of the CD "ArcellorMittal Temirtau" JSC – 11%; Euroasian energy corporation JSC – 20%, Bogatyr Komir LLP – 38%, Shubarkol Komir JSC – 10%, Kazakhmys Corporation LLP – 7%, Karazhyra LTD LLP – 6%, Angrenso Energo LLP – 4%, Gamma LLP – 2% and Saryarka-ENERGY LLP - 1 %.⁵²

Ultimately, the coal will continue to play the significant role in the energy sector.

Gold

49.2 tons of raw and half-finished gold were mined in Kazakhstan in 2014 as well as gold in the form of powder, that is by 15,6% more than in the year of 2013. Of them 47.9% were mined by East Kazakhstan Oblast, then Akmola Oblast (21.9 %), Kostanai (8.3%) and Karaganda Oblast (7%) (Attachment 5).

Silver

Silver production (raw and semi-finished or in powder form) was 981.9 tons (Table in Attachment 5). East Kazakhstan is one of the main regions in the Republic as the producers of finesilver, provided for 78,7% of the total volume of production.

Copper

In 2014, production of refined raw, non-alloyed copper decreased by 16,5% compared to 2013 and amounted to 294 thous. tons, 74% of them was accounted for Karaganda Oblast and 19,6% for East Kazakhstan Oblast (Attachment 5).

Lead and Zinc

In 2013, East Kazakhstan Oblast produced 100% of the republican volume of raw lead-125.3 thous. Tons, an increase by 37,6% compared to 2013 (Attachment 5), 85.7% of which was exported.

East Kazakhstan Oblast produced 100% of the volume of raw zinc - 324.8 thous. tons, 81.9% of which was exported.

⁵⁰ <http://www.kazatomprom.kz/ru/#!/reports>

⁵¹The RoK Governmental Resolution No. 1129 "On Approval of the Program for the Electric Power Development in the Republic of Kazakhstan for 2010 - 2014" dated October 29, 2010.

⁵²E. Dzhanureyeva. FPC. Reserves, production, investments //Kazakhstan No.4, 2015, №3, p. 18-23

Iron ores

According to the RoK Statistics Agency, in 2014 it was produced 51.5 mln. tons of iron ore. 70.5% of the total volume of mined iron ores is accounted for Kostanai Oblast and 26.2 % - for Karaganda Oblast (Attachment 5).

Manganese ores

99% of mining of manganese ores is accounted for Karaganda Oblast – 2.6 mln. tons in 2014 with an 8.2% decrease compared to 2013 value (Attachment 5).

Bauxites

Aluminum (bauxite) in 2014 was mined in Kostanai Oblast and was 4.5 mln. Tons and decreased by 13% compared to 2013(Attachment 5).

Chromites

Chrome ore mining in 2014 was 5.4 mln. tons, mining was carried out only in Aktobe Oblast.

EXPORT

In which countries are the products of the extractive industries supplied? The table 8 shows the main export directions in 2014 according to the RoK Agency for Statistics and the RoK Revenues Committee (more detailed data is given in Attachment 5).

Table 8. The Main Directions of the Products Export

Type of Products	Countries to which the products are exported from Kazakhstan
Oil and gas condensate	Italy, China, the Netherlands, France, Turkey, Romania, Switzerland, Israel, Spain
Gas	Russia, Ukrain, Switzerland
Gold	Russia, Switzerland
Silver	Switzerland, the United Kingdom of Great Britain and Northern Ireland
Copper	China, Turkey
Lead	Spain, China
Zink	China, Turkey
Chrome ores	Russia, China
Iron ores	Russia, China
Manganese ores	Russia, China
Uranium	China, Russia, France, Kyrgyzstan, Canada, the USA, India
Coal	Russia (main importer), Kyrgyzstan

In 2014, 6.7 tons of gold were exported, to the countries outside of the Customs Union 2,8 tons of gold were exported (raw or half-finished or in the form of powder), to Russia – 3.9 tons of gold (powder that is not used for the coins' production) (Attachment 5). The reason for the sharp decrease in the export of gold was the temporary prohibition for the export of the gold containing raw materials to the third countries being in force since June 2014.⁵³

⁵³ Resolution of the RoK Government, On a temporary prohibition on export from the territory of RoK raw precious metals, grab iron and the tails of the precious metals and raw materials, containing precious metals, as of June 3, 2014.

Almost all volume of the silver produced in Kazakhstan is exported to: Switzerland - 76.5% of total exports of silver, Great Britain - 23.5%.

377.6 thous. tons of copper were exported in 2014. The main importers of copper are China (67.1% of total exports), 27.2% is accounting for Turkey.

79.3% of the total volume of lead export is accounted for Spain and 20% for China.

The main importers of zinc are China – 65.3% of total exports and Turkey - 31.2%

92.1% of the total volume of export of chromite ores is accounted for Russia, the rest – for China.

16.3 thous. tons of iron ores were exported in 2014. The main importers of iron ores are Russia - 69.3% of total exports and China – the rest.

87.8% of the total volume of export of manganese ore is accounted for Russia.

In 2013, 30.4 mln. tons of coal were exported. Almost all exports of coal are accounted for Russia.

In 2014, exports of uranium was 26.5 thous. tons.⁵⁴ Attachment 5 shows the figures of uranium exports by regions of Kazakhstan according to the State Revenues Committee of the Republic of Kazakhstan.

3.4. Contribution of the Extractive Industries to the economy

According to calculations of the RoK Statistics Agency, in 2014 the share of the oil and gas sector accounted to 20.2% of GDP⁵⁵, or 7 886.3 bln tenge. The RoK Statistics Agency does not evaluate the activities of non-official sector, therefore it is not possible to provide for the evaluation in this report.

In 2014 out of the incomes from the oil and gas sector 5 366 850.8 mln tenge were transferred to the National Fund (Table 12), other taxes from the extractive industry to the republican budget - 1 277 584,6 mln tenge and to the local budgets - 268 289,5 mln tenge, in the amount of 6 912 724,9 mln tenge (Table 13), they form more than a half of the consolidated budget 12 688 127,8 (SB+NF) – 54% (subsection 3.6 reviews this issue in a detail).

The volume of exports of crude oil and gas condensate in 2014 amounted to 68.2 mln. tons, in terms of value – 53.6 bln. dollars, which was 68.5% of total exports of the country.

The entire mining sector (i.e. oil and gas and mining sectors) provides for a 60.8 % of the share of the industry (Table 9).

⁵⁴ Web-site of Samruk-Kazyna NWF JSC <http://sk.kz/news/view/3784> Annual report of NAC Kazatomprom for 2014 has not been yet published

⁵⁵ RoK Statistics Agency of the Ministry of the national economy of the RoK. Express-information No. E-41-02/269 dated July 30, 2015. Calculations of the GVA for the oil and gas sector were made in accordance with the recommendations of the International Monetary Fund, including operations related to oil (2006).

Table 9. Share of the Mining Industry within the Industry Structure of Kazakhstan, %

	2014
Sector of industry – total	100,0%
Mining industry and quarries development, including:	60,8
1. Coal and brown lignite mining	1,1
2. Crude oil and natural gas production	50,7
<i>Crude oil production</i>	<i>50,2</i>
<i>Natural gas production</i>	<i>0,5</i>
3. Mining of metallic ores	4,8
<i>Mining of iron ore</i>	<i>1,2</i>
<i>Mining of nonferrous metal ores</i>	<i>3,6</i>
4. Other sectors of the mining industry	0,7
5. Technical services in the mining industry	3.5

Source: The RoK Statistics Agency. Notes to the Table: the italicized lines are the decoding of the amount specified in the line in bold

Employment in the extractive industries

Data on employment in the extractive industries in absolute terms and as a percentage from the total employment rate are shown in the Table 10.

Table 10. Number and share of Employees engaged in the Mining Industry to the total number of employed persons

	2014
Totally employed, thousands persons	8510,1
In the mining industry, thos.per, including:	214,134
Coal and brown lignite mining, thous. per.	32,994
Crude oil and natural gas production, thous. per.	46,502
Mining of metallic ores, thous. per.	82,091
Share in the total amount engaged in the economy, %	2,5

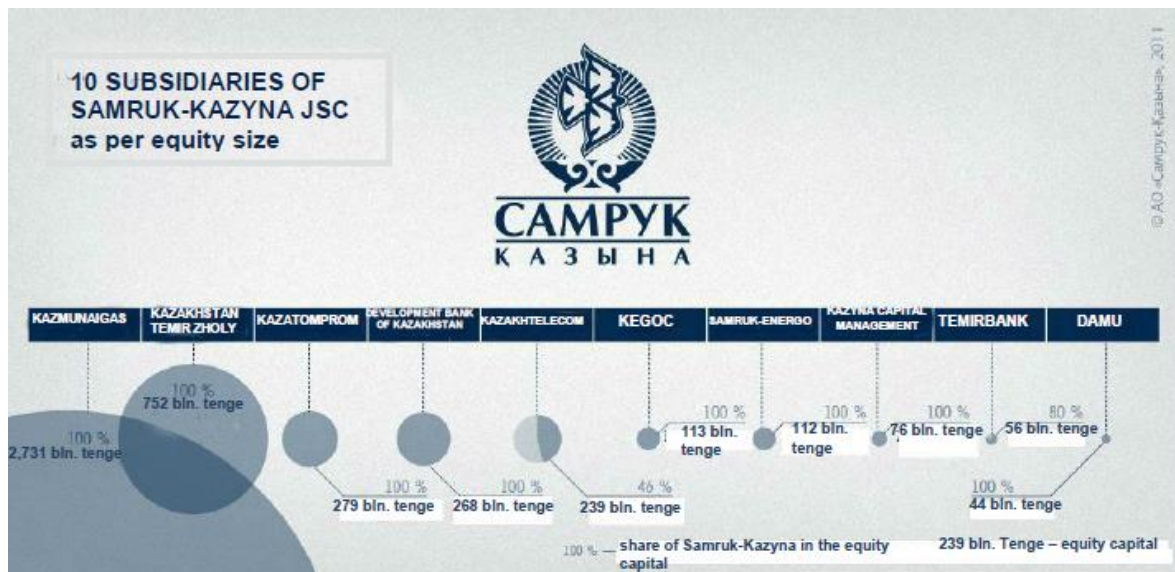
Source: The RoK Statistics Agency.

3.5. Information of the State Participation in the Extractive Industries

The state participation in the extractive industries is mainly carried out through Samruk-Kazyna NWF JSC which incorporates such Companies of the industry as KMG NC JSC (100%), Kazatomprom NAC JSC (100%)⁵⁶ (Figure 8).

In 2015 in accordance with the Resolution of the RoK Government dated July 23, 2015⁵⁷, Samruk-Kazyna NWF transferred 58420748 (fifty eight millions four hundred twenty thousand seven hundred forty eight) of the shares, amounting to 10% of the total shares plus one share of NC KazMunayGas JSC on the price calculated by the independent appraiser, but not less than 750000000000 (seven hundred fifty billion) tenge, to the National Bank of the Republic of Kazakhstan.

Figure 8. 10 Subsidiaries of Samruk-Kazyna JSC



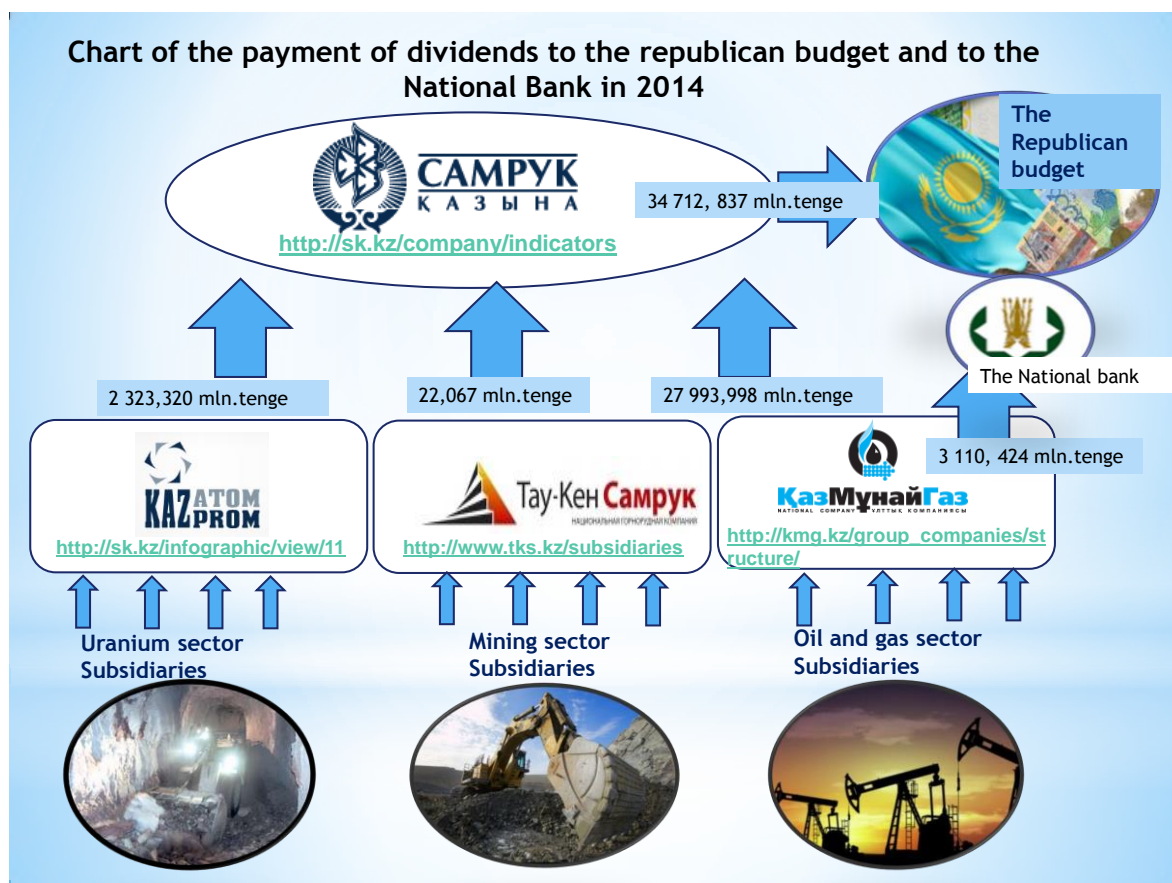
Source: Samruk-Kazyna JSC

Tau-Ken Samruk National Mining Company JSC is a vertically integrated Company established to ensure the efficient activity of subsoil use in the exploration, production, processing and sales of solid minerals and is included into the group of the Companies of Samruk-Kazyna NWF JSC.

⁵⁶ <http://sk.kz/Company/indicators>

⁵⁷ Resolution of the RoK Government No. 570 dated July 23, 2015, On some issues concerning NC KazMunayGas JSC

Figure 9. Scheme of the State Participation in the Extractive Industries



Subsidiaries pay the dividends to the national Companies, that are both recipients and the payers of the dividends (in a consolidated form, from all of its subsidiary Companies and organizations, including production Companies) to NWF Samruk-Kazyna JSC. This report reflects the dividends, subject to payment for the year of 2014, that were paid in 2015 (true for all Companies, excluding NC KMG).

According to the Extract from the Minutes of NWF Samruk-Kazyna JSC No. 22/15 dated May 27, 2015, 15% of the total consolidated income of the NC KMG in 2014 in the amount of 31 104 442 350 tenge are being transferred towards payment of the dividends to the sole shareholder, other 176 258 506 650 tenge remain in the disposal of NC KMG. The dividend per a share is 53 tenge 24 tiyin.

As a result of the transfer of 10% of shares plus one share of the NC KMG in 2015 to the National Bank, NC KMG transferred 3 110 424 thous. tenge for the year 2014 to the National Bank of RoK. NWF Samruk Kazyna has 27 993 998 thous.tenge at the moment.

NC KazMunayGas JSC received the dividends for 2014 (Attachment 2-3) from the following subsidiaries:

- EP KazMunayGas JSC – 19 014 296 тыс тенге (Приложение 2-3);
- MangystauMunaiGas JSC (50%) – 20 500 000 thous tenge;
- Karachaganak KMG LLP (100%) – 45 244 019 thous tenge;
- Tengizchevroil LLP (20%)–187 027 887 thous tenge.

According to the Extract from the Minutes of NWF Samruk-Kazyna JSC No. 28/15 dated June 26, 2015, 15% of the total consolidated income of Tau-Ken Samruk JSC in 2014 in the amount of 22 066 650 tenge are being transferred to the payment of dividends to the sole shareholder, other 125 044 350 tenge remain in the disposal of Tau-Ken Samruk.

No dividends have been received from Tau-Ken Samruk JSC.

According to the Extract from the Minutes of NWF Samruk-Kazyna JSC No. 24/15 dated June 2, 2015, 15% of the total consolidated income of Kazatomprom JSC in 2014 in the amount of 2 323 320 000 tenge are being transferred to the payment of dividends to the sole shareholder, other 13 165 475 000 tenge remain in the disposal of Kazatomprom JSC.

NAC KazAtomProm JSC received the dividends for 2014 from the subsidiaries (Attachment 2-3):

- Ulba Metallurgical plant JSC (90,2%) – 268 707 thous tenge,
- Inkai JV LLP (40%) – 400 475 thous tenge,
- Geotechnoservis LLP (99,4%) – 944 thous tenge,
- Remmontazhservis JSC (99,8%) – 785 thous tenge,
- DP Ortalyk LLP (100%) – 43 189 thous tenge,
- Betpak Dala JV LLP (30%) – 1 044 093 thous tenge,
- Karatau LLP (50%) – 3 270 506 thous tenge,
- Katco JV LLP (49%) – 10 880 940 thous tenge,
- Tauken mining and chemical plant (100%)– 14 461 thous tenge.

According to the Extract from the Minutes of NWF Samruk-Kazyna JSC No. 120/15 dated June 19. 2015, the allocation of the consolidated income of NWF Samruk-Kazyna JSC in 2014 is as follows: 34 712 837 000 tenge to be transferred to the payment of dividends, other 236 835 253 000 tenge remain within the disposal of NWF Samruk-Kazyna JSC.

In accordance with IFRS, other distributions to the Shareholder in the reported period were 94 bln tenge (2013: 147,5 bln. tenge), specifically: ⁵⁸

1) on Order of the RoK Government, charity work in the amount of 33,3 bln tenge (2013: 8.9 bln tenge) was performed for the purpose of financing of the social, mass-cultural and sport projects, specifically: carrying out the Figure-building events and travel of the Kazakhstani delegation of the sportsmen at Winter Olympic games in 2014 to Sochi, carrying out VII Astana Economic Forum, High Eurasian economic council; financial support of the 10th World Championship on fire-suppression and lifesaving sport in 2014, Nazarbayev University JSC, Kazakhstan football Federation Association, Football Federation of Astana; support and development of the projects of the President's professional sport club "Astana" (to maintain the activities of the cycling team "Astana", HC "Barys", FC "Astana", football federation); financing of the construction of the specialized sport-training complex for the weightlifters in Almaty Oblast, a bid campaign for the right to carry out Winter Olympic games in 2022 in Almaty; events on the clarification of the terms and conditions for participation in the national IPO;

2) in terms of construction and transfer of sites:

⁵⁸ Consolidated financial statement of NWF Samruk-Kazyna JSC in 2014

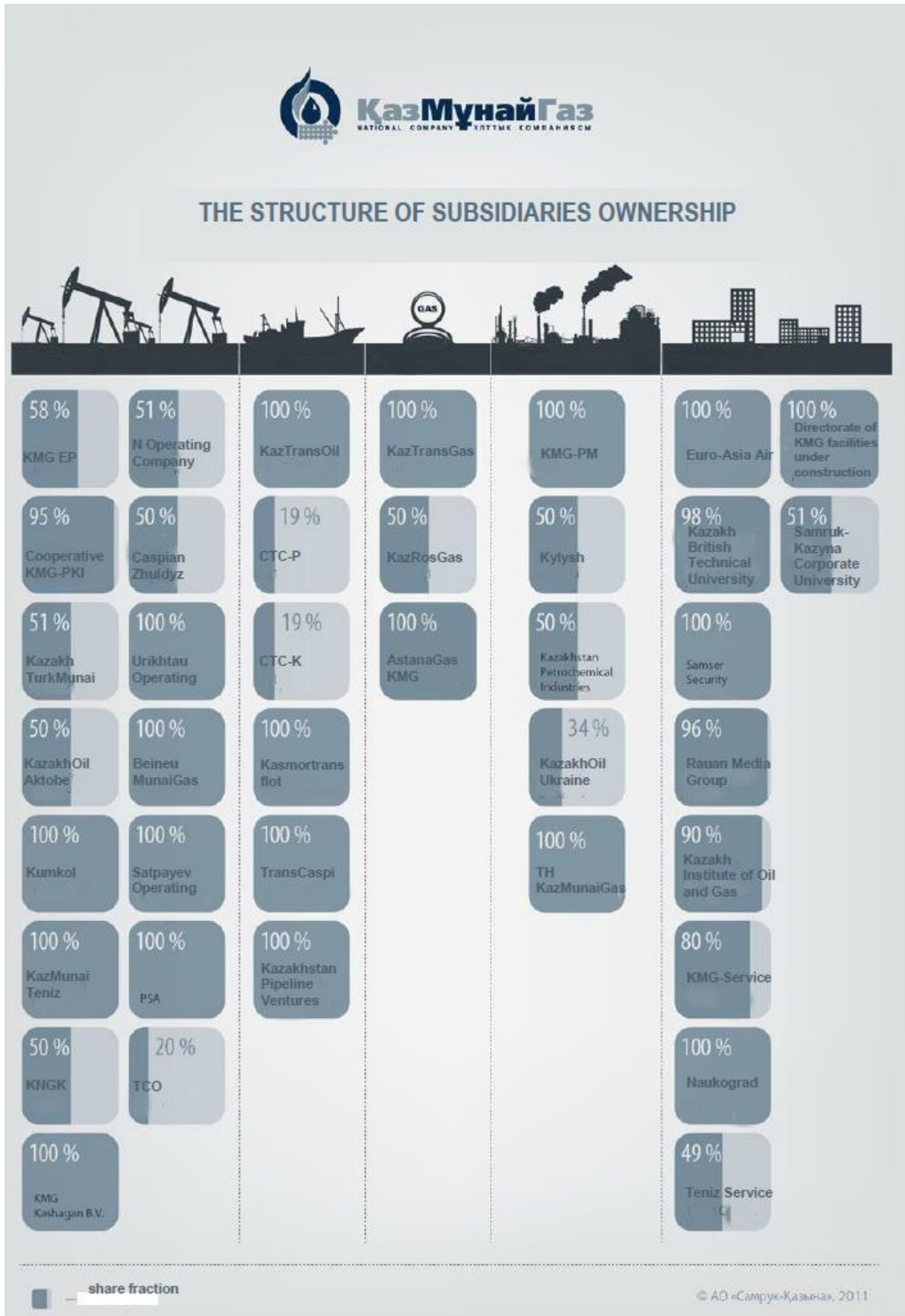
- An additional non-revocable obligation in favor of the Shareholder to construct multifunctional ice-skating rink for 23.6 bln tenge, that is equal to the sum of the relevant agreement on construction, was undertaken;
- an additional non-revocable obligation in favor of the Shareholder to finance the construction of the Concert hall (choreography theatre) in the amount of 10.8 bln tenge was undertaken;
- in accordance with the Agreement between the RoK Government and the Government of the Kyrgyz Republic, the Fund allocated the funds for construction of the schools in the Kyrgyz Republic in the amount of 1.2 bln tenge;
- an additional fund for the construction of the kindergarten and the Youth palace “Zhastar” in Astana in the amount of 2.54 bln tenge and 1.1 bln tenge respectively was confirmed;
- the funds for the reconstruction of the Exhibition Centre in Moscow in the amount of 2.9 bln tenge and the funds in the amount of 2.1 bln tenge for the construction of the Kazakhstan’s Historical Museum in Astana were confirmed;
- obligations on voluntary transfer of the sites of the social importance to the akimat of the Mangystau Oblast in the amount of 0.3 bln tenge were undertaken.

3) taking into account, that purchase of the 49% share of the participation interest in Kazakhturkmunai LLP (KTM) took place on the order of the Shareholder, a difference between the purchase price and the fair price of the net assets of the KTM as well as between the re-appraisal amount of the previously owned 51% of the participation interest in the amount of 26.9 bln tenge, is reflected.

Overall for the group of Companies of the Fund in 2014 the total amount of taxes and payments paid was 1 048 bln tenge, that is by 15% more compared to 2013 and by 30% more compared to 2012. The balance sheet value of the group of the Fund as of 31 December, 2014 accounted for 16 638 bln tenge, with the own capital of 8 132 bln tenge.

NC KazMunayGas JSC (NC KMG) represents the interests of the state in the oil and gas industry.

Figure 10. The Ownership Structure of NC KMG JSC's Subsidiaries



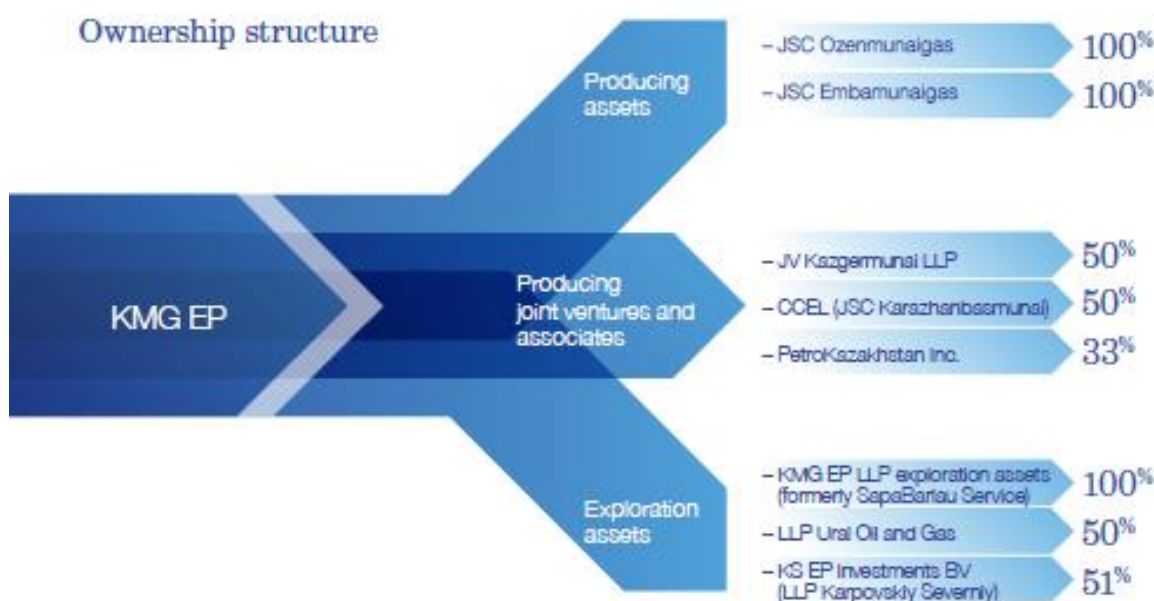
Source: Samruk-Kazyna JSC

The Minister of energy of the RoK is the Chairman of the Board of Directors. KMG NC JSC is a vertically integrated Company operating in exploration and production, transportation, marketing of gas, processing and sales as well as other services in the oil and gas sector. KMG NC JSC combines a group of about 217 Companies at 9 levels, 151 of which have a direct participating interest – the ownership structure of the subsidiaries is shown on Figure 10 and also in the other - through subsidiaries.

KMG Exploration Production JSC is a subsidiary of KMG NC JSC, which owns 57.9% of the total number of shares (according to the Annual Report of the Company as of December 31, 2014). KMG EP JSC is engaged in the exploration, development, production of hydrocarbon resources and acquisition of new oil and gas assets. The Company's shares are placed on the Kazakhstan Stock Exchange (KASE), and the global depository receipts - on the London Stock Exchange (LSE). KMG EP is developing 47 oil and gas fields⁵⁹.

KMG EP JSC has 51% interest in KSEP Investments BV jointly controlled entity, 50% interest in KazgerMunai JV LLP , CCEL and Ural Group Limited BVI (UGL), as well as 33% interest in PetroKazakhstan Inc (Figure 11).

Figure 11. EP KMG Ownership Structure



Source: Annual report of EP KMG JSC in 2014

KMG NC JSC produces 28% of the total volume of the oil and gas condensate production in the Kazakhstan and 16% of the associated and natural gas, provides for 65% of oil transportation of the oil by trunk pipelines, 77% of tanker oil transportation from Aktau seaport as well as 95% of the natural gas transportation via trunk pipelines, conducts processing of the 82% of Kazakhstani oil with the share of oil products' market of 17%. Oil is transported by KazTransOil JSC (the national operator of the trunk pipeline), gas is transported by KazTransGas JSC (the national operator in the gas and gas supply) and tanker transportation is implemented by Kazmortransflot National Maritime Shipping Company JSC. NC KazMunayGas JSC is considered as one of the largest employer with the total amount of personnel of 84 000 individuals.

⁵⁹Including OzenMunaiGas JSC – 2 fields, EmbaMunaiGas JSC – 40 fields, Kazakh Gas Refinery LLP – 5 fields.

Social projects of KMG

Within the framework of the industrial activities of the subsidiary Companies of KMG and in the virtue of the subsurface use contracts, the obligations of the suboil users to allocate annual payment on the social-economic development of the regions in accordance with the agreements concluded with the local executive authorities, are prescribed.

In 2014 the contractual payments for the development of the social infrastructure of the regions based on the operational information, accounted for more than 10.5 bln tenge.⁶⁰ The funds are transferred towards the following socially-significant projects:

in Mangystau Oblast:

construction of the club with 100 seats and the library with the 7000 storage units in Akkuduk, Karakiyanskiy district;

– construction of the village club with 200 seats in Shebir, Mangystaru Oblast;

construction of the automobile roads in Tenge, Zhanaozen;

construction of the roads in Zhanaozen town;

construction of the water-collector and rainwater system in Zhetybai, Karakiyanskiy district;

implementation of the project “Support of the development of Mangystau: enhancement of the achievement of the results through accountability and activation of the foreign direct investments”;

reconstruction of the administrative building for the purposes of placement of the centre of servies for entrepreneurs;

completion of the works on installing the electricity in Endeme area for the purposes of promotion of the tourism;

purchase and installment of the wind mills for the water supply purposes in Shetpe;

completion of the construction of the closed sport complex in Shebir;

creation of living environment in Zhetybay, Karakiyanskiy district;

support of the specialized child facilities, child care centers, non-profit organizations; financing of the forums and other projects on the development of the social infrastructure of Mangystau Oblast.

in Atyrau Oblast:

reconstruction of the water-supply system in Kulsary;

improvement of the parks “Dostyk” and “Zhansaya” in Kulsary;

construction of the national gymnasium for the gifted children for 320 persons in Atyrau;

construction of the kindergarden with 280 places in Atyrau, Zhana Karaton and Makhambet;

contruction of the kindergarden with 160 places in Akkiztogay, Shokpartogay, Koschagil and Turgizba;

construction of the secondary-technical gymnasium with 624 places in Atyrau;

construction of the cultural centre with 400 places in Akkistau;

⁶⁰ Report on sustainable development of NC KazMunayGas JSC in 2014

construction of the sub-station in Zhumysker;

additional building to the kindergarden with 50 places in Tushykudyk of Issatay district, sport facilities in Makat, Dossor of Makat district, secondary school with 80 places in Kyzylui of Issatay district, feldsher's-ambulatory station in Baigetobe of Makat district;

in West-Kazakhstan Oblast :

construction of the tennis complex in Uralsk;

construction of the art center named after Kadyr Myrza-Ali in Uralsk;

preparation of the projects and technical specifications for the football arena with 3000 seats in Uralsk and the youth and pupils house in Uralsk;

construction of the cultural centre with 200 seats in Kaldygaity;

construction of the library in Uralsk;

reconstruction of roads of Sarayshik, Syrym Datov streets and from Esenzhanov street to Derkul village in Uralsk;

construction of the kindergarden for 290 persons in Zhanibek region;

reconstruction of the pedestrian bridge in the park named after Kirov.

Support of sport

- within the framework of the program on the management of non-core assets, KMG transferred to the Confederation of the combat sports and endurance sports a Land plot with the area of 95 ha, located in Talgar district of Almaty oblast. There is a project on construction of the specialized sport-training complex for weight lifters being implemented on the territory of 15 ha.

- within the framework of the Kazakhstani Tennis Tour, 45 international tournaments of ATP, ITF and ATP Challenger Tour were organized and held. The Federation held more than 43 tournaments of the republican scale. The Davis Cup team qualified in quarter-finals in the World Group and is rated in Top 10.

- the fruitful work in the sphere of child tennis under the program "Tennis under 10" within the framework of which more than 98 tournaments in all regions across the country were held, is continued. The boys tennis team under 14 won bronze medals at the team Asia Cup that took place in Doha, Katar.

- 10 master-c;asses with the participation of the top players of Kazakshtani and world tennis were organized and held. The largest event took place on 25 September in Astana with the participation of Rafael Nadal and J. Wilfred Tsonga. This demonstration game had more than 3,000 visitors from all over Kazakhstan and from neighbouring countries.

- the program "Certification and the development of the competence of tennis coaches" is being currently successfully implemented. 134 tennis coaches were certified in 2014.

- a professional boxing club "Astana Arlans" held 15 fights.

Support of culture

- the National Museum of the RoK, that was opened in the framework of the impelementation of the Program "Cultural legacy" on the order of the President of RoK – N.A.Nazarbayev, was put into commission. The total area of the Museum is 74 000 sq.metres, and it is a unique project with no analogues in the Central Asia. The Museum

gathers archeological, ethnographic, historical-cultural monuments of the Kazakhstan. The museum was constructed by the means of financial support of KMG.

- award ceremony with the ENLIKGUL award, that is being annually held by the non-profit organization “Union of the theatre workers of Kazakhstan”. This project is supported by KMG since 2009. The prize is awarded to the best workers of the theatre art on 7 nominations and coincides with the International Theatre Day.

- VI Opera Ball in Almaty that was organized by the non-profit organization “Culture Development Foundation”. Annually, starting from 2009, the corporate fund “Eventica Unite” held the Charity Ball and KMG has been a sponsor since 2011. Commencing from 2014, the Charity Ball received a new name “The Opera Ball”. The long expected and much-anticipated moment of the project for the Kazakhstani youth is participation in the Ball as debutant. There were 140 debutants who took part in the opening ceremony who were selected from more than 5,000 candidates. In addition to that, during the Opera Ball, the prize to a young opera singer – Mariya Mudryak was awarded.

Support of education

- Kazakhstani TV project “Intellectual olympiads” that at one time gained an international recognition and has become a laureate and the winner of the largest international teleforums, competitions and festivals. During 12 years of the existence of the project, more than 130 student and school teams as well as representatives of more than 35 countries took part in the project;

- scholarships and grants named after Safi Utebayev that are awarded to the best bachelor and master students on the basis of competition as well as the best faculty members of various universities of the country specializing in oil and gas. The selection process is held by the representatives of the 14 oil and gas Companies – the members of KazEnergy Association;

- forum of the holders of the scholarships and grants named after Safi Utebayev is an annual meeting and honouring of the best scholarship and grant holders from various parts of Kazakhstan: Almaty, Atyrau, West-Kazakhstan, Karaganda, Kysylorda, Mangystau and South-Kazakhstan Oblasts, meetings with the sponsor, awarding of the certificates and conduct of the informational master-classes, excursion, teambuilding, trainings aimed at team building and training of the scholars on the leadership skills;

- the series of the open lessons: KazMunayGas/KAZENERGY – carrying out the professional-oriented events for the gifted youth, including training seminars, innovative-intellectual games and competitions with the purpose to stimulate an increase in the level of the competitiveness of the youth and promotion of the area among high-school students;

- annual international youth forum “KAZENERGY” that is held with the participation of more than 300 young leaders of Kazakhstan, CIS and the representatives of the energy sector, business and state authorities, for the purposes of the exchange of experience and to gain the skills from the colleagues from the energy sector and sharing positive and successful practices;

- a project “Introduction to the profession – obtaining a first professional qualification” that is implemented by the non-commercial JSC Holding Kasipkor has become a new type of support in the sphere of education and training of the specialists;

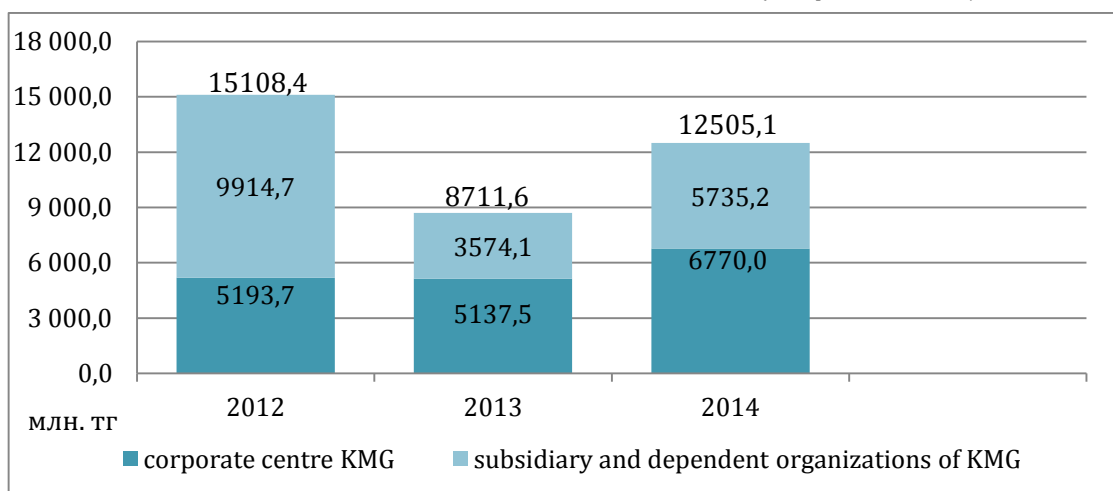
- conducting III Open field-type Kazakhstani Olympiad for young geologists; the organizers of the Olympiad are the Committee on geology and subsurface use of the

Ministry of industry and new technologies of the Republic of Kazakhstan, corporate fund “Zhas geolog”, Kazgeogoly JSC, Association of the industrial geological organizations of the RoK;

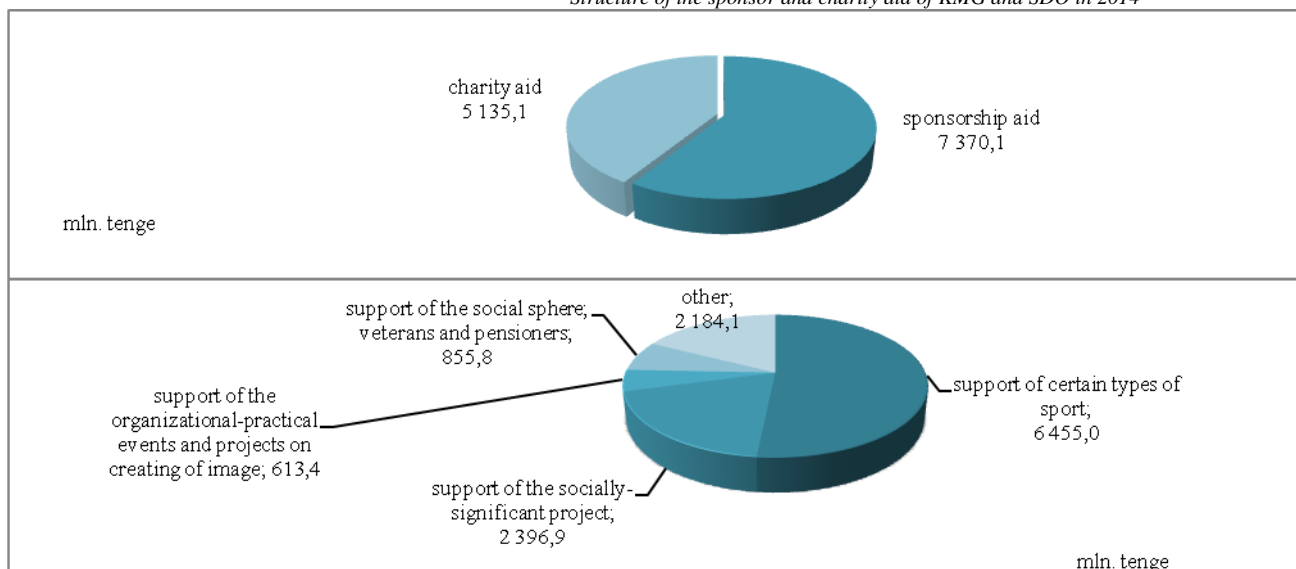
- 25th Session of the Energy Charter Conference in Astana, that is aimed at creation of the conditions for the constructive dialogues and elaboration of the recommendations on the problematic issues of the RoK oil and gas and energy complex’ development.

The overall consolidated amount of the sponsor and charity aid on the group of Companies of KMG accounted for 12.5 bln tenge:

Amounts of the sponsor and charity aid in 2012-2014



Structure of the sponsor and charity aid of KMG and SDO in 2014

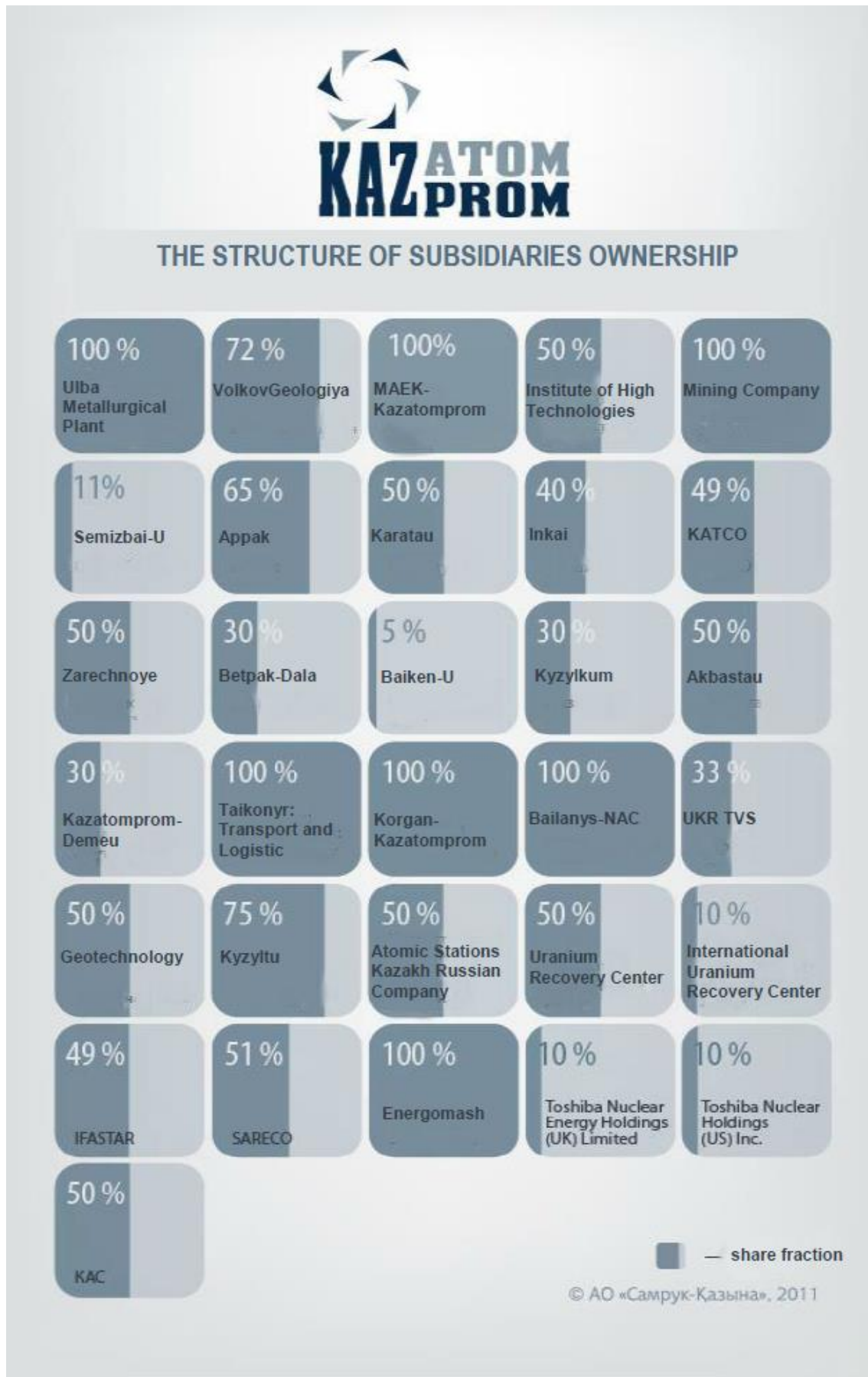


Source: Report on the sustainable development of NC KazMunayGas JSC in 2014

Kazatomprom

National nuclear Company Kazatomprom, 100% of shares are in the ownership of the state represented by the NWF Samruk-Kazyna JSC. The structure of Kazatomprom consists of 81 Companies at 4 levels.

Figure 12. The ownership structure of “Kazatomprom” NAK JSC’ subsidiaries



Source: Samruk-Kazyna JSC

According to the Resolution of the sole shareholder of NAC Kazatomprom JSC dated June 2, 2015, NAC Kazatomprom JSC set dividends to the package of shares in 2014. The amount of the dividend per one ordinary share is 63 tenge 32 tiyin, a total amount of 2 323 320 000 (two billion three hundred twenty three million three hundred twenty five thousands) tenge. A payment will be made by December 31, 2015 by the way of transfer of the monetary funds to the bank account of the Sole shareholder – Samruk-Kazyna JSC.

Social projects of Kazatomprom

NAC Kazatomprom JSC sets itself up as a socially responsible Company, thus, the development of the social sphere and implementation of the social projects are one of the Company's priorities.⁶¹ A ceremonial opening of the new kindergarden, built by Baiken-U LLP took place in June 2014 in Zhanakorgan, Kysylorda Oblast. A kindergarden is constructed for 50 children. The construction works were performed on the funds of Baiken-U LLP. The total cost of the project is 147 800 thousands tenge.

The construction of the two 4-apartment residential houses in GRE-23 built on the funds of Volkovgeologiya LLP was completed in July 2014. The total cost of the project is more than 92 mln tenge. The new seasonal swimming pool located on the bank of Gornaya Ulbinka river in the youth recreational camp named after A.Matrosov was built in 2014 in 25 kilometers from Ust-Kamenogorsk on the funds of UMZ JSC. The total cost of the project is 35 405 thous.tenge. For the purposes of reparation and reconstruction of the existing social objects in 2014 more than 75 mln tenge were transferred, including: re-equipment of the existing buildings and constructions of the "Goluboi zaliv" recreation facility that is located on the bank of the Bukhtarma water storage basin in the East-Kazakhstan Oblast, on the funds of UMZ JSC in the amount of more than 45 mln tenge; Expenses on the repair of the houses at Sibiny recreational facility, located on the shore of Tort-Kara lake in the East-Kazakhstan Oblast on the funds of UMZ JSC in the amount of more than 5 mln tenge; Restoration of the social sphere sites that are on the accounting balance sheet of Kazatomprom-Demeu LLP, that are located in Taukent and Kyzemshek of Suzak district of the South-Kazakhstan Oblast and Shieli of the Shieli district of Kysylorda Oblast in the amount of more than 25 mln tenge.

The projects that were implemented within the framework of the Memorandum with the akimats of the South-Kazakhstan and Kysylorda Oblasts. In accordance with the signed Memorandum on cooperation with the akimats of South-Kazakhstan and Kysylorda Oblasts, NAC Kazatomprom JSC implemented in 2014 the following social projects in the regions of subsoil use:

1. A project on modernization of the inner valve communications network in Kyzemshek and Taikonur with a total cost of 82 mln tenge was completed. The modernization of the cabel network allowed to provide the population with the modern telecommunications services – digital telephone telecommunication, digital television and high-speed access to Internet. Taking into account that the villages did not have a presence of any other providers of the telecommunications services, the issues were socially significant.

⁶¹ Source: Report on implementation of the performance indicators in the sphere of corporate-social responsibility and sustainable development of NAC Kazatomprom JSC in 2014.

2. A contract on completion of the project “Irrigation in Kyzemshek” with the akimat of Suzak district was concluded in 2014, under which a total amount of 23.14 mln tenge was paid;

3. A preparation for the construction of the kindergarden for 240 children on the B.Momushuly boulevard near with the school No.53 commenced with the total cost of more than 800 mln tenge.

NAC Kazatomprom undertook an additional obligation on the top of the contract on implementation of the social projects under the 2014 Memorandum concluded with akimat of the South-Kazakhstan Oblast dated April 30, 2014 and transferred to the local budget the amount of 200 mln tenge.

In order to meet the obligations set in the subsurface use contracts in 2014, the subsoil users transferred on the code of the budget classification 206109 and 206114 606 026 thous. tenge, including:

to the budget of the South-Kazakhstan Oblast according to the conditions of the contracts on subsurface use:

No.	Name of the Company	Number and date of the subsurface use contract	An amount that was in fact paid to the budget, tenge
1	JV Akbastau JSC	No. 2488 dated 20.11.2007.	27 130 500
		No. 2487 dated 20.11.2007.	63 304 500
2	Karatau LLP	No.1798 dated 08.07.2005.	25 692 800
3	APPAK LLP	No. 1797 dated 08.07.2005.	18 087 000
4	JV Zarechnoe JSC	No. 996 dated 23.09.2002.	9 102 500
5	JV Inkai LLP	No. 507 dated 13.07.2000.	15 000 000
6	JV Katko LLP	No. 414 dated 03.03.2000.	5 426 100
7	Volkovgeologiya JSC	No. 120 dated 09.04.2004.	1 508 907
8	NAC Kazatomprom JSC	No.1796 dated 08.07.2005, No. 73 dated 30.09.1996, No. 2799 dated 30.09.2008, No. 3610 dated 31.05.2010, No. 74 dated 30.09.1996, No.75 dated 30.09.1996, No. 543 dated 20.09.2000, No. 3609 dated 31.05.2010, No. 647 dated 28.03.2001, No. 1800 dated 08.07.2005.	301 355 200
Total			466 607 507

to the budget of the Kysylorda Oblast according to the conditions of the contracts on subsurface use:

1	Semizbay-U LLP	No. 1801 dated 08.07.2005.	22 000 000
2	Baiken-U LLP	No. 1964 dated 01.03.2006.	18 200 000
3	Kysylkum LLP	No. 7 dated 17.10.2014.	21 846 000
4	SKZ-U LLP	No. 3638-pv dated 02.06.2010.	3 640 600
5	NAC Kazatomprom JSC	No. 76 dated 30.09.1996.	47 340 800
Total			113 027 400

to the budgets of other oblasts according to the conditions of the contracts on subsurface use:

No.	Name of the Company	Number and date of the subsurface use contract	An amount that was in fact paid to the budget, tenge
Akmola Oblast			
1	Kyzyltu LLP	No. 1977 dated 10.03.2006.	5 506 500
2	Semizbay-U LLP	No. 2060 dated 02.06.2006.	18 790 000

Almaty Oblast			
3	MK «KazSilicon» LLP	KEO No. 14-08-00 dated 23.08.2000.	300 000

East-Kazakhstan Oblast			
4	UMZ JSC	No. 1472 dated 27.06.2014.	200 000
		No. 3 dated 02.11.2002.	100 000

Mangystau Oblast			
5	MAEK Kazatomprom LLP	No. 1718 dated 25.04.2005.	1 500 000
Total			26 930 650

Source: Report on the performance indicators in the sphere of corporate-social responsibility and sustainable development of NAC Kazatomprom JSC in 2014.

3.6 Governmental Incomes, generated by the Extractive Industries

The National Fund accumulates a part of the revenues generated by the mining sector of the economy at a favourable pricing environment, on the one hand in order to preserve them for future generations, on the other hand - to maintain the necessary level of public expenses, primarily, social expenses in the case of declining oil prices.⁶²

Taxes from the oil and gas Companies determined by the list being approved annually by the RoK MF and the RoK ME shall be sent to the National Fund of the RoK on taxes and payments as defined by law.

Let's consider the total government revenues generated by the extractive industries in absolute terms and as a percentage from the consolidated public revenues (Table 11). In 2014, the total revenues of the state budget amounted to 7,321 bln. tenge, of which the transfert to the National fund (1 955 bln tenge) has to be subtracted, therefore the receipts of the National fund, according to its annual report⁶³ estimate to the half of the incomes of the consolidated budget (NF+CB).

The incomes of the oil and gas sector were transferred to the National Fund in 2014 in the amount of 366 850.8 mln tenge (Table 11), other taxes from extractive industries to the republica budget – 1 277 584.6 mln tenge and to the local budgets – 268 289.5 mln tenge (Table 12), it sums up to 6 912 724.9 mln tenge that forms more than a half of the incomes of the consolidated budget 12 688 127.8 (SB+NF) (Table 11), which is 54%.

Basically, the National Fund of Kazakhstan accumulates the direct taxes paid by the oil and gas sector, i.e. 72.6% of total revenues of the state budget. The National Fund fully accumulates the share the Republic of Kazakhstan under the Production Sharing

⁶² M. Makhmutova (2008) Petroleum Revenues Management: the Concept of the National Fund. Almaty, SFK.

⁶³ An Order of the RoK President, On approval of the report on formation and use of the National fund of the Republic of Kazakhstan in 2014. Resolution of the Government of RoK No. 39 dated June 15, 2015.

Agreements, almost in full - rent export tax (99.4%), bonuses (78.5%), receipts from the subsoil users under the claims on compensation for damage by the organizations of oil sector (83.6%), excess profit tax (96.5%) and the lion's share of the mineral production tax (88.6%).

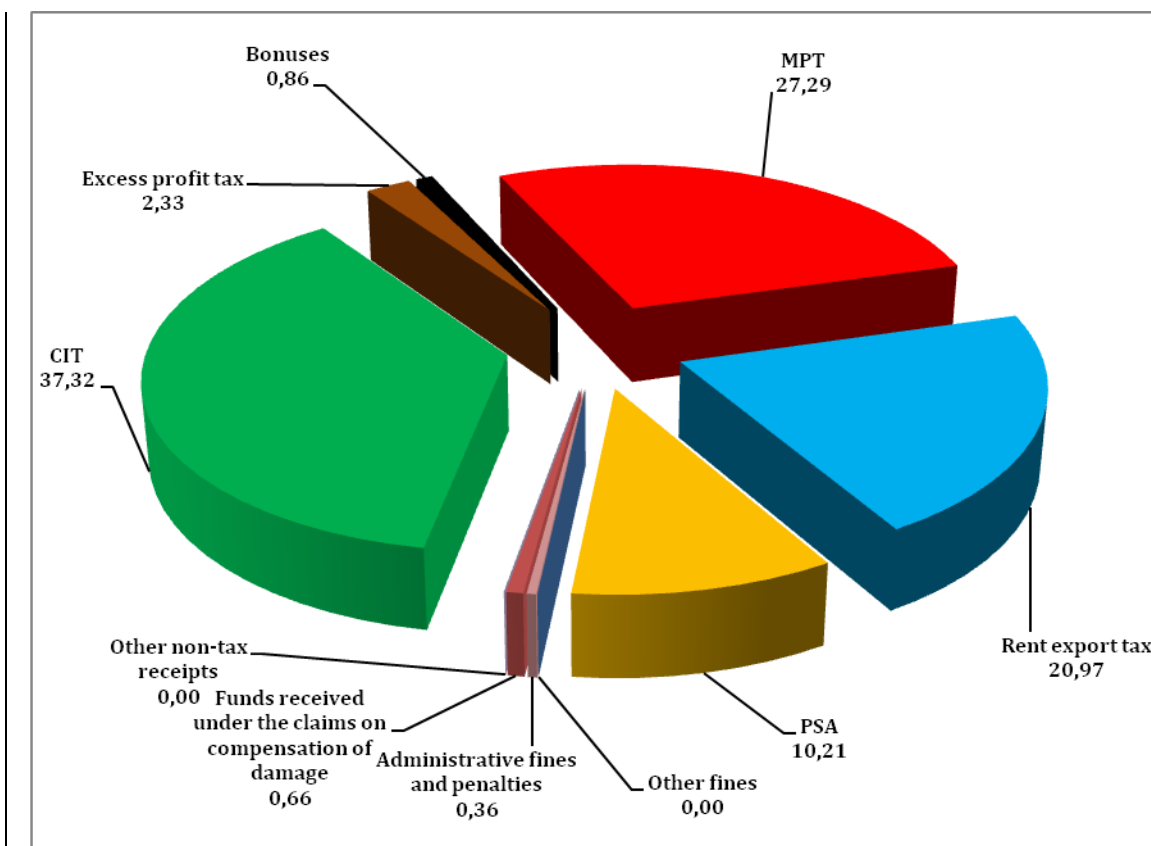
Table 11. Receipts to the National Fund of the Republic of Kazakhstan in 2014, their Share in the Revenues of the State Budget

Types of payments	Receipts to the National Fund of the Republic of Kazakhstan (thous. tenge)	Revenues of the State Budget (thous. tenge)	Share of the Receipts of the National Fund from the consolidated Revenues of the Government (SB+NF), %
Receipts	5 366 850 822	7 321 277 000 - 1 955 000 (transfert from NF) = 5 366 277 000	50
including: direct taxes paid by the organizations of oil sector (excluding taxes paid out to the local budgets)	3 467 394 959	1 307 877 000	72,6
<i>including: corporate income tax</i>	<i>1 307 631 762</i>	<i>1 169 667 000</i>	52,8
<i>Excess Profits Tax</i>	<i>81 445 086</i>	<i>2 968 000</i>	96,5
<i>Bonuses</i>	<i>30 030 811</i>	<i>8 222 000</i>	78,5
<i>mineral production tax</i>	<i>956 090 202</i>	<i>122 909 000</i>	88,6
<i>rent export tax</i>	<i>734 720 100</i>	<i>4 111 000</i>	99,4
<i>share of the Republic of Kazakhstan on production sharing under the Agreements entered into</i>	<i>357 476 998</i>	<i>0</i>	100%
other receipts from the activities performed by the organizations of oil sector (excluding receipts paid out to the local budgets), including:	35 883 283	55 237 000	39,4
administrative fines, penalties,	12 742 437	24 980 000	33,8

sanctions and/or charges imposed by the central state authorities and/or their territorial subdivisions on the organizations of oil sector			
other fines, penalties, sanctions, charges imposed by <i>the state institutions to be financed from the state budget</i> on the organizations of oil sector	57 386	556 000	9,4
funds received from the subsoil users under the claims on damage to be compensated by the organizations of oil sector	23 083 052	4 534 000	83,6
Other non-tax revenues from the organizations of oil sector. Receipts from privatization of the state property that is in the republican ownership and is related to mining and manufacturing industries.	408	25 167 000	0,0

Source: Order of the RoK President, On approval of the report on formation and use of the National Fund of the Republic of Kazakhstan in 2014 No. 39, dated June 15, 2015. A report on the budget implementation. Statistical bulletin of the MF RoK, December 2014.

Figure 13. Structure of receipts of the National Fund of the RoK from subsurface use Companies in 2014.



Source: On approval of the report on formation and use of the National Fund of the Republic of Kazakhstan in 2014 No. 39, dated June 15, 2015

Other taxes and payments as well as the taxes from other Companies of the mining sector, are transferred **to the republic and local budgets** and are not usually stand out from the taxes that are received in other sectors of economy by the MF of RoK.⁶⁴

Table 1 (p.15) demonstrates the types of taxes and payments to the republican, local budgets and to the National fund. The taxes from the Companies of the mining sector, that are subject to the reconciliation check within the implementation of the EITI, constitute 18.5% of the tax incomes of the local budgets and 35% of the tax incomes of the republican budget of the total incomes in the RoL (Table 12). These incomes do not have a target purpose and transferred towards current expenses.

⁶⁴Statistical bulletin of the MF of RoK.
http://www.minfin.gov.kz/irj/portal/anonymous?NavigationTarget=ROLES://portal_content/mf/kz.ecc.roles/kz.ecc.anonymous/kz.ecc.anonymous/kz.ecc.anonym_budgeting/budgeting/reports_fldr

Table 12. Information on the share of tax payments from subsurface users in tax payments of the consolidated budget (State budget+National Fund), republican and local budgets in 2014thous. tenge

	Number of payers	Total in RoK	including: incomes in the competence of the SRC of the MF RoK			
			SB+NF	SB (RB+LB)	RB	LB
Tax receipts, total		8 583 138 418	5 115 743 459	3 666 092 677	1 449 650 782	3 467 394 959
<i>Including:</i>						
Total amount of receipts from the oil and gas sector (ROGS) in the RoK	149	4 695 980 846	1 231 488 658	1 059 072 505	172 416 153	3 464 492 188
<i>out of which the amount of incomes on the reconciliation list of ROGS</i>	56	4 535 446 023	1 105 621 279	942 261 526	163 359 753	3 429 824 744
<i>share of the total incomes on ROGS (%)</i>		96,58	89,78	88,97	94,75	99,00
Total amount of receipts from the mining sector (RMS) in the RoK	297	314 385 478	314 385 478	218 512 131	95 873 347	0
<i>out of which the amount of incomes on the reconciliation list of RMS</i>	65	282 106 073	282 106 073	195 942 585	86 163 488	0
<i>share of the total incomes on RMS (%)</i>		89,73	89,73	89,67	89,87	
Total on ROGS and RMS	446	5 010 366 324	1 545 874 136	1 277 584 636	268 289 500	3 464 492 188
<i>share of the total amount of receipts in RoK (%)</i>	121	58,37	30,22	34,85	18,51	99,92

Source: MF of RoK

Payments on the social-economic development of the regions

The payments on the development of the social sphere of the regions are being received on the budget classification code (BCC) 206114 “Contributions of the subsoil users to the social-economic development of the region and the development of its infrastructure”.⁶⁵

In the course of fulfillment of the contractual obligations, the subsoil users of the oil and gas and mining sectors transferred towards social-economic development of the regions total amount of 38.7 bln tenge in 2014 (on the licensing and contractual obligations), including the Companies of oil and gas sector – 27.4 bln tenge (71% of the total amount), including the amount subject to reconciliation – 14.2 bln tenge (52% of the total amount on the oil and gas sector); out of the total amount 38.7 bln tenge, the Companies of the mining sector transferred towards social development 11.3 mlrd tenge (29%), including the amount subject to reconciliation – 10.5 bln tenge (93% of the total amount on the mining sector) (Attachment 3-3). According to the EITI reports, the same payers, that were subject to reconciliation, reported the amounts: on the oil and gas sector-9.7 bln tenge and on the mining sector – 10.7 bln tenge (Attachment 3-1). Comparing the data, there is a divergence: on the oil and gas sector – 14.2-9.7=4.5 bln tenge (not all the Companies provided for the information on the EITI reports in the part of expenses on the social development of the regions) and in the mining sector 10.5-10.7=-0.2 bln tenge (Attachment 3-4).

At the same time this data can not be considered full since not all the Companies have reported in according with the Attachment 3-1 in the USSUMS. Besides, it is also impossible to compare it with the data of akimats due to the absence of the information about receipts to the local budgets at akimats (Attachment 3-4).

It should be noted that Karachaganak Petroleum Operating makes 38.8% of the social payments of the oil and gas sector Companies, but since the Company operated under **PSA, these expenses shall be compensated by the Republic of Kazakhstan in the future.**

3.7. Distribution of Incomes from the Extractive Industries

As it has already been stated above, the revenues from the extractive Companies of the oil and gas sector are received by the National Fund of Kazakhstan. Revenues from mining Companies are received by the national and local budgets depending on the type of tax or payment (Table 1).

The accounts Committee for the Control over Execution of the Republican Budget executed control in the Ministry of Finance of the RoK of the completeness and expediency of the receipts of the taxes and other obligatory payments to the republican budget in 2014.⁶⁶

Management of the receipts and expenses

The reports on the receipts and expenses of the National fund, the republican and the local budgets (in total and divided by oblasts) are regularly published by the Ministry of

⁶⁵ Order of the Minister of the economy and budget planning of the RoK No. 199 dated July 17, 2014, On the amendments and additions to the Order of the Minister of economy and budget planning of the Republic of Kazakhstan No. 71 dated March 13, 2013, On the matters of the Unified budget classification of the Republic of Kazakhstan

⁶⁶ <http://esep.kz/rus/show1/article/119>

the Finance in the Statistical bulletin.⁶⁷

According to the state Law of the Republic of Kazakhstan dated March 31, 2014, On amendments and additions to the Law of the Republic of Kazakhstan on republican budget for 2014-2016, in 2014 1 480 000 000 thous. tenge (approx. 8.3 bln USA dollars) were transferred from the National Fund of the RoK to the republican budget in the form of the guaranteed transfer to finance the expenses of the current budget programs and budget development programs.

In addition to that, in the 2014 475 000 000 thous. tenge (approx. 2.650 USA Dollars) were transferred from the National Fund of the RoK to the republican budget in the form of the special-purpose transfer for the purposes, reflected in the Table 13.

Table 13. The purpose of the special-purpose transfer from the National Fund to the republican budget in 2014.

Purpose		Amount, tenge	Total amount, tenge
Special-purpose transfer from the National fund to the Republican budget for:			475 bln.
	<ul style="list-style-type: none"> • construction of the sections Astana-Karaganda, Almaty-Kapshagain of the Astana-Almaty road; 		150 bln
	<ul style="list-style-type: none"> • construction of Astana-Pavlodar road; 		
	<ul style="list-style-type: none"> • construction of Zhezkazgan-Beineu rail road; 		
	<ul style="list-style-type: none"> • preparation for the conduct of the International specialized exhibition EXPO-2017 in Astana; 		
	<ul style="list-style-type: none"> • increase of the charter capital of the National management holding Baiterek JSC to form the Fund of infrastructure projects; 		
	<ul style="list-style-type: none"> • capitalization of the Troubled Loans Fund JSC for the rehabilitation of the banking sector; 		250 bln.
<ul style="list-style-type: none"> • Increase of the charter capital of the National Welfare Fund Samruk-Kazyna JSC to construct the infrastructure sites on the territories of: 	<ul style="list-style-type: none"> • Special economic zone “National oil-chemical technopark” 	24,500 mln.	50 bln.
	<ul style="list-style-type: none"> • Special economic zone “Korgos-Eastern Gate” 	24,500 mln.	
	<ul style="list-style-type: none"> • Development of Astana for the construction of the infrastructure sites on the territories of the special economic zone “Astana-New City” 	1 bln.	
	<ul style="list-style-type: none"> • increase of the charter capital of the National management holding Baiterek JSC with the following increase of the charter capital of the Development Bank of Kazakhstan JSC to finance the projects of the State program of industrial-innovative development of the Republic of Kazakhstan for 2015-2019. 		25 bln.

⁶⁷ Statistical bulletin of the MF of the RoK

http://www.minfin.gov.kz/irj/portal/anonymous?NavigationTarget=ROLES://portal_content/mf/kz.ecc.roles/kz.ecc.anonymous/kz.ecc.anonymous/kz.ecc.anonym_budgeting/budgeting/reports_fldr

Source: Order of the RoK President No.660 dated October 10, 2013, On allocation of the special-purpose transfer from the National Fund of the Republic of Kazakhstan in 2014; An Order of the RoK President No.929 dated October 20, 2014, On amendments to the Order of the RoK President, On allocation of the special-purpose transfer from the National Fund of the RoK in 2014.

The funds of the National Fund of the Republic of Kazakhstan accounted for 13 026 107 161 thous. tenge (11 755 676 721 thous. tenge – by the method of the calculation in accordance with the audited financial statement) as of January 1, 2014, and 16 429 299 412 thous.tenge (14 935 974 327 thous.tenge – by the method of the calculation in accordance with the audited financial statement) as of December 31, 2014.

The following bonds of the Kazakhstani emitters in the total amount of 473 000 000 thous.tenge were purchased to the securities portfolio of the National Fund of the Republic of Kazakhstan in accordance with the concluded bonds' sale and purchase agreements in 2014:

Table 14. Purchase of bonds by the means of monetary sources from the National Fund

Emitter	Issue number	Sale and purchase contract details	Transaction value (tenge)
1	2	3	4
NWF Samruk-Kazyna JSC	Tenth	No. 10 NB dated 16.01.2014	200 000 000 000,00
NH Baiterek JSC	First	No. 130 NB dated 14.04.2014	100 000 000 000,00
NH Baiterek JSC	First	No. 389 NB dated 15.07.2014	23 000 000 000,00
NH Baiterek JSC	Second	No. 636 NB dated 29.10.2014	50 000 000 000,00
NH Baiterek JSC	Third	No. 778 NB dated 10.12.2014	100 000 000 000,00
Total:			473 000 000 000,00

Source: Order of the RoK President, On approval of the report on formation and use of the National fund of the Republic of Kazakhstan in 2014.

Due to the absence of the active market for these financial instruments (excluding bonds of the National Welfare Fund Samruk-Kazyna) at the initial appraisal the National Fund of the Republic of Kazakhstan applied the appraisal principle that is based on the calculations of the this value.

According to the principle of appraisal, a fair price of the purchased bonds is calculated based on the amortised value. The divergence in the amount of 219811649 thous.tenge between the fair price and the monetary compensation for the purchase of the indicated securities is reflected in the reports on the changes in net assets of the

National Fund of the Republic of Kazakhstan and on monetary flows of the National Fund of the Republic of Kazakhstan on the item “Other receipts”.

3.8. Oil Transportation

Transportation of oil and gas is carried out by the subsidiary and affiliated Companies of NC KMG:

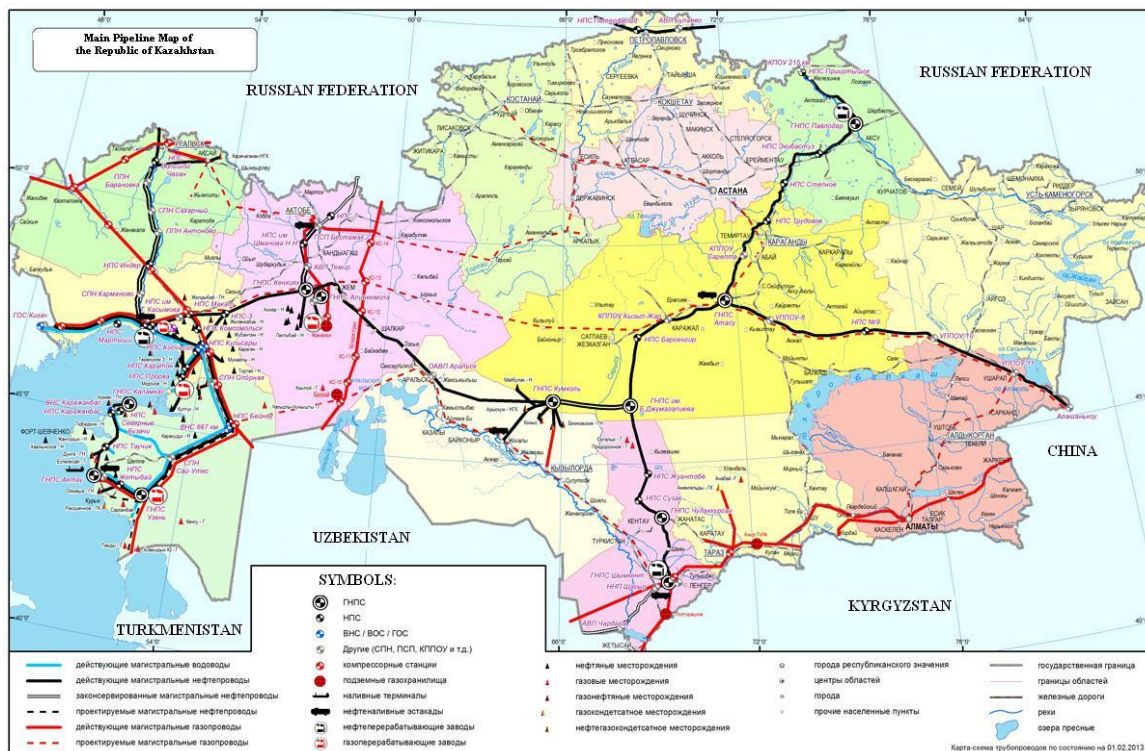
- KazTransOil JSC
- NMSC Kazmortsflot JSC
- KMG-TransCaspiy LLP
- KOO Kazakhstan Pipeline Ventures
- KazTransGas JSC
- AstanaGas KMG LLC.⁶⁸

Development of the export and transit potential of Kazakhstan is one of the main directions of the state policy.⁶⁹ Creation of the new and expansion of the existing export systems remains the priority. In order to enhance the effectiveness of the use of the oil and gas resources, it is necessary to continue the search and implementation of the projects on transportation of the Kazakhstani hydrocarbons to the most attractive sale markets minimizing the transportation costs. The development of the capacities and the directions of the export of oil and gas is to comply with the prospected volumes of productions and domestic consumption, existence of the long-term arrangements with the transit countries, the level of demand and the situation on the world consumer markets.

⁶⁸ www.kmg.kz/group_Companies/subsidiary/

⁶⁹ Thesis of the speech of the Minister of energy of RoK – V.Shkolnik at the RoK Parliament in June 2015.

Figure 14. Layout of major pipelines



For the purposes of expansion and diversification of the exporting routes for transportation of the Kazakhstani oil, a work on implementation of the following projects is carried out: a step-by-step expansion of the Caspian pipeline consortium’s oil pipeling; establishment of the Kazakhstani Caspian System of Transportation with the connection to the Baku-Tbilisi-Ceyhan pipeline and an increase of the capacity of the oil pipeline Kazakhstan-China. The Figure 14 demonstrates the map of the major pipelines.

In 2014 CPC exported 35.2% of the total export volume, under the route Atyrau-Samara – 13.9%, Atasu-Alashankou – 4.8%, the seaport Aktau – 5.5%, by rail roads – 12%.⁷⁰

It is impossible to distinguish the incomes from the transportation of the products of the mining sector, oil and gas in the budget since the amounts of the taxes and other obligatory payments to the budget are paid in total of the whole activity of the Companies carrying out transportation, they are broken down by the types of activities.

Taking into consideration the projects on expansion of the oil pipelines and with balanced production of oil and gas condensate, the export shall increase on the main directions:⁷¹ CPC and Kazakhstan-China.

⁷⁰ Ibid

⁷¹ Ibid

Figure 15. CPC Route



A subsidiary Company of NC KazMunayGas, KazTransOil JSC is the national operator of oil trunk pipelines and the owner of the largest system of oil trunk pipelines with the total length of 5,495.23 km.

KazTransOil is mainly engaged⁷² in oil transportation (regulated services of acceptance, delivery, transshipment, unloading, loading, storage, and mixing of oil) through a system of oil trunk pipelines (OTP).

In accordance with the current legislation, the oil transportation services are provided to consumers along the current oil transportation routes in a system of OTPs in accordance with the oil transportation schedule through oil trunk pipelines approved by the ME under the established procedure and the contracts of oil transportation services entered into between KazTransOil JSC and service consumers in accordance with standard contract of oil transportation services based on the standard form contract for rendering services on oil transportation, approved by the Resolution of the Government of the Republic of Kazakhstan No.1194 dated November 28,2003.

Oil is transported through the system of OTPs owned by KazTransOil JSC towards the following directions:

1. Oil supplied to domestic market: Atyrau Refinery Plant LLP, PetroKazakhstan Oil Products LLP, Pavlodar Oil Chemistry Plant LLP, and CASPIBITUM LLP (bitumen plant based on APP).
2. Oil exported through Atyrau-Samara oil pipeline.
3. Oil loaded to tankers at Aktau Port.
4. Oil loaded to rail tank cars at OPS named after T. Kasymov and Shagyr BOS.

⁷² Annual report of KazTransOil in 2014. Available at: www.kaztransoil.kz

5. Oil transshipped to other oil pipeline systems: CPC-K JSC, Kazakhstan Chinese Oil Pipeline LLP (Atasu-Alashankou, Kenkiyak-Kumkol), and MunaiTas NWPC JSC.

Attachment 6 specifies transportation rates and incomes of KazTransOil. As noted above, it is impossible **to distinguish oil transportation incomes because taxes and other mandatory payments to the budget are paid based on all the activities of the Company, and are not broken down by specific activities.**

3.9. Gas transportation

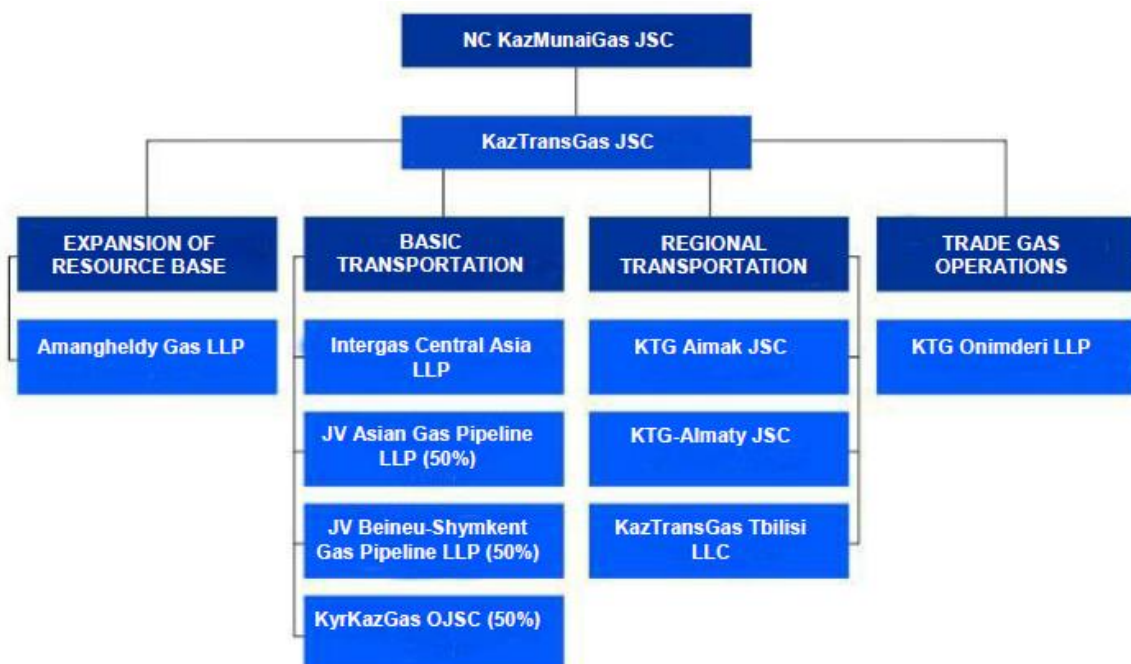
Being a subsidiary of KMG NC JSC, in accordance with Resolution No. 914 of the Government of the Republic of Kazakhstan dated July 5, 2012, KazTransGas JSC is a national operator in the gas sector and the gas supply sector.

KazTransGas JSC is a member of KMG NC JSC, and controls national main transport gas pipeline network with the total length of over 17,700 km and annual design throughput of up to 190 billion cubic meters (actual throughput is up to 160 billion cubic meters per annum). Natural gas from Turkmenistan and Uzbekistan is transported through Kazakhstan to China and Russian Federation.⁷³

The total length of Kazakhstan gas trunk pipeline transportation system is over 11,000 km, and its maximum capacity is 190 bln. cubic meters per annum. There are three underground gas storage tanks with the total volume of active gas of 4.12 billion cubic meters.

⁷³Annual report of KazMunayGas NC JSC for 2014.

Figure 16. Gas Transmission Industry Control Scheme



Source: KazTransGas JSC <http://www.kaztransgas.kz/index.php/ru/o-kompanii/obshchaya-informatsiya>

The existing gas pipeline system of Kazakhstan, which was as a part of pipelines of former USSR, now mainly serves transit flows of natural gas from Central Asia to European part of Russia, Ukraine, and Caucasus countries. The absence of connections between main gas trunk pipelines will not allow to re-distribute gas among regions of Kazakhstan, in particular, from western region to southern and northern oblasts. At the same time, the project of construction of trunk gas pipeline Kazakhstan – China in Beineu-Bozoi-Shykment area is among all intended for supply of gas to the most populated regions of Kazakhstan.⁷⁴

In 2006, Agreement of Counter Deliveries of Gas was entered into between Gasprom OJSC, Uzbekneftegas NHC, and KNM NC JSC for supply of gas to domestic market. After gas pipeline Beineu-Shymkent is constructed, it will improve energy security of Kazakhstan, and will ensure that gas will be supplied from western gas production regions to southern regions of Kazakhstan, and thus, it will decrease the dependence from deliveries of gas from Uzbekistan.⁷⁵

The gas pipeline route goes in Mangistau, Aktobe, Kyzylorda, and South Kazakhstan Oblasts. Gas pipeline Beineu - Shymkent connects all the main gas trunk pipelines such as Central Asia - Center, Bukhara - Urals, Bukhar Gas Production Region - Tashkent - Bishkek - Almaty, Kazakhstan - China.⁷⁶

The implementation of the project will allow to gasify previously non-gasified areas of Kyzylorda Oblast, northern areas of South Kazakhstan, Zhambyl and Almaty Oblasts with the total population of up to 2 mln., and to cover about 400 localities. The implementation of the project will lead to improvement of social and economic status of regions along the gas pipeline route.⁷⁷

⁷⁴ Ibid

⁷⁵ Report of S. Mynbayev, the Minister of Oil and Gas, at the collegium of the Ministry on the results of 2012. January 28, 2013.

⁷⁶ Ibid

⁷⁷ <http://www.kaztransgas.kz/index.php/ru/o-kompanii/obshchaya-informatsiya>

Based on multi-vector principles of supply of hydrocarbons to both domestic and foreign markets, Kazakhstan strives to develop all economically profitable routes for transit and export supplies of natural gas.⁷⁸ After gas pipeline Kazakhstan - China is constructed, it will improve transit and export potential of Kazakhstan. On August 18, 2007, Agreement on Cooperation in Construction and Operation of Kazakhstan – China Gas Pipeline, which originates from Turkmenistan, was signed between the Government of the Republic of Kazakhstan and the Government of the People's Republic of China. The gas pipeline is intended for transportation of Turkmenistan and Kazakhstan gas. At the end of 2009, the 1st string was commissioned, and in October 2010, the 2nd string of the first part of pipeline Kazakhstan - China was commissioned. The capacity of the 1st part of gas pipeline Kazakhstan - China was increased to 30 billion cubic meters per annum in 2012, and later, the capacity will be increased to 40 billion cubic meters per annum. Currently, the gas pipeline transports Turkmenistan gas through Kazakhstan (Attachment 6 specifies volumes and incomes from transit of gas). After Beineu - Shymkent gas trunk pipeline is constructed, Kazakhstan will be able to export its gas to China, and the pipeline will connect the oil and gas deposits of Kazakhstan and Turkmenistan - China pipeline.

The gas is transported by transit through Kazakhstan by main gas trunk pipelines:

- Central Asia - Centre towards Uzbekistan - Kazakhstan - Russia (Turkmenistan and Uzbekistan gas);
- Bukhara Gas Production Region - Tashkent - Bishkek - Almaty - towards Uzbekistan - Kazakhstan (Uzbekistan gas);
- Orenburg - Novopskov and Soyuz gas trunk pipeline - towards Russia (Russian gas);
- Bukhara - Urals towards Russia (Turkmenistan gas).

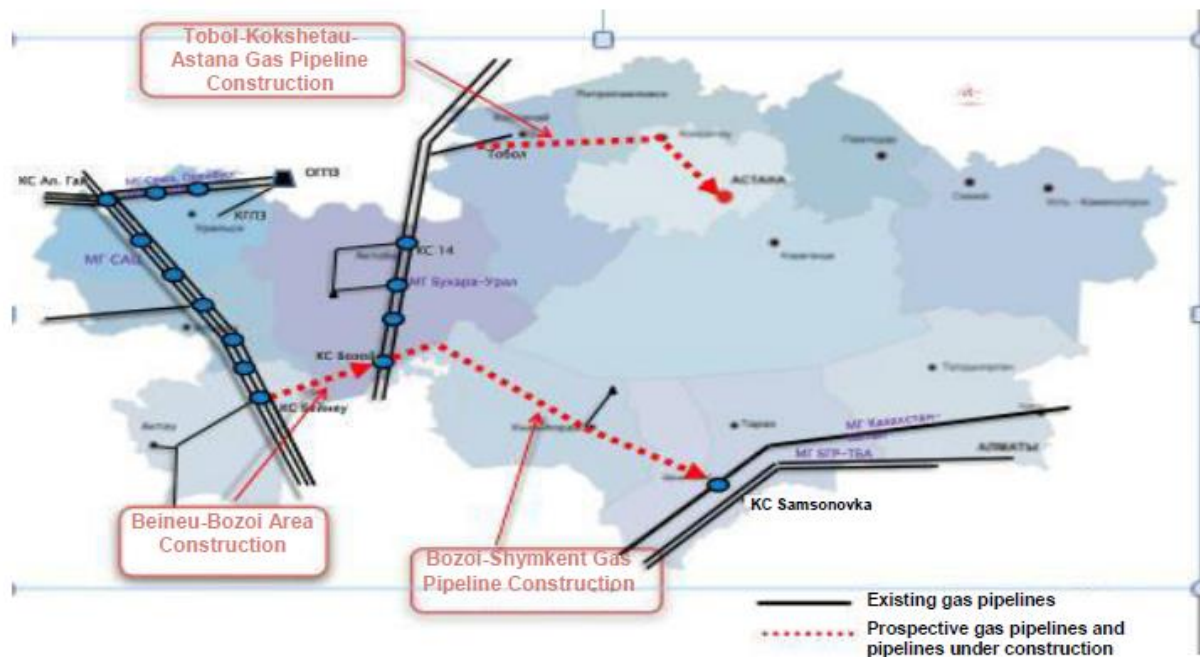
According to the RoK Statistics Agency 20.3 billion cubic meters of gas were exported in 2014 (Attachment 5). 41 % of all the gas are exported to Russia, and 41 % to Ukraine and 14.7% to the Switzerland (Attachment 5).

In accordance with Law of the Republic of Kazakhstan "On Gas and Gas Supply", the national operator of gas sector and gas supply sector, KazTransGas NC JSC⁷⁹ is required to gasify the regions of Kazakhstan. The projects will be implemented in accordance with General scheme of gasification approved by the Government. The systematized gasification of the regions, optimized schemes of gasification, and prioritized and sequenced activities must accelerate the regional schemes of gasification of all the oblasts including Almaty and Astana.

⁷⁸Ibid

⁷⁹ In accordance with Resolution No. 914 of the Government of the Republic of Kazakhstan dated July 5, 2012, KazTransGas JSC is appointed the national operator of gas sector and gas supply sector.

Figure 17. Kazakhstan Gas Pipeline Layout



Source: Ministry of oil and gas of the RoK

3.10. Transportation of Products of the Mining Sector

Rail road is used for transportation of the products of mining sector.

For transportation of goods between carrier and consignor, transportation contract is entered into,⁸⁰ by preparation of a railway bill.

In accordance with Law No. 266-II of the Republic of Kazakhstan "On Rail Transport" dated December 8, 2001, a railway bill specifies consignor, i.e. sender of the goods. As a rule, subsoil users engage a forwarder, i.e. the person who arranges goods transportation, and is specified in transportation documents as a payer of transportation under transportation forwarding contract.

Thus, while entering into a transportation contract with forwarders, KTZh NC JSC does not always have information on routes and volumes of the goods being transported for each subsoil user including governmental Companies involved in transportation, or other information about the taxes paid or other payments to be made to the budget of the Republic of Kazakhstan (Attachment 6).

In addition, the goods transportation rates in the Republic of Kazakhstan depend on: type (name) of goods, route and distance, type and ownership of rolling stock, load of rail tank cars, etc. The goods transportation cost is calculated under the same procedure for all the consumers of the services at the existing rate guidelines subject to adjustment ratios established by the authorized body.

⁸⁰ Resolution No. 682 of the Government of the Republic of Kazakhstan 'On approval of Rules of transportation of goods by rail transport' dated June 24, 2011

Therefore, KTZh NC JSC notes that it is impossible to calculate the rate, and provide information about the goods transported by subsoil users.

3.11. Information on the Process and Register of Licensing and Submission of Licenses

From the 2nd half-year of 2012, the licenses are automatically issued in E-Licensing State Database Information System⁸¹. The applicants can obtain license through Elicensing web portal for the activities in Section "Subsoil Use", or change the details of previously issued hard-copy license, and obtain electronic license certified by digital signature with bar code for 15 subtypes of activities.

There is state electronic register of licenses, i.e. information system containing the details of issued, changed, suspended, resumed or cancelled licenses, and branches, representative offices (facilities, points, sites) engaged in licensable activity (subactivity), which forms identification number of licenses issued to licensees on centralized basis. <http://elicense.kz>

On website of Committee <http://mgm.gov.kz/news/136>, Section "Register of licences issued" contains the details on the licences issued in 2012 - 2014, and specifies: number of license (or number of attachment to license), date of issue, type (subtype) of activities, individual identification number, business identification number, taxpayer's identification number, certificate of state registration (number and date of issue), legal address of Company, its production base and branches.

On the website of the Committee of geology and subsurface use the interactive map is available, where the information about free/occupied contractual territories is available and an option to file an application with the coordinates, area and creation of the collation map is provided for. Currently 379 contractual territories on SNR, 234 sites at the stage of documentation, 116 sites on the State geological exploration of the subsurface use, are reflected on the map.

The information of the register of the licenses of the Companies is available on the website of the Committee.⁸² The lists of Companies divided by the types of natural resources as of January 1, 2015 are in PDF format (1st row – a number of the Companies, 2 row – corresponding contracts, since one Company may have couple of contracts, 3rd row – a number of the subsurface use sites that correspond to the contracts since one contract may have couple subsurface use sites). The following information is published at the stage of selection of the specific information: legal address, telephone number, fax, e-mail, a head (last, first and middle name), the subsurface use site, investor, country, participation interest % in the charter capital.

3.12. Information on Beneficial Right

The term "beneficiary owner" in respect of the Company means individual/s who is directly or indirectly entitled to own or control the assets of a corporation. The said individual/s controls the activities of the Company or obtains income as a result of activities of the corporation.

According to Law No. 220-I of the Republic of Kazakhstan "On Limited Liability Partnerships and Additional Liability Partnerships" dated April 22, 1998, LLP shall be formed according to memorandum of association which must contain a list of the founders. Paragraph 4 of Clause 14 of the said Law sets forth that the memorandum of

⁸¹ General information on electronic licensing can be obtained on the webportal E-licensing, <http://elicense.kz>

⁸² <http://geology.gov.kz/ru/informatsiya/nedropolzovatelyi-respubliki-kazakhstan>

association of a limited liability partnership is a document of commercial secret, unless otherwise set forth with the memorandum of association, and must be submitted to governmental or other bodies, and the third parties only by the resolution of bodies of the partnership or in the cases established by the laws.

Clause 126 of the Civil Code of the Republic of Kazakhstan (General Part) guarantees protection of service or commercial secret if the said information has actual or potential commercial value because it is unknown to the third parties, and there is no free access to the information on lawful basis, and the holder of information takes measures to protection of its confidentiality.

According to the established practice, as a rule, this provision is applicable to both EITI Companies, which are partnerships, and other legal entities.

Kazakhstan has no register of corporate organization beneficiaries open for public, who participate in tenders, or operate assets in extracting sector, or invest in mining sector, with specification of the names of beneficiaries and their participation level. This requirement is planned to be introduced from January 1, 2016 by the resolution of the EITI Board.

3.13. General Information on the Contracts

The state Law “On subsoil and subsoil use”⁸³ (hereinafter – the “Law”) stipulates that the granting of the subsoil use right for the exploration, production, joint exploration and production can be carried out by the way of entering into the contract based on the results of the tender (section 4) or based on the direct negotiations without conduct of the tender (section 5) or without direct negotiations and conducting of the tender based on the conditions stipulated in the Law.

The subsoil plots that are put on the tender, are determined in accordance with the Clause 46 of the Law. The competent authority approves the list of the subsoil plots for the granting of the subsoil use right on the exploration, production, joint exploration and production as well as the subsoil plots under the tender condition of the participation interest of the national Company. The list of the subsoil plots is generated on the basis of the proposals of the authorized body on the subsoil exploration and use.

Competition for the right of subsoil use is carried out by the competent authority in accordance with the Law. The competent authority holds a tender competition and concludes the contracts on production only after the state examination with respect to the mineral resources and confirmation of the presence of the approved reserves.

Conditions of the competition tender are stipulated in the Clause 47 of the Law. The information about the tender competition and its conditions are published in periodicals that are distributed on all territory of the Republic of Kazakhstan, in Kazakh and Russian languages. All applicant wishing to take part in the tender competition, are entitled to obtain information, related to the tender competition procedure, but not later than the latest term for submission of applications.

The notice on the tender for subsurface use rights must contain:

- 1) date, time and venue of the tender as well as the term and the place of submission of applications;
- 2) the basic terms of the tender;
- 3) an indication of the location and short description of the subsoil plots that are

⁸³ <http://adilet.zan.kz/rus/docs/Z100000291>

scheduled to conduct subsurface use;

4) information on the amount of the fee for participation in the tender competition and banking details for the payment;

5) starting amount of the signing bonus;

6) minimum local content in personnel;

7) minimum local content in goods, works and services;

8) minimum cost for training of the Kazakh personnel;

9) the amount of expenditure on research and development activities on the territory of the Republic of Kazakhstan required for the performance of works under the contract.

In 2014 one tender was conducted in accordance with the Resolution of the Government of the RoK No.1416 dated December 28, 2013.⁸⁴ Resulting from the tender, 48 contracts were entered into, 6 of which on hydrocarbons, 12 contracts were terminated, 5 of which on hydrocarbons.

According to the information of the Ministry of Energy⁸⁵ 205 contracts on hydrocarbon subsoil use were registered, 59 of them were the exploration contracts, 66 were the production contracts, 68 contracts – for the joint exploration and production, and 12 contracts – on the conditions of the production share and TCO.

According to the information of the Committee of geology and subsurface use of the Ministry of investments and development of the RoK as of October 1, 2015, the total number of the active sites for monitoring of subsurface use, operating on a contractual basis was 2551, including 266 on hydrocarbon raw materials (HRM), 429 – on solid mineral resources (SMS), 186- on the underground waters (UW), 1643 – on the common natural resources and 27 – on operations not related to the production.

A list of contracts on hydrocarbons⁸⁶ and solid mineral resources⁸⁷ is placed on the website of the Committee of geology and subsurface use of the Ministry of investments and development of the RoK.

⁸⁴ <http://adilet.zan.kz/rus/search/docs/ddt=2013-12-28&dno=1416&fulltext=%D0%9F%D0%BE%D1%81%D1%82%D0%B0%D0%BD%D0%BE%D0%B2%D0%BB%D0%B5%D0%BD%D0%B8%D0%B5+%D0%9F%D1%80%D0%B0%D0%B2%D0%B8%D1%82%D0%B5%D0%BB%D1%8C%D1%81%D1%82%D0%B2%D0%B0+%D0%A0%D0%9A+%E2%84%96+1416+%D0%BE%D1%82+28+%D0%B4%D0%B5%D0%BA%D0%B0%D0%B1%D1%80%D1%8F+2013>

⁸⁵ Report of the Minister of energy – V.Shkolnik in Mazhilis of the Parliament of the RoK on June 15, 2015.

⁸⁶ <http://geology.gov.kz/images/stories/spravochnik/uvs.pdf>

⁸⁷ <http://geology.gov.kz/images/stories/spravochnik/tpi.pdf>

Table 15. Contracts on the types of the mineral resources

Type of the mineral resource	Number of sites			
	Exploration	Exploration and production	Production	Total
Polymetals	9	6	17	32
Coal	0	8	37	45
Copper	22	18	13	53
Iron, manganese	20	15	17	52
Gold	47	44	32	123
Chromites	0	0	8	8
Uranium	1	12	12	25
Alluminate (bauxites)	1	0	4	5
Nickel, cobalt	0	2	8	10
Other SMS	20	13	44	76
Total on SMS	120	117	192	429
Oil, gas and condensate	63	114	89	266
Common SMS	118	257	1 268	1 643
Underground waters	2	14	170	186
Total in the RoK	303	503	1 720	2 524

Note: One contract may have multiple subsoil use sites

3.14. Information on Production Sharing Agreements (PSA)

According to the MOG, the following PSAs were signed in Kazakhstan:

- Tengizchevroil LLP (TCO);
- Karachaganak Petroleum Operating B.V. (KPO);
- NCOC;
- Zhaikmunai JV;
- Maersk Oil Kazakhstan GmbH;
- Potential Oil LLP;
- Kurmangazy Petroleum LLP;
- KazMunayGas NC JSC;
- Tyub-Karagan Operating Company B.V.;
- Maersk Oil Kazakhstan GmbH (Temir);
- Sagiz Petroleum Company LLP;
- Precaspian Petroleum Company LLP;
- Saigak Kazakhstan B.V.;
- Caspi Meruerty Operating Company B.V.

3.15. Information on Local Content

The legislation on development of local content in goods, work or services in the subsoil use sector is intended for stimulating subsoil users to search for local suppliers and contractors, and large investments in increasing the potential and production transfer. In accordance with Law of the Republic of Kazakhstan "On Subsoil and Subsoil Use" dated June 24, 2010, Rules of acquisition of goods, work and services when subsoil use operations are performed were elaborated and approved.⁸⁸

Priorities of activities of governmental regulators on local content issues

- Implementation of the initiative of transparency in procurements required for subsoil use projects.
- Information support of domestic producers/providers of goods, work or services for oil and gas industry and mining sector, and subsoil users.
- Assistance to Kazakhstan enterprises in establishment of new production facilities involving advanced technologies and in implementation of offset cooperation.
- Collection and processing of information on local content in procurement of subsoil users.
- Ensuring that "Register of Goods, Work or Services used for Subsoil Use Operations, and their Producers/Providers" Governmental Information System runs, which allows to perform electronic procurement.
- Provision of information on share and structure of local content in procurement of subsoil users.
- Participation in elaboration of methodology documents, regulatory and legal acts on local content.
- Assistance to Kazakhstan enterprises in establishment of new production facilities, implementation of offset cooperation, and establishment of maintenance stations in Kazakhstan for expensive and high-tech equipment made abroad, and in attraction of advanced technologies.
- Holding trainings and seminars for explanation of procedure of application of Unified methods of calculation of local content, and work in "Register of Goods, Work or Services used in Subsoil Use Operations" Information System for subsoil users and domestic producers of goods, work and services..
- Ensuring that Internet Portal of Local Content functions. The portal provides Kazakhstan producers with information on demand for their products. The demand is formed based on the needs of subjects of governmental procurement, national Companies and holding Companies, subsoil users and strategic Companies.

⁸⁸ Approved by Resolution No. 134 of the Government of the Republic of Kazakhstan dated February 14, 2013.

Subsoil users' procurement

- subsoil user and its contractors must purchase goods, work and services of Kazakhstan producers meeting the requirements of design estimates and legislation of the Republic of Kazakhstan in the field of technical regulations;
- subsoil use contract must contain local content obligations on personnel; costs on training of Kazakhstan specialists; local content in goods, work or services.

Subsoil user must provide competent body with:

- annual, middle-term and long-term procurement programs;
- quarter reports on goods, work or services purchased, and on performance of local content obligations on personnel.

Subsoil user must be registered in Register of Goods, Work or Services used in Subsoil Use Operations, and their Producers/Providers (GWS Register)..

Local content rules

The Law on Subsoil and Subsoil use contains the following terms and definitions:

- Kazakhstan origin goods (the goods certified to be originated from Kazakhstan);
- Kazakhstan producer/provider (Kazakhstan citizens and/or legal entities organized under the laws of Kazakhstan, who/which employ at least 95 % of Kazakhstan citizens in the total number of employees);
- Kazakhstan producer of goods (Kazakhstan citizens and/or legal entities who/which produce Kazakhstan origin goods);
- local content in work, services (total summary share of cost of local content in goods and/or salaries of Kazakhstan employees in the payroll of provider);
- local content in goods (percentage of cost of local materials used and producer's costs on processing of goods); and
- local content in personnel (percentage of Kazakhstan employees in the total number employees with breakdown by every category of workers and salaried employees).

Local content in GWS is calculated in accordance with Unified Methods of Calculation of local content

Calculation of local content in work and services

The local content in services is equal to the share of payroll of Kazakhstan employees of the total payroll of service provider and its subcontractors (if applicable).

- Submission of document with indication of percentage of payroll of Kazakhstan employees of the total payroll (also applicable to subcontractors, if any).
- Key criterion is percentage in the payroll, not in the total number of employees;
- Local content in the work used in the goods is equal to the sum of local content in the goods plus local content in the services calculated according to the above listed methods.

Local content share in GWS purchased in 2014

Mining sector (Attachment 8 according to the RoK MID). In 2014, the total amount for the goods, work or services attracted by subsoil users was equal to 278.5 bln. tenge, and local content amounted to 50.1 % (139.6 bln. tenge), including:

- for goods for the amount of 171.2 bln. tenge, local content amounted to 20.7 % (35.4 bln. tenge);
- for works for the amount of 21.1 bln. tenge, local content amounted to 99.5% (20.95 bln. tenge);
- for services for the amount of 86.3 bln. tenge, local content amounted to 96.5 % (83.2 bln. tenge);

Oil and gas sector (Attachment 8 according to the RoK MINT). In 2014, the total amount for the goods, work or services attracted by subsoil users was equal to 2,402.3 bln. Tenge (according to the speech of V.Shkolnik), and local content amounted to 55.5% (1,332.7 bln. tenge), including:

- for goods for the amount of 407.5 bln. tenge, local content amounted to 16.2 % (66 bln. tenge);
- for work for the amount of 1 108.3 bln. tenge, local content amounted to 60 % (665.3 bln. tenge);
- for services for the amount of 886.5 bln. tenge, local content amounted to 67.8 % (601.4 bln. tenge).

IV. RECONCILIATION OF REPORTING PAYMENTS

4.1. Consolidated report on Essential tax and non-tax Payments/Receipts

The Recipient submitted the Reports on the Payers, summarized based on the register of the payments received from the Committee on state revenues of the Ministry of Finance of the Republic of Kazakhstan.

The control for the completeness and expedience of the receipts of the taxes and other obligatory payments to the republican budget was performed based on the Plan of the control activities of the Accounts Committee (paragraph 20, subparagraph 1) <http://esep.kz/rus/show1/article/119> within the completion terms 17.04.2015. The information of the Government (MF) proved the NCIP (Minutes No.54 dated June 8, 2015) based on the officially submitted letter from the Accounts Committee that within the framework of the control activities of the Accounts Committee, the Control in the Ministry of Finance after the completeness and expediency of the receipts of the taxes and other obligatory payments to the republican budget, including production sector, was implemented.

Reports on tax and non-tax payments/receipts were reconciled in accordance with Technical specifications of the services purchased including:

- specification of list;
- receipt of Reports from Payers from system IIS USMS NP RoK;
- work with Payers on reports (specification of data, correction of technical errors related to violation of preparation procedure according to Report Completion Manual);
- receipt of Reports on Payers from Recipient;
- reconciliation of Reports of Payers with Reports of Recipient;
- when any discrepancies were identified, we sent inquiries by electronic mail to Payers for submission of supporting documents (statements issued by banks, payment orders, personal accounts, etc.) and to Recipient;
- preparation of Consolidated Report on Essential Tax and Non-Tax Payments/Receipts.

During the reconciliation, we have specified that 62 Payers performed audit of their financial reports for the year ending on December 31, 2014 prepared in accordance with IFRS, which means that the information on payments provided in reports of Payers is checked and supported by auditor's report. Other Payers have the audit being performed, it will be completed in the September. Information on Payers is shown in Attachment 1-6.

After discrepancies were specified, and reasons for discrepancies were identified, we prepared Consolidated Report on Essential Tax and Non-Tax Payments/Receipts for 2014 (Attachment 1-5). Information on payments to the budget broken down by Payers is shown in Attachment 1-6.

In 2014, according to Terms of Reference, 121 Companies were included in the reconciliation, including 65 ones from mining sector, and 56 ones from oil and gas sector. Ore mining LLP terminated its activities in 2014 due to the joining to NAC Kazatomprom JSC on October 1, 2014.

Out of 56 Companies of the hydrocarbon sector, EP KazMunayGas JSC reorganized its production branches – Ozenmunaigas and Embamunaigas to the separate joint stock

Companies. These JSC are included into the reconciliation check as independent Companies – subsoil users.

The Recipient of taxes and other mandatory payments to the budget (hereinafter - the “Recipient”) was:

- Committee on state revenues of the Ministry of Finance of the Republic of Kazakhstan.

Recipient submitted Reports on Payers, combined based on the registries of the payments, received from the Committee on state revenues of the Ministry of Finance of the Republic of Kazakhstan.

In 2014, KZT 4,817.6 billion were received by the budget from subsoil users as taxes and other payments including KZT 4,535.4 billion from oil and gas sector Payers (93.78% of all incomes), and KZT 282.1 billion from mining sector Payers (6.22% of all incomes).

In 2014, the discrepancy between the data provided by Payers and those provided by Recipient was equal to 25.5 bln. tenge, (0.53% of all payments) including 21.1 bbln. tenge paid by oil and gas sector, and 4.4 bln. tenge paid by mining sector Companies. The discrepancy is mainly present in Sections I-III "Taxes", and section IV "Customs Payments". Almost all the discrepancies are supported by personal accounts and payment orders.

The discrepancies between the data provided by Payers and those below in the Attachments 11-26. Total discrepancies between the information of the payers and recipients are calculated in modulus to reflect it objectively towards negative and/or positive side, therefore for the better understanding of the discrepancies it is important to get acquainted with the desagregated information.

4.1.1. Taxes

<i>Thousands tenge</i>	2014
Report of Payers	2 448 227 936
Report of the Recipient	2 442 267 533
Discrepancy	7 516 781

Including the result of reconciliation by taxes:

1. Corporate Income Tax, BCC 101101-101107

The total amount of Corporate Income Tax includes the corporate income tax amounts actually paid during reporting period subject to fines and penalties whether these amounts belong to a certain period or not, and irrespectively from the amount of tax indebtedness repaid at the expense of other excessive taxes or payments in strict compliance with BCCs specified. The excessive tax set off at the expense of other tax or payment must be calculated as reduction of the amount of payment.

in thousands tenge **2014**

Report of Payers	1 726 352 492
Report of Recipient	1 726 807 499

Discrepancy	473 700
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The discrepancy for Corporate Income Tax between the data provided by Payers and those provided by Recipient, is equal to 473 700 thousands tenge.

No	Company	Total data		Discrepancy	
		of Payer	of Recipient	Identified	Unidentified
1	Gornyak LLP	16 732	7 495	9 237	-
2	Karazhyra LTD LLP	846 412	846 424	-	12
3	Emir Oil LLP	488 074	487 974	100	-
4	CNPC AidanMunai JSC, BG branch	2 332 272	2 696 162	-	363 890
5	Karachaganak Limited	89 225 765	89 325 924	100 159	-
6	TengizChevroil LLP Branch of the Company	908 420 859	908 420 853	-	6
7	“Chevron International Petroleum Company”	52 787 939	52 788 226	287	-
8	Small discrepancies due to round off	-	-	9	-
Total		1 054 118 053	1 054 573 058	109 792	363 908

On the identified discrepancies the payers submitted the extracts from the bank account on the current status of set-offs with the budget, bank transfer orders, reconciliation acts with the Committee on state revenues of the Ministry of Finance of the Republic of Kazakhstan, a detailed information is provided in the *Attachment No.11*.

The unidentified discrepancies arose due to that the Payers did not submit supporting documentation relating to the discrepancy, CNPC AidanMunai JSC could not be reached despite multiple notifications and calls and it did not submit any clarifications.

2. Individual Income Tax, BCC 101201-101202, 101204-101205

The total amount of individual Income Tax includes the individual income tax amounts actually paid during reporting period subject to fines and penalties whether these amounts belong to a certain period or not, and irrespectively from the amount of tax indebtedness repaid at the expense of excessive taxes or payments in strict compliance with BCCs specified. The excessive payments set off by other payment is reduced by the amount offset.

Report of Payers	65 798 755
Report of Recipient	65 019 812

Discrepancy **781 890**

The discrepancy for Individual Income Tax between the data provided by Payer and those provided by Recipient, is equal to 781 890 thous. tenge.

The discrepancy is because Payers in their reports specified the amount less or more than that of Recipient as specified below:

No	Company	Total data		Discrepancy	
		of Payer	of Recipient	Identified	Unidentified
1	KazCooper LLP	43 958	43 430	528	-
2	EvroKhim Fertilizers LLP	15 218	12 718	2 500	-
3	Kazakhaltyn JSC	435465	154 236	281 229	-
4	Joint venture Kazgermunai LLP	366 547	353 904	12 643	-
5	Caspiy Oil JSC	148 510	146 921	1 589	-
6	KoZhan LLP	111 770	10 286	101 484	-
7	Maten Petroleum JSC	538 165	216 255	321 910	-
8	CNPC AiDanMunai JSC	105 865	105 952	-	87
9	Agip Caspian B.V. branch	57 366	58 747	1 381	-
10	CNPC Aktobemunaigas JSC	2 129 484	2 114 484	15 000	-
11	Sauts Oil LLP	488 736	471 295	17 441	-
12	Firma Ada Oil LLP	60 937	34 846	26 091	-
13	Small discrepancies due to round off	-	-	7	-
Total		4 502 021	3 723 074	781 803	87

On the identified discrepancies the payers submitted the extracts from the bank account on the current status of set-offs with the budget, bank transfer orders, reconciliation acts with the Committee on state revenues of the Ministry of Finance of the Republic of Kazakhstan, a detailed information is provided in the *Attachment No.12*.

The unidentified discrepancies arose in relation to CNPC AidanMunai JSC that did not submit any clarifications.

3. Social Tax, BCC 103101

Total amount of the said payments. It includes the amounts of the said payments actually made during the reporting period subject to fines and penalties whether these amounts belong to a certain period or not, and irrespectively from the amount of tax indebtedness repaid at the expense of excessive taxes or payments in strict compliance with BCCs specified. The excessive payments set off by other payment is reduced by the amount offset.

In thousands tenge **2014**

Report of Payers	64 398 870
Report of Receptient	63 774 789

Discrepancy	624 088
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The discrepancy for Social Tax between the data provided by Payers and those provided by Receptient, is equal to 624 088 thous. tenge.

The discrepancy is because Payers in their reports specified the amount less or more than that of Receptient as specified below:

No.	Company	Total data		Discrepancy	
		of Payer	of Receptient	Identified	Unidentified
1	EvroKhim Fertilizers LLP	12 303	10 303	2 000	-
2	TEMK VKO LLP	94 924	94 709	215	-
3	Kazakhaltyn JSC	348 742	128 997	219 745	-
4	Joint venture Kazgermunai LLP	319 270	305 566	13 704	-
5	Caspiy Oil JSC	140 698	139 545	1 153	-
6	KoZhan LLP	103 812	8 905	94 907	-
7	Maten Petroleum JSC	439 163	199 850	239 313	-
8	CNPC Aktobemunaigas JSC	814 326	800 326	14 000	-
9	Sauts Oil LLP	205 838	189 427	16 411	-
10	Firma Ada Oil LLP	55 893	33 257	22 636	-
11	Small discrepancies due to round off	-	-	4	-
Total		2 534 969	1 910 885	624 088	0

On the identified discrepancies the payers submitted the extracts from the bank account on the current status of set-offs with the budget, bank transfer orders, detailed information in the Attachment No. 13.

4. Property Tax, BCC 104101

In thousands tenge

2014

Report of Payers	45 527 873
Report of Recipient	45 303 707

Discrepancy	833 161
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The discrepancy for Property Tax between the data provided by Payers and those provided by Recipient, is equal to 833 161 thous. tenge.

The discrepancy is because Payers in their reports specified the amount more or less than that of Recipient as specified below:

No.	Company	Total data		Discrepancy	
		of Payer	of Recipient	Identified	Unidentified
1	SSGPO JSC	1 087 906	1 088 106	200	-
2	TEMK VKO LLP	2 662	2 462	200	-
3	Kazakhaltyn JSC	238 849	82 286	156 563	-
4	Joint venture Kazgermunai LLP	1 210 669	1 209 771	898	-
5	PetroKazakhstanKumkol Resources JSC	1 605 990	1 601 762	4 228	-
6	CNPC AiDanMunai JSC	2 946	278 240	-	275 294
7	CNPC Aktobemunaigas JSC	6 820 533	6 849 533	29 000	-
8	Sauts Oil LLP	561 651	194 879	366 772	-
9	Small discrepancies due to round off	-	-	6	-
Total		11 531 206	11 307 039	557 867	275 294

On the identified discrepancies the payers submitted the extracts from the bank account on the current status of set-offs with the budget, bank transfer orders, reconciliation acts with the Committee on state revenues of the Ministry of Finance of the Republic of Kazakhstan, a detailed information is provided in the Attachment No.14.

The unidentified discrepancies arose due to that the Payers did not submit supporting documentation relating to the discrepancy, CNPC AidanMunai JSC could not be reached despite multiple notifications and calls and it did not submit any clarifications.

5. Land Tax, BCC 104301-104308

in thousands tenge

2014

Report of Payers	3 211 506
Report of Recipient	3 165 646

Discrepancy **46 341**

The discrepancy for Land Tax between the data provided by Payers and those provided by Recipient, is 46 341 thous. tenge.

The discrepancy is because Payers in their reports specified the amount more or less (no penalties were taken into account) than that of Recipient as specified below:

No.	Company	Total data		Discrepancy	
		of Payer	of Recipient	Identified	Unidentified
1	Kazzinc LLP	269 711	266 841	2 870	-
2	KazCopper LLP	84	(1)	85	-
3	AS Gornyak LLP	200	3	197	-
4	NAC Kazatomprom JSC	9 708	49	9 659	-
5	JV Zarechnoe LLP	11	-	11	-
6	Inkai LLP	158	-	158	-
7	Vostochnoe MD LLP	84	62	22	-
8	TNC Kazkhrom JSC AO	194 294	189 331	4 963	-
9	Zhairem GOK JSC	194	81	-	113
10	Euroasian Energy Company JSC Aktobe branch of Alties Petroleum	117 575	99 685	17 890	-
11	International B.V.	2	-	2	-
12	EmbaMunaiGas JSC	960	720	240	-
13	Joint venture Kazgermunai LLP	(1 199)	(1 282)	83	-
14	Karazhanbasmunai JSC	896	7	889	-
15	Kuatamlommunai LLP PetroKazakhstanKumkol Resources	223	219	4	-
16	JSC	1 518	1 374	144	-
17	CNPC Aktobemunaigas JSC	2 114	2 353	-	239
18	Tarbagatai Munai LLP	34	28	6	-
19	Sauts Oil LLP	1 018	8	1 010	-
20	Mangystaumunaigas JSC	89 353	81 608	7 745	-
21	Firma Ada Oil LLP	-	(5)	5	-
22	Small discrepancies due to round off	-	-	6	-
Total		686 938	641 081	45 989	352

On the identified discrepancies the payers submitted the extracts from the bank account on the current status of set-offs with the budget, bank transfer orders, reconciliation acts with the Committee on state revenues of the Ministry of Finance of the Republic of Kazakhstan, a detailed information is provided in the Attachment No.15.

The unidentified discrepancies arose due to that the Payers did not submit supporting documentation relating to the discrepancy, CNPC AidanMunai JSC could not be reached despite multiple notifications and calls and it did not submit any clarifications.

6. Taxes on vehicles, BCC 104401**2014***in thousands tenge*

Report of Payers	487 247
Report of Recipient	482 638

Discrepancy	4 806
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The discrepancy for Land Tax between the data provided by Payers and those provided by Recipient, is 4 806 thous. tenge.

The discrepancy is because Payers in their reports specified the amount more or less (no penalties were taken into account) than that of Recipient as specified below:

No	Company	Total data		Discrepancy	
		of Payer	of Recipient	Identified	Unidentified
1	Kazakhaltyn JSC	8 599	7 932	667	-
2	Kazakhmys Corporation LLP	125 740	125 620	-	120
3	Emir-Oil LLP	1 684	1 784	100	-
4	Joint venture Kazgermunai LLP	3 537	3 071	466	-
5	Caspi Neft JSC	2 184	1 741	443	-
6	KoZhan LLP	1 691	1 199	492	-
7	Maten Petroleum JSC	3 169	2 611	558	-
8	Sauts Oil LLP	4 894	3 451	1 443	-
9	Firma Ada Oil LLP	654	300	354	-
10	Kazakhmys Aktogay LLP	477	313	164	-
11	Small discrepancies due to round off	-	-	(1)	-
Total		152 629	148 022	4 686	120

On the identified discrepancies the payers submitted the extracts from the bank account on the current status of set-offs with the budget, bank transfer orders, reconciliation acts with the Committee on state revenues of the Ministry of Finance of the Republic of Kazakhstan, a detailed information is provided in the *Attachment No.16*.

Unidentified discrepancies arouse due to that the Payer did not send any confirmation on the whole paid amount or on discrepancy.

7. Value added tax for goods produced, work performed, or services provided in the Republic of Kazakhstan, BCC 105101, 105109, 105110

<i>In thousands tenge</i>		2014
Report of Payers		(190 644 743)
Report of Recipient		(195 382 023)
Discrepancy		4 752 314

The discrepancies for Value Added Tax on the goods produced, work performed or services provided in the Republic of Kazakhstan between the data provided by Payers and those provided by Recipient, is 4 752 314 thousands tenge.

The discrepancy is because Payers in their reports specified the amount more or less than that of Recipient as specified below:

No.	Company	Total data		Discrepancy	
		of Payer	of Recipient	Identified	Unidentified
1	Arcelor Mittal JSC	(7 260 325)	(7 817 932)	557 608	-
2	Embamunaigas JSC	98 084	(1 645 443)	1 743 527	-
3	JV Arman LLP	658	(115 515)	116 173	-
4	Mangystau Munaigas JSC	(9 473 958)	(9 466 441)	7 517	-
5	Kazakhoil Aktobe JSC	-	(924 630)	924 630	-
6	CNPC AiDanMunai JSC	24 800	(1 378 056)	-	1 402 856
7	Small discrepancies due to round off	-	-	3	-
Total		(16 610 741)	(21 348 017)	3 349 458	1 402 856

On the identified discrepancies the payers submitted the extracts from the bank account on the current status of set-offs with the budget, bank transfer orders, detailed information in the Attachment No. 17.

8. Value added tax for non-resident, BCC 105104

<i>In thousands tenge</i>		2014
Report of Payers		9 934 430
Report of Recipient		9 934 434
Discrepancy		4

The discrepancy for Value Added Tax for Non-resident between the data provided by Payers and those provided by Recipient, is 4 thous. tenge.

The discrepancy is due to round off.

9. Excise taxes, BCC 105201-105211, 105216, 105218-105221, 105224, 105229, 105236-105237, 105290-105297

<i>In thousands tenge</i>		2014
Report of Payers		10 910
Report of Recipient		10 434
Discrepancy		476

The discrepancy for Excise Tax between the data provided by Payers and those provided by Recipient, is 476 thous.tenge.

The discrepancy is because Payers in their reports specified the amount more or less than that of Recipient as specified below:

No	Company	Total data		Discrepancy	
		of Payer	of Recipient	Identified	Unidentified
1	Kazzinc LLP	475	-	475	-
4	Small discrepancies due to round off	-	-	1	-
Total		475	-	476	-

Kazzinc LLP sent an extract from the current bank account on BCC 105297 as a supporting document:

No	Company	Paid			Returned from the budget			Total
		tax	penalty	fine	tax	penalty	fine	
1	Kazzinc LLP	284	1	-	-	-	-	285
2	Kazzinc LLP	100	-	-	-	-	-	100
3	Kazzinc LLP	90	-	-	-	-	-	90
Total		474	1	-	-	-	-	475

10. Rent Tax, BCC 105307 и 105327

<i>In thousands tenge</i>		2014
Report of Payers		723 150 597
Report of Recipient		723 150 597
Discrepancy		-

There is no discrepancy for the Rent tax.

4.1.2. Special payments for Subsoil Use

In thousands tenge **2014**

Report of Payers	1 522 733 937
Report of Recipient	1 522 943 417

Discrepancy **241 686**

Including the result of reconciliation by taxes:

1. Excess Profits Tax, BCC 105302 и 105322

In thousands tenge **2014**

Report of Payers	82 200 427
Report of Recipient	82 426 003

Discrepancy **225 578**

The discrepancy for Excess Profits Tax between the data provided by Payers and those provided by Recipient is equal to 225 578 thous. tenge.

This discrepancy remains unidentified on CNPC Ai DanMunai JSC.

No	Company	Total data		Discrepancy	
		of Payer	of Recipient	Identified	Unidentified
1	CNPC Ai DanMunai JSC Small discrepancies due to round	566 000	791 577	-	225 577
2	off	-	-	1	-
Total		566 000	791 577	1	225 577

2. Bonuses, BCC 105305, 105325

In thousands tenge **2014**

Report of Payers	8 103 376
Report of Recipient	8 103 375

Discepancy **1**

The discrepancy for Bonuses between the data provided by Payers and those provided by Recipient is 1 thous. tenge.

This discrepancy arose due to the round off and it is insignificant.

3. Mineral Production Tax, BCC 105306, 105326

In thousands tenge **2014**

Report of Payers	1 072 633 844
Report of Recipient	1 072 633 763

Discepancy **90**

The discrepancy for Production Tax between the data provided by Payers and those provided by Recipient, is 90 thousand tenge.

This discrepancy arose due to that the Payer reflected in the report the paid tax for the seasonal children's recreational centre "Zhezkazganec" and the Receptient did not:

No	Company	Total data		Discrepancy	
		of Payer	of Recipient	Identified	Unidentified
1	Kazakhmys LLP	18 738 460	18 738 376	84	-
2	Insignificant discrepancies due to round off	-	-	6	-
Total		18 738 460	18 738 376	90	-

4. Share of the Republic of Kazakhstan on production sharing, BCC 105308, 105328

In thousands tenge **2014**

Report of Payers	352 349 260
Report of Recipient	352 349 260

Discepancy **-**

There is no discrepancy.

5. Additional payment of the subsoil user, carrying out activity under the contract on the production sharing, BCC 105312, 105329

In thousands tenge **2014**

Report of Payers	-
Report of Recipient	-

Discrepancy **-**

There is no discrepancy.

6. Historical cost indemnification payment, BCC 105319, 201903

<i>In thousands tenge</i>		2014
Report of Payers		7 447 032
Report of Recipient		7 431 016
Discrepancy		16 016

The discrepancy for Historical Cost Indemnification Payment between the data provided by Payers and those provided by Recipient, is 16 016 thous. tenge.

The discrepancy is because Payer in its report specified the amount more than that of Recipient as specified below:

No	Company	Total data		Discrepancy	
		of Payer	of Recipient	Identified	Unidentified
1	VaruMining LLP	6 836	-	6 836	-
2	Tau-Ken Samruk JSC	9 180	-	9 180	-
Total		16 016	-	16 016	-

VaruMining LLP and Tau-Ken Samruk JSC submitted the bank orders for the amount of tax paid as supporting documentation, the MF of the RoK did not reconciled these payments:

No.	Company	Bank order No.	Date of the bank order	Amount in thousands tenge
1	VaruMining LLP	1003	15.07.2014	6 653
2	VaruMining LLP	1622	29.10.2014	183
Итого				6 836
1	Tau-Ken Samruk JSC	219	05.03.2014	248
2	Tau-Ken Samruk JSC	241	13.03.2014	1 141
3	Tau-Ken Samruk JSC	275	19.03.2014	988
4	Tau-Ken Samruk JSC	274	19.03.2014	79
5	Tau-Ken Samruk JSC	276	19.03.2014	62
6	Tau-Ken Samruk JSC	845	17.06.2014	380
7	Tau-Ken Samruk JSC	843	17.06.2014	6 234
8	Tau-Ken Samruk JSC	1278	11.09.2014	7
9	Tau-Ken Samruk JSC	1277	11.09.2014	20
10	Tau-Ken Samruk JSC	1374	03.10.2014	21
Total				9 180

4.1.3. Other non-tax incomes to the budget

<i>In thousands tenge</i>		2014
Report of Payers		104 594 889
Report of Recipient		101 484 040
Discrepancy		9 319 909

Including the result of reconciliation by taxes:

1. Environmental Emission Payment, BCC 105303, 105304, 105309, 105310, 105313-105316

<i>In thousands tenge</i>		2014
Report of Payers		65 797 662
Report of Recipient		68 085 349
Discepancy		2 766 439

The discrepancy for Environmental Emission Payment between the data provided by Payers and those provided by Recipient, is 2 766 439 thous. tenge.

The discrepancy is because Payers in their reports specified the amount more or less than that of Recipient as specified below:

No	Company	Total data		Discrepancy	
		of Payer	of Recipient	Identified	Unidentified
1	Orken LLP	362 700	133 360	229 340	-
2	Akbastau LLP	2 535	4 243	1 708	-
3	EvroKhim Fertilizers LLP	13 619	9 019	4 600	-
4	Aluminiy Kazakhstan TBRU JSC	43 185	43 088	97	-
5	TEMK VKO LLP	68 048	66 403	1 645	-
6	Euroasian Energy Company JSC	2 858 775	2 858 821	46	-
7	Kazakhaltyn JSC	94 342	93 817	525	-
9	AK Altynalmas JSC	68 519	69 465	946	-
10	Caspi Neft LLP	4 534	4 523	11	-
11	KoZhan LLP	3 828	3 776	52	-
12	Maten Petroleum JSC	6 163	6 130	33	-
13	Petro Kazakhstan Kumkol Resources JSC	19 888 483	19 888 155	328	-
14	CNPC Ai DanMunai JSC	1 656	2 525 630	-	2 523 974
15	CNPC Aktobemunaigas JSC	7 093 194	7 093 576	382	-
16	Sauts Oil LLP	1 424 608	1 422 903	1 705	-
17	Firma Ada Oil LLP	2 190	1 205	985	-
18	SSGPO JSC	3 516 222	3 516 170	-	52
19	Small discrepancies due to round off			10	-
Total		35 452 601	37 740 284	242 413	2 524 026

On the identified discrepancies the payers submitted the extracts from the bank account on the current status of set-offs with the budget, bank transfer orders, reconciliation acts with the Committee on state revenues of the Ministry of Finance of the Republic of Kazakhstan, a detailed information is provided in the *Attachment No.18*.

Unidentified discrepancies arose due to that the Payer did not send any confirmation on the whole paid amount or on discrepancy.

2. Funds received from subsoil users under claims for damage caused by oil sector Companies, BCC 204203

<i>In thousands tenge</i>	2014
Report of Payers	20 702 549
Report of Recipient	20 138 654
Discrepancy	563 895

The discrepancy on Funds received from subsoil users under claims for damage from oil sector Companies between the data provided by Payers and those provided by Recipient is equal to 563 895 thous. tenge.

The discrepancy is because Payer in its report specified the amount less or more than that of Recipient as specified below:

No.	Company	Total data		Discrepancy	
		of Payer	of Recipient	Identified	Unidentified
1	Embamunaigas JSC	396	-	396	-
2	JV Arman LLP	70	-	70	-
3	BuzachiNeft LLP	3 272	-	3 272	-
4	Emir-Oil LLP	123 782	-	123 782	-
5	JV Zhaikmunai LLP	540	-	540	-
6	JV Kazgermunai LLP	175	-	175	-
7	Petro Kazakhstan Kumkol Resources JSC	1 702	-	1 702	-
8	Ural Oil and Gas LLP	433 958	-	433 958	-
Total		563 895	-	563 895	-

JV Arman LLP and other Companies submitted as a proof of the payment of the whole amount of tax bank orders:

No.	Company	No. of bank order	Date of the bank order	Amount in thousands tenge
1	JV Arman LLP	20908	09.10.2014	70
Total				70
1	BuzachiNeft LLP	1901	14.07.2014	3 272
Total				3 272

1	Emir-Oil LLP	8	08.01.2014	121 373
2	Emir-Oil LLP	92	21.01.2014	2 409
Total				123 782
1	JV Zhaikmunai LLP	6049	25.06.2014	537
2	JV Zhaikmunai LLP	76	09.01.2014	3
Total				540
1	JV Kazgermunai LLP	519	21.01.2014	175
Total				175
Petro Kazakhstan Kumkol Resources				
1	JSC	240PQ7UQ7	20.08.2014	1 702
Total				1 702
1	Ural Oil and Gas LLP	504	05.05.2014	429 945
2	Ural Oil and Gas LLP	464	28.04.2014	4 013
Total				433 958
1	Embamunaigas JSC	136288	04.03.2014	347
2	Embamunaigas JSC	135668	20.02.2014	46
3	Embamunaigas JSC	135862	24.02.2014	2
4	Embamunaigas JSC	136082	28.02.2014	1
Total				396

MF of RoK did not reflect these amount in the reconciliation.

3. Funds received from subsoil users under claims for damage except for funds received from oil sector Companies, BCC 204110

In thousands tenge **2014**

Report of Payers	511 458
Report of Recipient	249 476

Discrepancy **261 982**

The discrepancy on Other non-tax receipts from oil sector Companies between the data provided by Payers and those provided by Recipient, is equal to 261 982 thous. tenge. The discrepancy is because Payers in their reports specified the amount more or less than that of Recipient as specified below:

No	Company	Total data		Discrepancy	
		of Payer	of Recipient	Identified	Unidentified
1	TEMK VKO LLP	27	-	27	-
2	Kazzinc LLP	39 541	-	39 541	-
3	Karazhyra LLP	1 021	-	1 021	-
4	Karatau, Kazphosphat LLP	23	-	23	-
5	KATKO LLP	228	-	228	-
6	Karatau, Kazatomprom LLP	29 611	-	29 611	-
7	Kyzylkum, Kazatomprom LLP	15	-	15	-
8	Betpak Dala LLP	339	-	339	-
9	Inkai LLP	385	-	385	-

10	Aluminiy of Kazakhstan TBRU JSC	21 457	-	21 457	-
11	Aluminiy of Kazakhstan KBRU JSC	143 227	-	143 227	-
12	Kazakhmys Corporation LLP	17 349	-	17 349	-
13	Kaz GPZ LLP	8 757	-	8 757	-
14	Insignificant discrepancies due to round off	-	-	2	-
Total		261 980	-	261 982	-

On the identified discrepancies the payers submitted the extracts from the bank account on the current status of set-offs with the budget, bank transfer orders, detailed information in the *Attachment No. 19*.

4. Other non-tax receipts from the oil sector Companies, BCC 206111, 204201-204202

<i>In thousands tenge</i>		2014
Report of Payers		12 533 309
Report of Recipient		9 553 865
Discrepancies		3 035 658

The discrepancy on Other non-tax receipts from oil sector Companies between the data provided by Payers and those provided by Recipient, is equal to 3 035 658 thous.tenge.

The discrepancy is because Payers in their reports specified the amount more than that of Recipient as specified below:

No	Company	Total data		Discrepancy	
		of Payer	of Recipient	Identified	Unidentified
1	Atyrau branch of Alties Petroleum International B.V.	2 761	-	2 761	-
2	Embamunaigas JSC	9 136	2 569	6 567	-
3	JV Arman LLP	3 001	-	3 001	-
4	BuzachiNeft LLP	1 186	-	1 186	-
5	Emir-Oil LLP	29 218	-	29 218	-
6	JV Kazgermunai LLP	9 221	-	9 221	-
7	Karazhanbasmunai JSC	-	28 107	28 107	-
8	Caspi Neft LLP	-	-242 575	-	242 575
9	KMK Munai LLP	15 070	-	15 070	-
10	Kuatamlonmunai LLP	8 108	-	8 108	-
11	Petro Kazakhstan Kumkol Resources JSC	5 839	-	5 839	-
12	SagizPetroleumCompany LLP	312 275	307 402	4 873	-
13	Kazakhoil Aktobe LLP	2 112 457	-	2 112 457	-
14	Karachaganak Petroleum Operating JSC	566 675	-	566 675	-
Total		3 074 947	95 503	2 793 083	242 575

On the identified discrepancies the payers submitted the extracts from the bank account on the current status of set-offs with the budget, bank transfer orders, detailed information in the *Attachment No. 20*.

On the unidentified discrepancy the MF RoK sent a statement-confirmation on the payment of tax, the Payer was not able to submit the current statement from the account and bank order because he reported on this BCC a zero income.

5. Other non-tax receipts to the state rbudget except for receipts from oil sector Companies, BCC 206108, 204119-204152

<i>In thousands tenge</i>	2014
Report of Payers	259 304
Report of Recipient	(224 170)
Discrepancy	483 832

The discrepancy on Other non-tax receipts from oil sector Companies between the data provided by Payers and those provided by Recipient, is equal to 483 832 thous. tenge.

The discrepancy is because Payers in its report specified the amount less or more than that of Recipient as specified below:

No	Company	Total data		Discrepancy	
		of Payer	of Recipient	Identified	Unidentified
1	Embamunaigas JSC	3 274	87	3 187	-
2	Buzachi Neft LLP	92	-	92	-
3	Emir-Oil LLP	2 402	-	2 402	-
4	Zhaiymunai LLP	63	-	63	-
5	JV Kazgermunai LLP	4 950	-	4 950	-
6	KazGPZ LLP	209	-	209	-
7	Caspi Neft LLP	19	-	19	-
8	KMK Munai LLP	665	(465)	1 130	-
9	Kuatamlommunai LLP	2 334	-	2 334	-
10	PetroKazakhstan Kumkol Resources JSC	5 601	-	5 601	-
11	PotencialOil LLP	204	(55)	259	-
12	Sagiz Petroleum Company LLP	555	-	555	-
13	CNPC AktobemunaigasJSC	295	(308 903)	309 198	-
14	Kazakhoil Aktobe LLP	1 915	37	1 878	-
15	Karachaganak Petroleum Operating JSC	3 742	-	3 742	-
16	Arcelor Mittal Temirtau LLP	3 465	2 516	-	949
17	Orken LLP	8 173	1 715	6 458	-
18	Temir Service LLP	560	-	560	-
19	Sary Kazna LLP	83	-	83	-
20	On Olzha LLP	3 595	1 494	2 101	-
21	Copper Technology LLP	1 783	-	1 783	-
22	Kazzink LLP	87 450	520	86 930	-
23	Kazcooper LLP	2 055	74	1 981	-

	Aktubinskaya mednaya kompaniya				
24	JSC	1 695	-	1 695	-
25	Aktobe-Temir VS LLP	1 039	-	1 039	-
26	Varu mining LLP	46	-	46	-
27	Karazhyra LLP	224	-	224	-
28	Karatau, Kazphosphat LLP	73	-	73	-
29	SGHK LLP	-	141	141	-
30	KATKO LLP	1 341	125	1 216	-
31	Karatau, Kazatomprom LLP	722	694	28	-
32	ZAO Zarechnoe, Kazatomprom	99	-	99	-
33	Betpak-Dala LLP	1 109	168	941	-
34	Inkai LLP	4 169	-	4 169	-
35	SSGPO JSC	16 765	-	16 765	-
36	Kostainai mineral JSC	9	-	9	-
	Aluminiy of Kazakhstan TBRU				
37	JSC	249	-	249	-
	Aluminiy of Kazakhstan KBRU				
38	JSC	222	-	222	-
39	Shubarkol komir JSC	2 371	66	2 305	-
40	TEMK LLP	65 266	63 323	1 943	-
41	Maikain zoloto JSC	-	37	37	-
42	Kazakhmys Corporation LLP	66 980	50 816	16 164	-
	Insignificant discrepancies due to				
43	round off	-	-	3	-
	Total	295 863	(187 610)	482 883	949

On the identified discrepancies the payers submitted the extracts from the bank account on the current status of set-offs with the budget, bank transfer orders, detailed information in the *Attachment No. 21*.

Unidentified Discrepancies arose due to that the Payer did not send confirmation for the whole amount paid of for discrepancy.

6. Other non-tax receipts to the local budget, including, BCC 206109

In thousands tenge

2014

Report of Payers	2 781 343
Report of Recipient	1 202 759

Discrepancy	1 578 584
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The discrepancy on Other non-tax receipts to the local budget between the data provided by Payers and those provided by Recipient, is equal to 1 578 584 thous. tenge. The discrepancy is because Payers in their reports specified the amount more or less than that of Recipient as specified below:

No	Company	Total data		Discrepancy	
		of Payer	of Recipient	Identified	Unidentified
	Atyrau branch of Alties Petroleum				
1	International B.V.	17 385	(5 710)	23 095	-
	Aktobe branch of Alties				
2	Petroleum International B.V.	10 981	7 341	3 640	-
3	Buzachi Neft LLP	45 515	-	45 515	-
4	Kazakhturkmunai LLP	18 202	-	18 202	-

5	Zhaiykmunai LLP	110 142	-	110 142	-
6	Caspi Neft LLP	36 492	(39 553)	76 045	-
7	Ken-Sary LLP	72 820	-	72 820	-
8	KMK Munai LLP	9 176	-	9 176	-
9	KoZhan LLP	44 656	-	44 656	-
10	Kuatamlommunai LLP	31 528	-	31 528	-
11	Maten Petroleum JSC	11 140	-	11 140	-
12	Potencial Oil LLP	12 450	(34 203)	46 653	-
13	Sagiz Petroleum Company LLP	55 353	-	55 353	-
14	Samek International LLP	32 647	(36 174)	68 821	-
15	CNPC Aktobemunaigas JSC	73 408	63 408	10 000	-
16	Sazankurak LLP	18 278	3 985	-	14 293
17	Ural Oil and Gas LLP	27 677	-	27 677	-
18	Semizbay-U LLP	30 000	-	30 000	-
19	Orken LLP	2 550	-	2 550	-
20	SaryKazyna LLP	7 285	-	7 285	-
21	CopperTechnology LLP	25 396	-	25 396	-
22	Kazzinc LLP	3 009	-	3 009	-
23	KazCooper LLP	24 396	-	24 396	-
24	Kazgeorud LLP	103 627	-	103 627	-
25	Bogatyr Komir LLP	46 200	-	46 200	-
26	Aktyubinskaya mednaya kompaniya LLP	10 940	-	10 940	-
27	Kazakhmys Aktogai LLP	3 434	-	3 434	-
28	FonetEr-tai AK mining LLP	1 830	-	1 830	-
29	Varu Mining LLP	7 400	-	7 400	-
30	Teriskey LLP	363	-	363	-
31	Karatau, Kazatomprom LLP	25 693	-	25 693	-
32	ZAO Kazatomprom	528 718	-	528 718	-
33	ZAO Zarechnoe	9 103	-	9 103	-
34	Inkai LLP	15 000	-	15 000	-
35	Er-Tai LLP	6 405	-	6 405	-
36	Nova Zink LLP	12 100	-	12 100	-
37	Vostochnoe MD LLP	2 415	-	2 415	-
38	Kostanai mineral JSC	30 000	-	30 000	-
39	Tau-Ken Samruk JSC	4 588	-	4 588	-
40	Corporation Kazakhmys LLP	9 377	-	9 377	-
41	Insignificant discrepancies due to round off	-	-	1	-
Total		1 537 679	(40 906)	1 564 291	14 293

On the identified discrepancies the payers submitted the extracts from the bank account on the current status of set-offs with the budget, bank transfer orders, detailed information in the *Attachment No. 22*.

Unidentified Discrepancies arose due to that the Payer did not send confirmation for the whole amount paid of for discrepancy.

7. Receipts for the social-economic development of the region and development of its infrastructure, including BCC 206114

In thousands tenge

2014

Report of Payers	2 009 264
Report of Recipient	2 478 107

Discrepancy **629 519**

Note. Explanation of discrepancies was performed less data of BCC 201 114, since it is in the annex 1-5 were summarized into BCC 206 109 (that is included). Discrepancy on other non-tax receipts to the local budget between the data provided by Payers and the data provided by the Recipient is equal to 629 519 thousands tenge.

The discrepancy is because Payers in its report specified the amount less or more than that of Recipient as specified below:

No	Company	Total data		Discrepancy	
		of Payer	of Recipient	Identified	Unidentified
1	Kolzhan LLP	-	540 900	-	540 900
2	CNPC Ai Dan Munai JSC	127 439	63 718	-	63 721
3	Kazzinc LLP	2 342	8 623	6 281	-
4	Karazhyra LLP	3 617	-	3 617	-
5	FIK Alel JSC	-	2 000	-	2 000
6	Zhairem GOK JSC	13 000	-	13 000	-
7	Insignificant discrepancies due to the round off	-	-	1	-
Total		146 398	615 241	22 898	606 621

Karazhyra LLP and Kazzinc LLP submitted the supporting documentation in the form of bank orders for the whole amount of payment:

No.	Company	No. Of the bank order	Date of payment	Amount of tax
1	Karazhyra LLP	162	16.01.2014	3 617
Total				3 617
1	Kazzinc LLP	76856	21.10.2014	2 342
Total				2 342
1	Zhairem GOK JSC	3693	03.12.2014	5 000
2	Zhairem GOK JSC	2625	29.08.2014	8 000
Total				13 000

Unidentified Discrepancies arise due to that the Payer did not send confirmation for the whole amount paid of for discrepancy.

4.1.4. Customs payments

<i>In thousands tenge</i>		2014
Report of Payers		745 632 019
Report of Recipient		750 857 106
Discrepancy		8 585 654

Including the result of reconciliation broken down by customs payments:

1. Customs Payments, BCC 106101, 106102, 106105, 106110-106112

<i>in thousands tenge</i>		2014
Report of payers		711 981 825
Report of Recipient		718 324 406
Discrepancy		7 399 379

The discrepancy for Customs Payments between the data provided by Payers and those provided by Recipient, is equal to 7 399 379 thous. tenge.

The discrepancy is because Payers in their reports specified the amount more or less than that of Recipient as specified below:

No	Company	Total data		Discrepancy	
		of Payer	of Recipient	Identified	Unidentified
1	Arcelor Mittal Temirtau LLP	2 427 085	2 407 427	19 658	-
2	Kazakhmys Aktogay LLP	2 171 916	1 967 702	204 214	-
3	Karazhyra LTD LLP	1 152	870	282	-
4	SGHK LLP	19 175	19 811	636	-
5	EvroKhim Fertilizers LLP	-	3	-	3
6	SSGPO JSC	1 391 017	1 192 017	199 000	-
	Aluminiy of Kazakhstan, fl				
7	KBRU JSC	29 500	-	29 500	-
8	Zhairem GOK JSC	153 081	153 088	7	-
9	Kazakhmys Corporation LLP	318 679	300 801	26 828	-
10	Buzachi Neft LLP	20 751 734	20 751 759	25	-
11	Karazhanbasmunai JSC	22 068 468	22 075 697	7 229	-
	Karachaganak Petroleum				
12	Operating JSC	3 880 769	3 878 153	2 616	-
13	Kolzhan LLP	2 156 000	2 105 226		50 774
14	KomMunai LLP	2 452 106	2 452 246	140	-
15	CPC Ai DanMunai JSC	1 476 720	1 652 861	-	176 141
16	CNPC Aktobemunaigas JSC	27 178 244	33 714 492	6 536 248	-
17	Tasbulat Oil Corporation LLP	1 834 584	1 834 754	170	-
18	Tengizchevroil LLP	378 998 205	378 999 409	1 204	-
19	Kazakhoil Aktobe LLP	5 032 503	5 177 203	144 700	-
	Insignificant discrepancies due to				
20	round off	-	-	4	-
Total		472 340 938	478 683 519	7 172 461	226 918

On the identified discrepancies the payers submitted the extracts from the bank account on the current status of set-offs with the budget, bank transfer orders, reconciliation acts with the Committee on state revenues of the Ministry of Finance of the Republic of Kazakhstan, a detailed information is provided in the *Attachment No.23*.

Unidentified discrepancies arise due to that the Payers did not send any confirmation on the whole paid amount or on discrepancy.

2. Other taxes on international trade and transactions, BCC 106201-106204

<i>in thousands tenge</i>	2014
Report of Payers	7 276 144
Report of Recipient	7 277 970
Discrepancies	14 171

The discrepancy for Other taxes on international trade and transactions between the data provided by Payers and those provided by Recipient, is equal to 14 171 thous. tenge.

The discrepancy is because Payers in their reports specified the amount more or less than that of Recipients as specified

below:

The data of Payers is confirmed by the reconciliation checks on customs duties, taxes and penalties and BCC 106201.

No	Company	Total data		Discrepancy	
		of the Payer	of the Recipient	Identified	Unidentified
1	Arcelor Mittal Temirtau JSC	400 168	400 308	140	-
2	Semizbay LLP	182	155	27	-
3	KazCopper LLP	86	267	181	-
4	KazakhmysAktogai LLP	4 277	5 412	1 135	-
5	Karazhyra LLP	2 800	2 737	63	-
6	SGHK LLP	313	376	63	-
7	ZAO Zarechnoe, Kazatomprom	551	536	15	-
8	APPAK LLP	114	-	114	-
9	EvroKhim Fertilizers LLP	500	521	21	-
10	SSGPO JSC	5 705	1 885	3 820	-
11	Kostanai mineral JSC	5 053	4 940	113	-
12	Varvarinskoye JSC	2 000	2 051	51	-
13	TNC Kazkhrom JSC	31 755	31 740	15	-
14	Aluminiy of Kazakhstan, KBRU, JSC	470	-	470	-
15	TEMK LLP	890	1 016	126	-
16	Zhairem GOK JSC	1 000	1 016	16	-
17	AK Altynalmas JSC	4 084	4 133	49	-
19	Zhaiykmunai LLP	352 626	352 623	3	-
20	KazGPZ LLP	6 350	6 366	16	-
21	Karachaganak Petroleum Operating JSC	2 810 891	2 809 827	1 064	-

22	Kolzhan LLP	720	378	342	-
23	KomMunai LLP	48 169	48 215	46	-
	PetroKazakhstan Kumkol				
24	Resources JSC	364 900	364 801	99	-
25	CNPC Ai DanMunai JSC	-	94	-	94
26	CNPC Aktobemunaigas JSC	533 892	533 865	27	-
27	Tasbulat Oil Corporation LLP	33 680	33 686	6	-
28	Tengizchevroil LLP	37 290	37 966	676	-
29	Kazakhoil Aktobe LLP	114 445	119 785	5 340	-
	Shell Kazakhstan				
30	Development	-	18	-	18
	Branch of Agip Caspian				
31	C.B.V.	43	61	18	-
	Insignificant discrepancies due				
32	to round off	-		3	-
Total		4 762 954	4 764 778	14 059	112

On the identified discrepancies the payers submitted the extracts from the bank account on the current status of set-offs with the budget, bank transfer orders, reconciliation acts with the Committee on state revenues of the Ministry of Finance of the Republic of Kazakhstan, a detailed information is provided in the *Attachment No.24*.

Unidentified discrepancies arouse due to that the Payers did not send any confirmation on the whole paid amount or on discrepancy.

3. Excise taxes on the goods imported to the RoK, BCC 105270-105213

<i>In thousands tenge</i>		2014
Report of Payers		3 407
Report of Recipient		3 407
Discrepancy		-

There is no discrepancy for Excise taxes on goods imported to the Republic of Kazakhstan between the data provided by Payers and those provided by Recipient.

4. Value added tax on the goods imported to the Republic of Kazakhstan except for value added tax on the goods originating and imported from the Russian Federation, BCC 105102

<i>In thousands tenge</i>		2014
Report of Payers		26 337 424
Report of Recipient		25 293 238
Discrepancy		1 096 970

The discrepancy for Value Added Tax on the goods imported to the Republic of Kazakhstan between the data provided by Payers and those provided by Recipient is equal to 1 096 970 thousand tenge.

The discrepancy is because Payers in their reports specified the amount more or less than that of Recipient as specified below:

No	Company	Total data		Discrepancy	
		of Payer	of Recipient	Identified	Unidentified
1	Karazhanbasmunai JSC Karachaganak Petroleum	107 312	108 581	-	1 269
2	Operating JSC	6 094 920	6 083 567	11 353	-
3	KomMunai LLP Petro Kazakhstan Kumkol	1 640	1 800	160	-
4	Resouces JSC	278 300	277 195	1 105	-
5	CNPC Ai DanMunai JSC	-	23 769	-	23 769
6	Tasbulat Oil Corporation LLP	38 173	38 358	185	-
7	Arcelor Mittal Temirtau JSC	4 838 017	4 825 295	-	12 722
8	KazCooper LLP	28 984	29 038	54	-
9	Kazakhmas Aktogay LLP	1 576 048	1 389 272	186 776	-
10	Bogatyр Komir LLP	69 519	54 519	15 000	-
11	SGHK LLP	79 974	80 870	896	-
12	Karazhyra LLP	1 649	1 227	422	-
13	EvroKhim Fertilizers LLP	-	13	-	13
14	SSGPO JSC Aluminiy of Kazakhstan,	2 474 000	1 735 000	739 000	-
15	KBRU, JSC	104 200	-	104 200	-
16	Zhairem GOK JSC	120 709	120 727	18	-
17	AK Altynalmas JSC	4 809	4 836	27	-
18	Insignificant discrepancies due to round off	-	-	1	-
Total		15 818 254	14 774 067	1 059 197	37 773

On the identified discrepancies the payers submitted the extracts from the bank account on the current status of set-offs with the budget, bank transfer orders, reconciliation acts with the Committee on state revenues of the Ministry of Finance of the Republic of Kazakhstan, a detailed information is provided in the *Attachment No.25*.

5. Value added tax on the goods originating and imported from the Russian Federation, BCC 105105, 105108

In thousands tenge **2014**

Report of Payers	33 218
Report of Recipient	(41 915)

Discrepance **75 135**

The discrepancies for Value Added Tax between the data provided by Payers and those provided by Recipient is 75 135 thous. tenge.

The discrepancy is because Payers in their reports specified the amount more or less than that of the Recipient as specified below:

No	Company	Total data		Discrepancy	
		of Payer	of Recipient	Identified	Unidentified
1	Buzachi Neft LLP	47 918	-	47 918	-
2	Kazakhoil Aktobe LLP	24 734	-	24 734	-
3	Firma Fiztech LLP	2 482	-	2 482	-

4	Insignificant discrepancies to round off	-	-	1	-
Total		75 134	-	75 135	-

On the identified discrepancies the payers submitted the extracts from the bank account on the current status of set-offs with the budget, bank transfer orders, reconciliation acts, cards on customs payments with the Committee on state revenues of the Ministry of Finance of the Republic of Kazakhstan, a detailed information is provided in the Attachment No.26.

4.2. Payments in Foreign Currency (USA Dollars)

	2014 <i>in thousands USA dollars</i>	2014 <i>in thousands tenge</i>
Report of Payers	12 274 776	2 203 457 019
Report of Recipient	12 274 776	2 203 457 019
Discrepancy	-	-

Including the result of reconciliation broken down by taxes paid in foreign currency:

1. Corporate Income Tax, BCC 101102-101107

	2014 <i>in thousands USA dollars</i>	2014 <i>in thousands tenge</i>
Report of Payers	6 832 492	1 230 170 996
Report of Recipient	6 832 492	1 230 170 996
Discrepancy	-	-

2. Individual Income Tax, BCC 101204

	2014 <i>in thousands USA dollars</i>	2014 <i>in thousands tenge</i>
Report of Payers	36 907	6 681 289
Report of Recipient	36 907	6 681 289
Discrepancy	-	-

3. Property Tax, BCC 104101

	2014 <i>in thousands USA dollars</i>	2014 <i>in thousands tenge</i>
Report of Payers	14 937	2 723 091
Report of Recipient	14 937	2 723 091
Discrepancy	-	-

4. VAT, BCC 105101-105104

	2014 <i>in thousands USA dollars</i>	2014 <i>in thousands tenge</i>
Report of Payers	168 633	30 645 823
Report of Recipient	168 633	30 645 823
Discrepancy	-	-

5. Production Tax, BCC 105326

	2014 <i>in thousands USA dollars</i>	2014 <i>in thousands tenge</i>
Report of Payers	3 312 805	585 763 168
Report of Recipient	3 312 805	585 763 168
Discrepancy	-	-

6. Share of the Republic of Kazakhstan on production sharing, BCC 105308 and 105328

	2014 <i>in thousands USA dollars</i>	2014 <i>in thousands tenge</i>
Report of Payers	1 909 002	347 472 655
Report of Recipient	1 909 002	347 472 655
Discrepancy	-	-

Seven Payers which, according to subsoil use contracts, pay taxes and make other mandatory payments to the budget in foreign currency (US dollars) provided their Reports denominated in US dollars.

When reports for every Company were reconciled, foreign currency was converted into tenge on the date of payments made to the budget.

4.3. Total taxes and other obligatory payments to the budget

<i>In thousands tenge</i>	2014
Report of Payers	4 821 188 781
Report of Recipient	4 817 552 095
Discrepancy	25 664 031

Including:

4.3.1. Tax Payments to the Budget from Payers of Oil and Gas Sector

<i>In thousands tenge</i>	2014
Report of Payers	4 534 716 943
Report of Recipient	4 535 446 022
Discrepancy	21 259 670

The discrepancy on Tax payments to the budget from oil and gas sector Companies between the data provided by Payers and those provided by Recipient is equal to 21 136 012 thous. tenge.

4.3.2. Tax Payments to the Budget from Payers of Mining Sector

<i>In thousands tenge</i>	2014
Report of Payers	286 471 838
Report of Recipient	282 106 073
Discrepancy	4 404 361

The discrepancy on Tax payments to the budget from mining sector Payers between the data provided by Payers and those provided by Recipient is equal to 4 404 361 thous.tenge.

4.4. Distribution of the taxes and other obligatory payments to the budgets

Including:

National Fund

<i>In thousands tenge</i>	2014
Report of Payers	3 432 778 714
Report of Recipient	3 429 824 744
Discrepancy	4 189 133

Tax payments to the republican budget

<i>In thousands tenge</i>	2014
Report of Payers	1 138 386 636
Report of Recipient	1 138 204 111
Discrepancy	14 209 590

Tax payments to the local budget

<i>In thousands tenge</i>	2014
Report of Payers	250 023 431
Report of Recipient	249 523 240
Discrepancy	7 265 308

In 2014, Payers and Recipient failed to show the data on payments in kind made to the budget in their reports, and as result, the payments were not included in this report.

4.5. Level and Percentage of Unidentified Discrepancies

We determined the level and percentage of unidentified discrepancies, as shown below:

No.	Payments to the budget	BCC	Data provided by the Company	Data provided by the Ministry of Finance	Unidentified discrepancies	% of unidentified discrepancies
I-III. Taxes and non-tax receipts to the budget						
1.	Total corporate income tax, including	101101-101107	1 726 352 492	1 726 807 499	363 908	0,021%
2.	Individual income tax including:	101201-101205	65 798 755	65 019 812	87	0,000%
3.	Social tax	103101	64 398 870	63 774 789	-	0,000%
4.	Property tax of legal entities and individual entrepreneurs	104101	45 527 873	45 303 707	275 294	0,608%
5.	Land tax	104301-104308	3 211 506	3 165 646	352	0,011%
6.	Tax on transport vehicles of legal entities	104401	487 247	482 638	120	0,025%
7.	Value added tax on the goods produced, work performed, or services provided in the RoK	105101, 105109, 105110	(190 644 743)	(195 382 023)	1 402 856	0,718%
8.	Value added tax for nonresident	105104	9 934 430	9 934 434	-	0,000%
9.	Excise taxes (on goods produced in the territory of the Republic of Kazakhstan, including)	105201-105297	10 910	10 434	-	0,000%
10.	Rent tax on crude oil and/or gas condensate being exported	105307, 105327	723 150 597	723 150 597	-	0,000%
11.	Total excessive profits tax	105302, 105322	82 200 427	82 426 003	225 577	0,274%
12.	Bonuses, total	105305, 105325	8 103 376	8 103 375	-	0,000%
13.	Production Tax, total	105306, 105326	1 072 633 844	1 072 633 763	-	0,000%
14.	Share of the RoK on production sharing	105308, 105328	352 349 260	352 349 260	-	0,000%
16.	Payment on reimbursement of historical costs	105319	7 447 032	7 431 016	-	0,000%
17.	Payment for environmental emissions	105303-105316	65 797 662	68 085 349	2 524 026	3,707%
18.	Funds received from the subsoil users under the claims on damage to be compensated by the organizations of oil sector	204203	20 578 891	20 138 654	-	0,000%
19.	Funds received from subsoil users under claims for damage except for funds received from oil sector Companies	204110	511 458	249 476	-	0,000%
20.	Other non-tax receipts from oil sector Companies	206111, 204201-204202	12 533 309	9 553 865	242 575	2,539%
21.	Other non-tax receipts to the national budget, except for the receipts from the organizations of oil sector	206108, 204119-204152	259 304	(224 170)	949	0,423%
22.	Other non-tax revenues to the local budget	206109, 206114	4 790 607	3 680 866	620 914	16,86%
23.	Payments to social-economic development of the region and its infrastructure	206114	2 009 264	2 478 107	606 621	24,479%
	Total taxes and non-tax receipts, for which there is an unidentified discrepancy		1 816 314 438	1 808 919 192	5 656 658	0,313%

	Total taxes according to EITI reconciliation		4 075 433 105	4 066 694 990	5 656 658	
24.	Customs duties	106101-106112	711 981 825	718 324 406	226 918	0,032%
27.	Other taxes on international trade and transactions including:	106201-106204	7 276 144	7 277 970	112	0,002%
28.	Excise taxes on the goods being imported to the RoK territory	105213-105270	3 407	3 407	-	-
29.	VAT on goods imported to the Republic of Kazakhstan except for VAT on goods originating and imported from the Russian Federation and the Republic of Belarus	105102	26 337 424	25 293 238	37 773	0,149%
30.	Value added tax on the goods originating and imported from the Russian Federation and the Republic of Belarus	105105, 105108, 105109, 105110	33 218	-41 915	-	0,000%
	Total customs payments, for which there are unidentified discrepancies		745 595 393	750 895 614	264 803	0,061%
	Total customs payments according to EITI reconciliation		745 632 018	750 857 106	264 803	-
	Total for Sections I-IV		4 821 065 123	4 817 552 096	5 921 461	0,374%
	Total payments to the budget, for which there are unidentified discrepancies		2 561 909 832	2 559 814 806	5 921 461	0,231%

As seen, the percentage of unidentified discrepancies does not exceed 1 % of all the receipts to the budget, and is inessential.

4.6. Consolidated reports on payments allocated to the development of the social sphere and the local infrastructure

The consolidated report on costs on social development of regions and local infrastructure for payers whose tax payments are recognized by NCPC as essential ones in 2014 (see Attachment 3-1), is prepared on the basis of reports of subsoil users.

The Report on Payments for social goals is completed by oil and gas and mining sector Payers whose tax and non-tax payments are essential according to TS, which make payments according to licensing and contractual conditions. The payments for development of social sphere, local infrastructure, and social goals may be more than the amounts set forth by contractual obligations because a Company may at its discretion finance the above events as a sponsor, or at the requests of individuals or legal entities. That said, the amount spent for the above goals must not be included in the reports under licensing and contractual conditions as item "costs on social sphere and local infrastructure".

Attachment 3-3 "Funds allocated to develop the social sphere by subsoil users" contains final data provided by the Ministry of Information Technologies, Ministry of Oil and Gas of the RoK.

The consolidated report on payments made for development of social sphere and local infrastructure (see Attachment 3-4) was completed according to Attachments 3-1 and 3-3.

In addition, it should be taken into account that almost one third of costs incurred by oil

and gas Companies are incurred by Karachaganak Petroleum Operating, which is operated under final PSA. According to the Resolution of the Government, the costs incurred by subsoil user for social projects under final **FPSA are refundable as set forth with the terms and conditions of final FPSA. Therefore, in long-term period, these will be the costs incurred by Kazakhstan.**

Almost 60 % of costs of mining Companies are incurred by such Companies as Kazakhmys, Kazzinc, Kazatomprom, and EuroChem-Fertilizers.

4.7 Consolidated report on Payments/Receipts on state shares in the ownership of the Payers in 2014, that are paid/transferred in 2015 and the results of their reconciliation

The consolidated report on Payments/Receipts in the State Shares for 2014 paid/received in 2015 (see Attachment 2-3) was completed by Payers, which make

Payments under the state shares and by Recipients, national Companies, authorized by the Government for receipt of the said Payments.

The consolidated report on Payments/Receipts in the state shares in Payers' ownership was prepared according to the reports of Payers specified in the List of Payers/Recipients of dividends who submitted the reports. The reports of Payers were prepared in accordance with the instruction, and reflect the amounts of Payments actually made during the reporting period. The responsibility for quality and reliability of information is born by CEO or authorized representative of Payer/Recipient.

All the data provided were confirmed by audit, as stated in the accompanying letters signed by CEOs of Companies.

In respect of dividends from payer/recipient Companies, no discrepancies were identified.

V. RECOMMENDATIONS

According to the results of the reconciliation performed we recommend:

1. To the Payers (subsoil users) providing Reports on EITI in all forms-attachments, to enhance the quality of the submission of the data in the screen regime through USSUMS and to comply with the requirements set to the reporting and attached copies of the confirmation documents.
2. To the Recipients (Committee of state revenues and the Treasury Committee of the MF RoK) to strengthen the responsibility and efficiency of the executives in the course of provision of the information of the reporting forms on EITI: “Report on substantial tax and non-tax Receipts” and “On Receipts that are made by the Payers in the USA dollars” in a part of clarifications on the discrepancies revealed in the course of reconciliation.
3. In the USSUMS to provide for the option of entering a corrected form of the EITI Report in accordance with the re-allocation of the tax receipts among the budget levels and with the cash control of the National Fund of the Republic of Kazakhstan according to the Order of the MF RoK No. 404 dated September 18, 2014.
4. To provide for the conduct of clarification-consulting training seminars for the subsoil users in a part of reporting on EITI, for the state authorities (republican and local), national Companies and other structures, taking part in implementation of EITI.
5. To divide the technical specification for preparation of the national reports into 2 parts – contextual (descriptive part) and conduct of the reconciliation with the corresponding division of the contracting of the subcontractors for participation in tender.

**General Director,
Auditor:**

T.E. Nurgaziyev

Certificate of competence # 0318

Dated May 2nd, 1997.

**Project Executive,
Auditor:**

M.S. Ilyasov

**Chief Specialist,
Auditor:**

S.A. Seitmagzimova

Qualification certificate No. MF-0000238
dated February 18, 2015