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ҚАЗАҚСТАН

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ашықтығы бастамасы

Инициатива прозрачности
добывающих отраслей

Extractive Industry transp
arency Initiative

2015



Қазақстан Республикасындағы өндіруші
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жүзеге асыру бойынша

ҰЛТТЫҚ ЕСЕП

2015

НАЦИОНАЛЬНЫЙ ОТЧЕТ

О реализации Инициативы Прозрачности
деятельности добывающих отраслей
в Республике Казахстан

2015

NATIONAL REPORT

About Extractive Industry Transparency
Initiative implementation
in the Republic of Kazakhstan

2015

КАЗАХСТАН 2016

The 11th National Report

On implementation of the Extractive Industry Transparency Initiative in the Republic of Kazakhstan for 2015

The work is performed by “UHY SAPA Consulting” LLP in accordance with the Contract No. 24 dated March 24, 2016 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	<i>Extractive Industries Transparency Initiative</i>
BP	British Petroleum
CRIRSCO	Committee for Mineral Reserves International Reporting Standards
JSC	Joint Stock company
KASE	Kazakhstan Stock Exchange
LSE	<i>London Stock Exchange</i>
NCOC	North Caspian Operating Company
<i>LTD</i>	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 usesystem
USSUMS RK IIS	"The Unified State Subsoil Use UseSystem 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 UseHolding
BCC	<i>Budgetary classification code</i>
SRC	<i>State revenue committee of the Ministry of Finance of the Republic of Kazakhstan</i>
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	<i>Monthly-calculated index</i>
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	<i>Petroleum chemical plant</i>
NHC	<i>National Holding Company</i>
FP SA	Final Production Sharing Agreement
PC	<i>Production company</i>
<i>PKOP</i>	“PetRKazakhstan Oil Products” LLP
“Energougol” PD of the CD “ArcelorMittal Temirtau” JSC	“Energougol” production department of the coal division of “ArcelorMittal Temirtau” JSC
<i>RB</i>	Republican budget
RK	The Republic of Kazakhstan
SEC	<i>Social-Entrepreneurship Corporation</i>
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	<i>“Kazkhrom” Transnational Corporation JSC</i>
LLP	<i>Limited Liability Partnership</i>
FS	<i>Feasibility study</i>
TCO	“Tengizchevroil” LLP
UMP	Ulba metallurgical plant

Weighted average exchange rate of KZT amounted to KZT 221.73 per USD 1 in 2015 http://www.nationalbank.kz/cont/publish151987_30861.pdf

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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 (the RK).

Purpose of reconciliation – ensure completeness, reliability and accessibility of information regarding payments/receipts to the state coming from the extracting industries during 2015 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 mutual understanding EITI (hereinafter – “MoU”) on implementation of the EITI dated October 9, 2013, signed by the Government of the RK, deputies of the RK Parliament, representatives of the companies operating in extractive industries and non-governmental organizations, and based on the Contract No.24 on Public Procurement of services dated March 24, 2016 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 check 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 2015 financial year.
- 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;
 - according to each discrepancy described the amount and confirming documents submitted;
 - combined all unidentified discrepancies, described them in section IV “Summary 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 summary 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 2015 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 2015, the information on involvement of the state in the extractive industries as well as on the use 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 performed works was to prepare the 11th National Report for 2015 containing a review of the extractive industries, 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:**
Certificate of competence No. 0318
dated May 2, 1997


 **T. Ye. Nurgaziyev**

Project Manager:


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Chief Specialist:


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September 21st, 2016
Republic of Kazakhstan, Almaty, Mamyr-4, 14.

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT FOR THE YEAR ENDED ON DECEMBER 31, 2015

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.

The EITI's purpose is increase in transparency by reconciliation of companies' payments with the income of the government. Thus, the EITI facilitates improvement of governance in the countries with significant reserves of oil, gas and mineral resources. The Initiative is being implemented through joint activities of the government, private sector companies, and organizations of civil society.

1.2. EITI in the Republic of Kazakhstan

After the official statement of the President of Kazakhstan N. A. Nazarbayev about the accession of Kazakhstan to EITI at the international conference which has taken place in Almaty on June 14-16, 2005 on October 5, 2005 has been signed the MoU was signed between the Interagency Working Group, representing the Government, and the other three parties: the RK Parliament, enterprises of the extractive sector and representatives of civil society.

In 2013, according to the results of Validation the EITI International Board, Kazakhstan was found assesible with the compliance of all the EITI requirements and assigned the status of "EITI Follower Country".

Since 2014, in Kazakhstan it was provided to introduce the reporting under EITI by the companies - subsoil users (payers of taxes) online through the USSUMS portal. Data of the Ministry of Finance (Tax Recipient) of the RK is reconciled automatically and the final reconciliation reports, including disaggregated information on each company, are available on-line on the web-site to all interested parties and everybody.

1.3. Data on participation of the companies

Clause 76 article 6 of the Law on subsoil and subsoil use, titled "Obligations of the subsoil users" provides that "all subsoil 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".

Reconciliation data of payers and recipients were subjected to the company with the established materiality threshold. By the end of 2015, the state revenue of the Committee of MF of the RK the amount of revenue from payers of oil, gas and mining sectors has been requested to determine the list of companies for reconciliation with NCIP established a materiality threshold. Out of 159 taxpayers in the oil and gas sector, the total revenue from 72 companies with the NCIP established a materiality threshold - more than 1 bln. KZT in the year amounted to 99,55 % of all revenues on oil and gas

sector. Thus, auditing the reconciliation of the EITI was subjected to a 72 oil and gas companies listed in Attachments 10 to the TS for the manufacture of the present National report.

Out of 302 payers in the mining sector, total revenues from 82 companies with the NCIP established a materiality threshold - more than KZT 100 mln. in the year was of 98.85 % of all revenues in the mining sector. The audit reconciliation of the EITI was subjected to 82 companies in the mining sector. The list of companies is given in Attachments 10 to the TS.

The fulfillment of the tax obligations on tax payments and other obligatory contributions to the budget are carried out by the Payers in accordance with the Code “Concerning taxes and other obligatory payments to the budget” and the Contracts on subsoil use, entered into with the Government of the RK.

1.4. Reporting status on EITI

Ten National EITI reports available on website of the EITI Kazakhstan <http://eiti.geology.gov.kz/ru/national-reports>, as well as on the website of the International EITI Secretariat www.eiti.org, were published in 2005-2015 in the course of implementation of the EITI. The reports were reconciled companies elected during the tenders in accordance with the RK laws.

II. APPROACH TO DATA RECONCILIATION

2.1 Purpose

Purpose of reconciliation - ensuring the completeness, reliability and accessibility of information about payments/receipts to the state from the extractive industries for 2015 due to the implementation of the EITI in the Republic of Kazakhstan.

2.2. Scope of work

Reconciliation was performed on the basis of the cash accounting. We had reliance on the reports while performing the work, 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.

The 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 KZT, unless otherwise specified.

2.3. Approach to Data Reconciliation

- Fully understand the EITI procedures established for the Republic of Kazakhstan by 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 amounts are found out paid by Payer and the amount received by Recipient, additional information was requested from various state authorities and extractive industry companies.

In order to reconcile the data and prepare the reporting within the frame of the EITI for 2015, the following forms of the reports on government receipts and payments of the companies made during 2015 fiscal year were used:

- Form of the report on tax and non-tax payments which is compiled 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 1-1 for Payer, Attachment 1-2 for Recipient of the TS);

- Form on the expenses on social development and local infrastructure in the framework of contract obligations (LCC), with the exception of the funds listed on the BCC 206114 (Attachment 3 to the Payer TS);
- Form on expenses on social development and local infrastructure for 2015 (Attachment 3-1 for oblasts local administration of the TS);
- Form on expenses on goods, works, services in education within contractual obligations regarding training (LCC) in the list submitted by local administrations coordinated with competent authority (Attachment 4 TS);
- Form on payments on the state shares in property (dividends) (Attachment 2 for Payers, Attachment 2-1 for Recipients of TS);
- Summary reports on the receipts of all the Recipients for each Payer approved on the basis of inspection performed by the Accounts Committee for control over execution of the national budget for each Payer in the Ministry of Finance of the RK;
- Other Appendices 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:

- To 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 the 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 “Summary report on Substantial Tax and Non-Tax Payments”.

Table 1. List of payments and receipts to be reconciled

No. s.o	Type of tax or payment	Budget split
1	Corporate income tax, CIT	RB/NF
2	Individual 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	Other tax revenues	RB/LB
10	Rent tax on crude oil and/or gas condensate being exported, including	RB/NF
11	Excess Profits Tax	RB/NF
12	Bonuses	RB/NF
13	Production Tax of mineral resources	RB/NF
14	Share of the Republic of Kazakhstan on Production Sharing	RB/NF
15	Additional payment of Subsoil User carrying out his/her activities under the Production Sharing Contract	RB/NF
16	Payment for use of especially protected natural territories of republican (local) value	RB/LB
17	Payment for use of the land plots	LB
18	Payment for issues to the environment	LB
19	Payment on reimbursement of historical costs	RB
20	Payment for use of radio spectrum for the use of navigable waterways, surface water resources, for forest use	RB
21	Funds received from the subsoil users under the claims on damage to be compensated by the organizations of oil sector	NF
22	Administrative fines, penalties, sanctions, penalties imposed by the Central state bodies, their territorial subdivisions on the organizations of oil sector	NF
23	Other penalties, fines, sanctions, penalties imposed by state institutions financed from the Republican budget to the organizations of oil sector	NF
24	Funds received from subsoil users under claims for damage except for funds received from oil sector companies	RB
25	Other non-tax receipts from oil sector companies	NF
26	Other non-tax receipts to the national budget, except for the receipts from the organizations of	RB

	oil sector	
27	Other non-tax revenues to the local budget	LB
28	Other non-tax receipts from oil sector organisations	NF
29	Special protective, antidumping and countervailing duties	RB
30	Customs duties	RB
31	Proceeds from the implementation of customs control and customs procedures	RB
32	Special protective, antidumping and countervailing duties	RB
33	Report on payments (dividends) on the state shares in the property (Attachment 2 of the TS);	
34	Report on payments (dividends) on the state shares in the property (Attachment 2 of the TS);	

Receipts distribution to Republican, local budgets and the National Fund are carried out according to the Order of the Ministry of Finance of Republic of Kazakhstan dated September 18, 2014 No. 404 “About approval distribution Table of budget receipt between budget levels and the control cash account of National Fund of the Republic of Kazakhstan”¹ (with changes and additions as 04.12.2015 year) <http://eiti.geology.gov.kz/ru/homepage/normative-base>.

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;
- Form on expenses on goods, works, services in education within contractual obligations regarding training (LCC) in the list submitted by local administrations coordinated with competent authority (Attachment 4 TS);
- Form on funds directed to treatment facilities, monitoring of pollution of a subsoil, the social sphere and training of experts on the basis of the reporting under the LCC forms (Attachment 5 TS);
- Production volumes and export by types of minerals of oil and gas and mining sectors (Attachment 6 TS);
- Data description on transportation, including the following: product/goods (goods); route (routes) of transportation; both the relevant companies and the state organizations, including GP involved in transportation (Attachment 7 TS);
- Paid taxes and other payments in the budget for transportation. The description of the methodology used by the company for their calculation for this kind of activity (Attachment 7 TS);
- Tariff disclosure rates and volume of the transported goods (Attachment 7 TS);
- Income disclosure gained in connection with transportation of oil, gas and mineral resources (Attachment 7 TS);
- Extracting size of branches in absolute expression and in the form of percent from GDP (Attachment 8 TS);
- Total income of the government created by the extracting branches (including taxes, a royalty, bonuses, commission and other payments) in absolute units and in the form of percent from the total income of the government (Attachment 8 TS);

¹<http://eiti.geology.gov.kz/ru/homepage/normative-base>

- Export volumes from the extracting branches in absolute units and in type of percent from total exports (Attachment 8 TS);
- Working employment in the extracting branches in absolute units and in the type of percent from the total number of working employment (Attachment 8 TS);
- Information on the Kazakhstan contents of purchases of goods, works and services of subsoil users of oil and gas and mining sectors (Attachment 9 TS);
- Subsoil list of users, who are subject to verification (Attachment 10 TS);

III. EXTRACTIVE INDUSTRY REVIEW

3.1. Licenses and contacts

3.1.1 Legal basis and fiscal regime (3.2)

Legal basis

Extractive sector of industry² is under the control and regulation of different governmental authorities.

Governmental authority of oil and gas industry, the formation and realization of state policies are carried out by the Ministry of Energy of the Republic of Kazakhstan³ (ME), established in August, 2014, in the context of restructuring departments. Its empowerment covers such directions as the production of oil and gas, oil refining, hydrocarbon transportation, refining and distribution of gas, energy production, coal and atomic energy productions.

The ME regulates and controls the industry including contests organization and running for the subsoil useentitlement of hydrocarbon resources, coal and uranium, coordination of contracts for the subsoil useand representation of Kazakhstan in terms of these contracts, different control functions in oil and gas, coal sectors, as well as surveillance and control upon compliance with the environmental requirements. The ME has the authority to regulate export and import of energy sources.

According to the latest changes⁴, the ME “exercises confidence administration of company shares determined in capacity of authority in the production sharing agreements”. Governmental functions of the authority in the Production Sharing Agreement on North Caspian and Karachaganak projects have been performed by the “PSA” LLP on the basis of the deed of trust issued by the Ministry of Energy of the Republic of Kazakhstan, dated 2010 till June 20, 2016.

The founder of the “PSA” LLP is a National company “KazMunayGas” JSC. According to the deed of trust issued by the Ministry of Energy of the Republic of Kazakhstan, the “PSA” LLP has been authorized to perform the representative body on behalf of the Ministry of Energy of the Republic of Kazakhstan, as well as being Kazakh authority in the frame of the Production Sharing Agreement in the deposit “Dunga” dated May 1, 1994.

The Ministry of Investments and Development of the Republic of Kazakhstan⁵ performs the State department of mining industry, besides, the MID, established in August 2014, holds responsibility for state policies in the fields of geologic exploration and local-content development controlling local manufacturers’ participation and labor power in top energy projects. The MID controls industrial safety maintenance, ensures the safety of railway and offshore transport routes, which used for the transportation of coal, oil and oil products, as well as performing surveillance on pipeline working safety. The MID affirms export and import licensing rules of energy sources.

² Term "extractive sector" combines oil-and- gas and mining sectors.

³Charter of the Ministry of Energy of the Republic of Kazakhstan. It is approved in accordance with the government decree dated 19.09.2014 No. 994

⁴Government decree on "Several issues related to the Ministry of Energy of the Republic of Kazakhstan" dated 20.06. 2016. No. 355

⁵Several issues of the Ministry of Investments and Development of the Republic of Kazakhstan. Government decree of the RK dated 14.09.2014 No. 995

Ministry of National Economy of the Republic of Kazakhstan (MNE) holds responsibility for the development agreed with macroeconomic policy in accordance with strategic and budget planning. The MNE elaborates recommendations in terms of tax and budget policies, as well as in mining sector. The MNE discusses contract projects of subsoil use including technical-economic basis for projects on exploration and production with regard to economic effect. Besides, the Committee on natural monopoly regulation and competition support of the MNE performs monitoring and regulation, company's rate making which holds responsibility for main oil and gas pipeline and gas distribution network.

Ministry of Finance of the Republic of Kazakhstan (MOF) holds responsibility for budget policy development and its realization, including the policy of the National Fund use which accumulates incomes from the oil and gas sector.

The MOF takes charge of assets which the government regards strategic. Particularly, strategic assets include top oil and gas manufacturers. The committee on state income of the MOF provides completeness and expediency of taxes, custom and other mandatory revenues into budget.

The legal framework for the functions of extractive industry in Kazakhstan consists of:

- Constitution of the RK dated August 30, 1995;
- Civil Code of the RK (General part dated December 27, 1994. And Main part dated July 1, 1999. No. 409-I);
- Ecological Code of the RK dated January 9, 2007;
- Land Code of the RK dated June 20, 2003. No. 442-II;
- Code of the RK "Concerning taxes and other mandatory payments in budget (Tax Code)" dated October 10, 2008;
- Code of the RK "Concerning administrative irregularities" dated 05.06.2014. No. 235-IV (comes into effect dated 01.01.2015.);
- Water Code of the RK dated July 9, 2003;
- Labor Code of the RK dated November 23, 2015. No.414 -V;
- Law of the RK "Concerning resources and subsoil management" dated June 24, 2010. No.291-IV;
- Law of the RK "Gas and gas service" dated January 9, 2012. No.532-IV;
- Law of the RK "Concerning energy preservation and efficiency gains" dated January 13, 2012. No.541-IV;
- Enterprise Code of the RK dated October 29, 2015. No.375 -V;
- Law of the RK "Concerning main pipelines" dated June 22, 2012. No.20-V;
- Government decree of the RK "Concerning the approval of Regulations on subsoil userights" dated December 30, 2010. No.1456;
- Government decree of the RK "Concerning the approval of Regulations referring deposits (groups of deposits, parts of deposits) hard types of commercial minerals apart from common ones, to the category of low-margin and assessed taxation in terms of oil and gas production tax" dated December 31, 2012. No.1379 (last amended on 19.09.2014);
- Government decree of the RK "Concerning the approval of list of fields, deposits which have strategic importance" dated October 4, 2011. No.1137 (last amended on 07.08.2015);
- The Ministry of Energy Order of the RK "Concerning the approval of Regulations on main pipeline exploitations" dated January 22, 2015. No.33;
- The Ministry of Investments and Development Order of the RK "Concerning the approval of integrated reliance practice with local content organizations on

product, work and service purchase” dated January 30, 2015. No. 87 etc.

According to the clause 3, article 6 of the Constitution of the Republic of Kazakhstan on “Earth and its resources, other natural resources refer to state-owned property”.

Law on “Resources and its subsoil management”⁶ has a legal basis for delegation (article 35), transformation (article 36), transfer by way of succession (articles 38 and 39) or termination of rights (articles 40 and 41). Subsoil users refer to oil and gas and mining companies which make agreements on subsoil resource use for the right to elaborate useful minerals.

Law on “Resources and its subsoil management”⁷ (next – Law) defines that entitlement for exploitation and production, integrated exploitation and production can be performed according to the agreement as a result of the contest (chapter 4) or without explicit negotiations (chapter 5), and/or both without explicit negotiations and contests on the basis of terms in the reserved law.

The entitlement for exploitation and production, integrated exploitation and production of minerals, apart from common ones, is performed by a competent authority. Competent authorities on the entitlement of subsoil resource use are the followings:

1. For exploitation, production, integrated exploitation and production of raw hydrocarbons uranium and coal – the ME of the RK;
2. For exploitation, production, integrated exploitation and production of subsoil water, therapeutic muds and hard commercial minerals, apart from uranium and coal – the MID of the RK.

The contest for the subsoil entitlement is held by competent authorities in accordance with “terms for subsoil management” (article 47) and “notification of running auctions” (article 47-1) the law of the RK “Concerning resources and subsoil use in the Republic of Kazakhstan”. The competent authority runs the contest and makes agreements for production after state expertise on resources related to deposits and approval of reserves.

Due to the fact that Kazakhstan integrated into the WTO in 2015, there were accepted some changes in the Law of the RK “Concerning resources and subsoil use in the Republic of Kazakhstan”⁸. Particularly, the article 61 “Types of contracts for subsoil management” saw the following changes: the agreement must include specific terms in relation to objectives⁹:

- According to the size and terms of signature bonus;
- According to the size and terms of debits for social and economic development of oblasts and its infrastructure;
- According to the local content in workers;
- According to the debit size directed to education, raising of qualification, referred to citizens of the Republic of Kazakhstan who involved in on-the-job contract and/or education of citizens of the Republic of Kazakhstan according to specializations agreed with competent authorities;

⁶<http://adilet.zan.kz/rus/docs/Z100000291>

⁷<http://adilet.zan.kz/rus/docs/Z100000291>

⁸Law of the RK dated June 24, 2010. No.291-IV.

⁹Law of the RK “Concerning last amended on several legal acts of the Republic of Kazakhstan due to the integration into the World Trade Organization” dated October 27, 2015. No.365-V.

- According to the local content in labors (services);
- According to maintenance of equal conditioned labor cost for Kazakh personnel in relation to attracted foreign workers including the personnel involved in contract work;
- According to liquidation funds;
- According to the debit size on scientific investigations, scientific-technical and experience-constructive works in the territory of the Republic of Kazakhstan".

In 2015, there were amended changes related to the entitlement of surface use in the Law of the RK "On resources and subsoil use in the Republic of Kazakhstan"¹⁰.

Entitlement for the subsoil use is performed in the following ways:

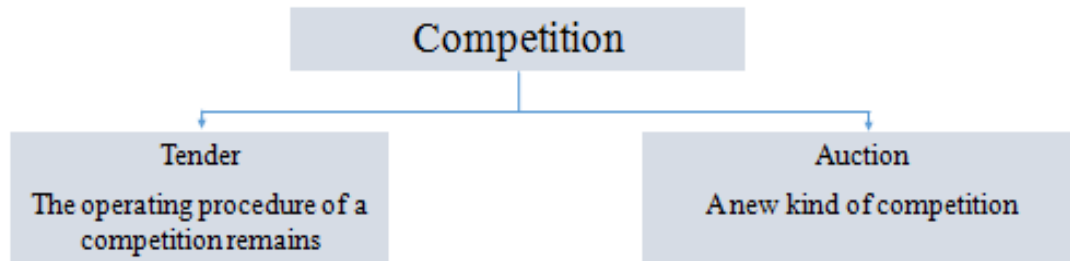
- The ways of running contest (tenders or auction) for entitlement of surface management;
- Without any contest based on explicit negotiations;
- On the basis of written permission of authorized body or agreement in cases, appointed in the clauses 5,6 and 9, article 35 of the Law about resources;
- On the basis of written permission of local administrative bodies of oblasts, cities of republican status, capitals which have entitlement for subsoil use for common commercial minerals used for constructions (reconstructions) of roads in general use, railways and hydraulic structure.

The auction is organized and run by the Contest Commission of the subsoil entitlement. The winners of the auction can be a participant who suggests biggest amount of signature bonus, after announcing three times that there were no better proposals than his.

¹⁰Law of the RK "Concerning amended changes in some legal acts of the Republic of Kazakhstan issued on subsurface management" dated December 29, 2014. No.271-V. Government decree of the RK "Concerning the approval of Regulations on subsurface management entitlement" dated December 30, 2010. No.1456 (ed. dated 27.07.2015 No.588).

Subsurface entitlement according to the competitive tender principles

- Transformation of the operating tender to a form of the tender and preserving its current procedure
- Entering of an additional form of tender - an auction



Determination criterion of the winner depends on two indicators:

- Size of a subscription bonus
- The size of the amounts paid on social development of the region

The term of behavior of results of the tender shan't exceed 15 calendar days from end date of submission due date of competitive offers.

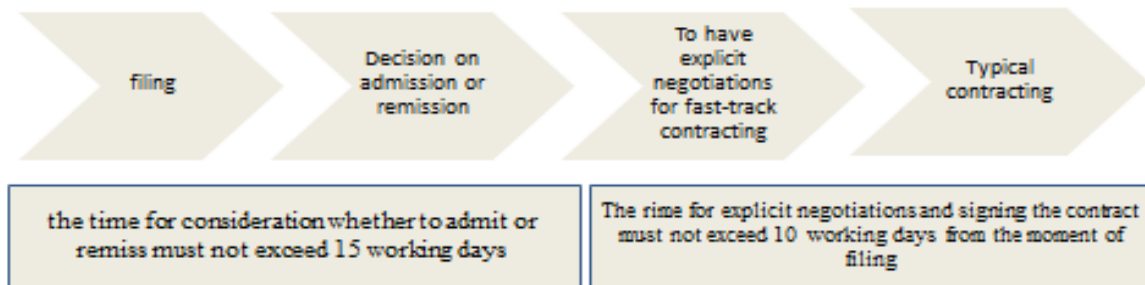
One criterion of determination of the winner – the largest size of the signed bonus determined by the biddings

Benefits:

- Determination simplicity of the winner
- Transparency
- Reducing terms

Subsoil entitlement in a simplified order for its exploitation is presented for understudied plot of the resource: <http://dep-nedra.mid.gov.kz/ru/kategorii/razyasnitelnaya-shema-polucheniya-prava-nedropolzovaniya-v-uproshchennom-poryadke>. The list of understudied resource plots is presented in a simplified order for its exploitation, which is formed by the Competent authorities according to investigations and use of resources and will be published in the official internet - resource of the competent authority.

Standardized fast-track contracting procedure for subsurface exploitation use rights



Standard contract form is approved by the government of the RK and it must contain the followings:

- 1) The debits size on social-economic development of the region and its infrastructure (social development of the region) presented in in the form of annually mounting payments
- 2) signature bonus payment obligation
- 3) minimum outlays and types of work which is due to do in a block for the whole period of standard contract

Subsurface users who have a right for exploitation work out and individually affirm the project after signing and registering the standard contract.

The regulations consider state priority rights of obtaining subsoil entitlement (its parts), which is connected with urgent supply of state economic safety and corruption control.

The law lodges the right to get such assets as a national holding, national company, whether authorized state authority (State Property and Privatization Committee of the MOF). The decision is made on the basis of suggestions by special advisory and consultative authority – Intergovernmental commission regarding state priority rights.¹¹

According to the competent authority's initiative, an advanced termination of the contract may occur in the following cases:¹²

- 1) if the subsoil user fails to eliminate the date specified in the notice of the competent authority for more than two violations of the obligations established by subsoil use contract;
- 2) if the subsoil user transfers subsoil use rights and objects related to subsoil use right, without the permission of the competent authority, apart from the case when such approval is not required;
- 3) if there is a refusal to provide or to provide false information.
- 4) if the performance of financial duties assigned by the contract is less than 30% for two years at a time.

Plan of nation – 100 concrete steps of five institutional reforms realization includes a range of tasks in the sphere of subsoil use with what the President of the Republic of Kazakhstan took the floor on May 6, 2015. The sphere of competencies of the MNE and MID includes the implementation of steps such as No. 74 and 75 from the Plan of Nation. The aim of their realization is to attract investments to the sphere of subsoil.

¹¹About the creation of Intergovernmental commission regarding state priority rights. Government decree. 29.11.2010. No.1264 <http://adilet.zan.kz/rus/docs/P1000001264>

¹²Concerning the approval of model contracts on types of subsurface management. Order of the Ministry of Investments and Development of the RK dated March 31, 2015 No.412 <http://adilet.zan.kz/rus/docs/V1500011167>

According to the realization of the step No. 74, there is an “Increase in transparency and foresee of the subsoil sphere through implementing **mineral reserves international reporting standards** according to hard commercial mineral deposits CRIRSCO and raw hydrocarbon deposits” on which the MNE is working in cooperation with the Geology and subsoil Committee, the MID and other interested state authorities and organizations. The implementation of international standards is discussed in relation to the sphere of hard commercial minerals (HCM) and raw hydrocarbons (RH).

The step No. 75: “Introduction of a simplified method of signing contracts for all commercial minerals using best world practice” realizes the ME together with the MID in the frame of the project development *Code of resources. Resource Code*.¹³ will be discussed as a free access to all geologic information, apart from protected by law; questions were issued about geologic investigation of resources using the funds of private investors; there is a possibility to provide the exploitation right on the simplified basis of the principle “first come – first served”. Besides, the issues on expertise and agreement are planned to simply significantly, they will be run at the same time and the time for consideration will be not more than 30 days.

Kazakhstan became a member of the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) on June 14, 2016 within the frame of the VII International congress of mining and metallurgy “Astana Mining & Metallurgy”, when the CRIRSCO delegation discussed and approved the Kazakh Code of Reporting on the results of geologic exploitation works, mineral reserves and deposits of KAZRC. The document which refers to affirm a membership of the committee was presented to the delegation. The public organization “Professional organization of independent resource experts” and the KAZRC Association – Kazakh Association of geologic exploitation results reporting, mineral reserves. The KAZRC Association was established on the basis of the recommendation by the Target Group of the MID of RK in accordance with the principles of the CRIRSCO. In particular, the KAZRC was a member of CRIRSCO from the Republic of Kazakhstan. Accepting standards of the KAZRC and transferring state functions on deposit expertise will be discussed in the project *Code of resources*.

Fiscal regime

Budget system is characterized according to a high degree of centralization of funds in the national budget (Table. 5). The Chapter 7 of the Budget Code is dedicated to intergovernmental fiscal relations.¹⁴

The part “Taxation for subsoil use” of the Tax Code¹⁵ contains all types of taxes and other mandatory payments into the subsoil user’s budget. According to biggest treaties in the oil and gas industry the tax mode, established for subsoil users, are defined in the contract of subsoil users. There are two types of contracts¹⁶: production sharing agreement (PShA) and subsoil usecontract. There are few number of PShA signed till 2009. In 2010, according to a new law on Resources and subsoil usedated June 24, 2010, No. 291-IV <http://adilet.zan.kz/rus/docs/Z100000291> it was cancelled to make the PShA types.

In accordance with the article 307 of the Tax Code of the RK apart from taxes which refer to be common for all companies, **subsoil users** are to pay the following specific

¹³Preliminary time of adoption “Code of resources” - January, 2018 .

¹⁴http://adilet.zan.kz/rus/docs/K080000095_#z0

¹⁵<http://adilet.zan.kz/rus/docs/K080000099>

¹⁶Ernest and Young. Tax mode review in oil-and-gas industry. Ed. 2014.

payments and taxes:

- 1. Subsoil users special payments:**
 - a) Signature bonus;
 - b) Commercial discovery bonus;
 - c) Historical costs payment;
- 2. Tax for commercial minerals production;**
- 3. Excess-profit tax.**

In addition to this, subsoil users must pay for the qualification of Kazakh specialists allocating yearly 1 % from total annual income (TAI) and 1% from the TAI to RAD (Research and Advanced Development).¹⁷

The taxation mode, which is accepted in Kazakhstan for oil and gas industry exploitation and production contracts, consists of the combination of corporate income tax, rent tax for exported oil, bonuses and tax for commercial minerals production. The work in terms of the contract should be liable to tax separately from non-contract activities (e.g., downstream of oil products), as well as to each contract, particularly.

¹⁷Ernest and Young. Tax mode review in oil-and-gas industry. Ed. 2014.

Table 2. Tax rates applicable to subsoil users

Applicable tax	Rate
Bonuses	Var (variable quality)
Tax for commercial minerals production	0,5% - 18%
Excess-profit tax	0% - 60%
Historical costs payment	Var
Rent export tax for oil	0% - 32% ¹⁸
Excise tax for crude oil and gas condensate	0 KZT per ton
Land tax	Typically insignificant
Property tax	1,5%
Environment pollution payment	Var
Other levies (e.g. payment for radio-frequency spectrum use, domestic navigable waterways use payment)	Var
Other taxes and payments	Var
VAT	12%
Export tax for crude oil	60 USD per ton ¹⁹

Commercial mineral production tax (CMPT)

The CMPT refers to the royalty analogue based on the size of the production and applicable to crude oil, gas condensate (paragraph 1, Chapter 45, p.p. 331-336, Tax Code) and to raw minerals apart from mineral reserves in general use (paragraph 2 Chapter 45, p.p. 337-339 Tax Code). Rates increase according to the size. There are different rates and taxable basis depending upon what is produced, exported and materialized in the domestic market. The tax basis is the price of production. The price is based on world market price without adjustments during exportation.

Bonuses

Subsoil users pay signature bonus and commercial discovery bonus (Chapter 43 of the Tax Code).

Signature bonus refers to onetime payment for the right to perform subsoil management.

According to art.34 of the Tax Code, for contracts on oil exploitation for which deposits are approval, the bonus is set in the rate of 2,800 monthly design index (MDI)²⁰ which amounts to KZT 5,549,600 (Kazakh currency-KZT).

For contracts of oil production for which deposits are not still approved, the bonus is set in the rate of MDI 3000 amounting to KZT 5,946,000. If the reserves are approved, then

¹⁸ In cases of world price decline on crude oil lower than USD 40 per barrel, there is applicable zero tax rate.

¹⁹ There was decline in price from 80 to 60 USD per ton on March 19, 2015.

²⁰MDI dated January 1, 2015. set in the amount of KZT 1,982, according to the article.11 of the Law of the RK dated November 28, 2014. No. 259-V "About republican budget in 2015-2017".

the bonus is counted according to the formula with applicable rates: for approved reserves 0,04% and 0,01% for premature approved reserves, however, it must rate less than MDI 3,000 amounting to KZT 5,946,000.

Commercial discovery bonus is a onetime payment for subsoil users to each commercial discovery in the contractual territory. The basis of commercial discovery bonus is the depletion approved by an authorized government body.

The depletion is counted according to stock exchange price set at the International stock exchange (London) regarding Platts Crude Oil Marketwire data resources. The commercial discovery bonus is paid at the rate of 0.1% from the approved depletion.

Corporate income tax

The CIT is calculated at the rate of 20% from taxable income. The taxable income is defined as a margin between total annual income (subject to adjustment) and deductions provided by law.

Rent export tax

The rent export tax unit is the size of crude oil, gas condensate, and coal ongoing to export.

The tax basis refers to price of exported crude oil and gas liquid. The tax rate varies from 7% to 32% and it is applicable when the world market price for crude oil and gas condensate increase up to USD 40 per barrel.

The rent export tax basis for coal refers to factual size of exported coal after which the tax rate gets to 2.1%.

Financial refund form of the rent export tax on crude oil, gas condensate in accordance with the decision of the Republic of Kazakhstan may be replaced by natural form on the order which was set with an extra agreement made between the authorized government body and taxpayer.

Excess-profit tax

The excess-profit tax is calculated on yearly basis. The tax is paid according to progressive taxation rate scale applicable to net income parts mounting till 25% from the deduction sum. The net income is shared according to rate scales in the way of applying coefficient of deduction.

Custom tariffs for crude oil export

On January 1, 2012, the export tariff was set at the rate of USD 40 per ton. On April 1, 2013 it was mounted to USD 60 per ton of crude oil and export tariff climbed to USD 80 per ton for crude oil. From March 19, **2015, the export tariff** declined to USD 60 per ton of crude oil. According to the KazEnergy Association, it is not enough, therefore, the KazEnergy will submit proposals for the development of oil export tariff calculation methodology with reference to the world price of oil. Besides, proposals of promotional rates to MPT in accordance with low-margin deposits and consideration of custom tariffs rent tax payment for subsoil users.

There was an analysis on current subsoil users' position and planned works for 2015 with The Association and the Ministry of Energy of the RK and the "KazMunaiGas" JSC. Total annual income of subsoil users is planned to decline up to 46% in 2015 in comparison with the factual indices in 2014 which average world price of oil varied from USD 98.9 per barrel to USD 50 per barrel. However, the level of payment on

custom export tariffs will be remained at the level which was in 2014 related to estimated rise of the export size in 2015". The Association finds it necessary to decline the custom tariff scale rate or/and cancel it totally so that subsoil users can reduce their taxes and cover some parts of estimated penalty costs. "We compare the level of estimated custom tariff in 2015 with the level of estimated penalty costs", - reports the KazEnergy media office.

Historical costs payment

Since 2009, the historical costs payment has been involved in the list of mandatory payments into the state budget. This fixed payment is oriented to replace outlays to geologic investigation and arrange the appropriate contract in the territory prior to subsoil usecontracting.

The obligation related to the historical costs payment comes into effect from the date of signing the agreement on the confidentiality between the subsoil user and authorized government body of resources investigation and use.

Dividends

Dividends, paid by the local company to the local main company, do not belong to taxation.²¹ Dividends paid by subsoil users outside of Kazakhstan refer to taxes at the scale of 15%, which usually declines to 5% in accordance with conventions of avoiding twice tax payment in both Kazakhstan and parallel an appropriate country.

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 legislation on environmental protection the producers 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's activity, the extent of the use of 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's companies, are transferred to the National Fund. The funds received from the subsoil user are included into the republican budget.

²¹Ernest and Young. Tax mode review in oil-and-gas industry. Ed. 2014.

3.1.2. License allocation/contracts (3.10)

From 2nd half of 2012, the issue of licenses is completely automated in the State Database Information system “E-licensing”²². Applicants can obtain the license through the E-licensing Internet portal by sight of activities in the section “subsoil use”; to re-issue the license which has been issued in the paper form and to obtain the electronic license certified by the electronic and digital signature with applied bar code on it, including 15 subtypes of activities.

The existing system of granting the subsoil use right provides only for conclusion of Contracts for subsoil use (based on the written permission of authorized body or the agreement in the cases established by paragraphs 5, 6 and 9 of article 35 of the Law on a subsoil) in accordance with the “Rules on provision of the right of subsoil use” approved by the order of the Government of the Republic of Kazakhstan dated December 30, 2010 No. 1456²³ taking into account Rules in edition of the order of the Government of the RK of 27.07.2015 No. 588.²⁴

3.1.3. Register of licenses/contracts (3.9)

The state electronic register of licenses is the information system containing data about the issued, re-issued, suspended, renewed and terminated licenses, as well as about branches, representation offices (sites, stations, plots) performing the licensed type (subtype) of activities, that creates centrally an identification license number, issued to licensors: <http://elicense.kz>.

Information on the register of contracts for subsoil use of all companies, not only about companies that take part in EITI, with indication of type and contract number, contract period, the licensor and the status is available on the website of Committee of geology and subsoil use the of the Ministry for Investments and Development of the Republic of Kazakhstan:

- The list on raw hydrocarbons as of 01.01.2016
<http://geology.gov.kz/ru/presstsentr/informatsiya/nedropolzovateli-respubliki-kazakhstan/category/uglevodorodnoe-syre-2>
- The list on solid minerals as of 1.01.2016
<http://geology.gov.kz/ru/presstsentr/informatsiya/nedropolzovateli-respubliki-kazakhstan/category/tverdye-poleznye-iskopaemye-2>

It should be noted that the company can sign several contracts; also one contract can have subsoil use rights to several sites.

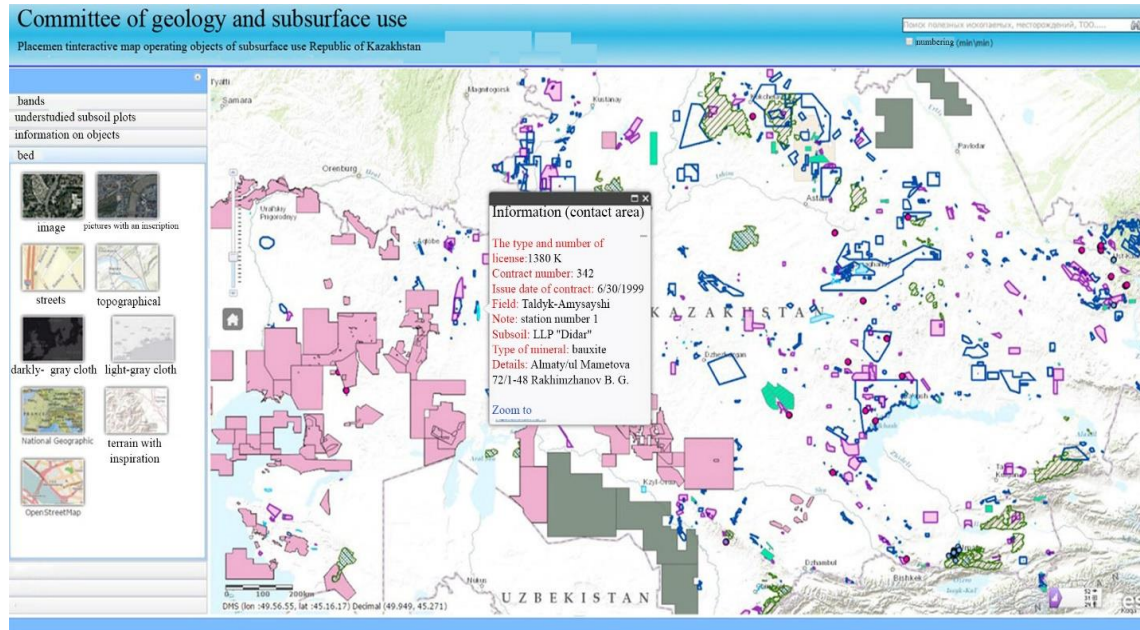
²² General information on electronic licensing is available at the website "E-licensing" at <http://elicense.kz>

²³ <http://adilet.zan.kz/rus/docs/P1000001456>

²⁴ <http://adilet.zan.kz/rus/docs/P1500000588#z3>

The website of Committee of geology and subsoil use the interactive map (figure 1) of <https://gis.geology.gov.kz/geo/> contains data on solid minerals, raw hydrocarbons and underground waters. The map provides an opportunity to determine a territory free from subsoil use. Previously, it was required about 30 days to obtain information, nowadays there is an opportunity to generate requests with display of coordinates, areas and creation of cartogram, etc. Currently, the Interactive map has 395 contractual territories on SNR, 200 sites at a stage of documentation, 116 sites on the State geological exploration of the subsoil use, and also 123 (from 317 in force) contracts are in force on raw hydrocarbons.

Figure 1. Interactive map of subsoil use



Source: <https://gis.geology.gov.kz/geo/>

The sites, on which the applications were submitted, are highlighted in red on the interactive map; if one click on it, the information about the site, including the application submission's date, will be displayed; in case there are more than 3 applications, it goes to auction. At the stage of signing a contract, it becomes green in color and by clicking on the site, the information about the contract appears.

The interactive map contains data on occupied/free contract territories; there is a possibility of searching for contracts by types of minerals, by subsoil user. There is data on each site that includes: contract number, type of activity, the mineral type, information about subsoil user and his requisite details. There are also functioning layers "The state geological study of subsoil", "Launch sites of rockets' fall", "Natural conservation areas". The layers "Underground waters", "Hydrocarbonic raw materials" are created and placed.

3.1.4. Information on contracts and PSA (3.12)

There is not any practice of publishing contracts and Production sharing agreements in Kazakhstan. Conditions, on which the largest sites were transferred, are not publicly available.

In 2015, 77 new contracts on subsoil use were signed (9 on production and 67 on exploration, 1 contract under simplified procedure), 167 amendments to the existing contracts on subsoil use. During the same year 8 contacts on subsoil use on raw

hydrocarbons were terminated. Ministry of the National Economy of the RK (ME) sent 90 notifications to subsoil users about breaches of the contractual obligations. Legal norms, regulating signing and termination of contracts are described in detail in Section 3.1.1.

The website of the Committee of geology and subsoil use of the Ministry of investments and development of the RK has the lists of contracts on raw hydrocarbons <http://geology.gov.kz/ru/presstsentr/informatsiya/nedropolzovateli-respubliki-kazakhstan/category/uglevodorodnoe-syre-2> and solid mineral resources <http://geology.gov.kz/ru/presstsentr/informatsiya/nedropolzovateli-respubliki-kazakhstan/category/tverdye-poleznye-iskopaemye-2>.

Based on the data of the Ministry of the National Economy of the RK, the following PSAs were signed in Kazakhstan:

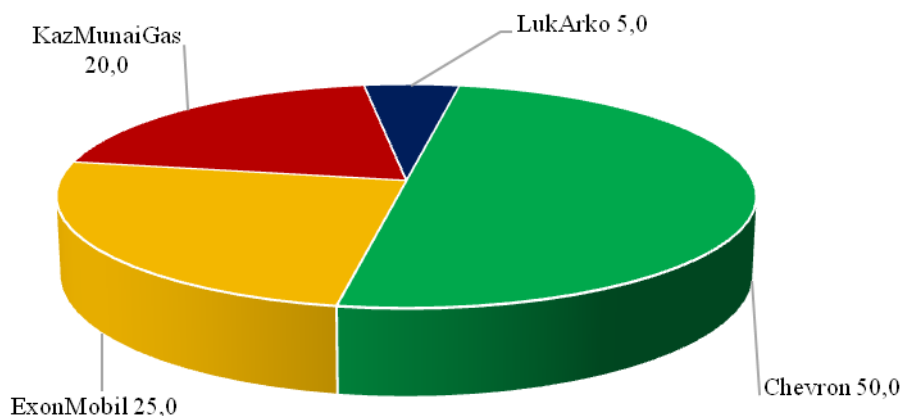
- 1 Karachaganak Petroleum Operating B.V. Kazakhstan branch (KPO)
Agip Karachaganak B.V. (Netherlands)
BG Exploration and Production Limited (UK)
Chevron International Petroleum Company (USA)
Lukoil Oil Company (Russia)
KMG Karachaganak (Kazakhstan)
- 2 North Caspian Operating Company N.V. Branch
KMG Kashagan B.V. (Netherlands)/Kazakhstan
Agip Caspian C B.V. Branch (Netherlands)
ExonMobil Kazakhstan Inc (USA)
Shell Kazakhstan Development B.V. (Netherlands)
Total E&P Kazakhstan (France)
KNNK Kazakhstan B.V. Branch
Inpex North Caspian Si Ltd (Japan)
- 3 Zhaikmunai JV LLP
- 4 Maersk Oil Kazakhstan GmbH Branch
- 5 Saigak Kazakhstan B.V. Branch
- 6 Sagiz Petroleum Company LLP
- 7 Potential Oil LLP
- 8 Pricaspian Petroleum Company LLP
- 9 Kolzhan-Oil LLP
- 10 Caspi Meruerty Operating Company B.V. Branch
- 11 Kurmangazy Petroleum LLP
- 12 Tengizchevroil LLP

Below is the review of the companies of the largest PSAs.

“Tengizchevroil” LLP <http://www.tengizchevroil.com/>

Tengiz site with estimated volumes of crude oil of 750 mln. to 1,1 bln tones (from 6 to 9 barrels) is being explored under the framework of PSA. The license on exploration and production of hydrocarbons at Tengiz site is issued to Tengizchevroil LLP in 1993 for the term of 40 years.

Figure 2. Memberchip of "Tengizchevroil" LLP and their share



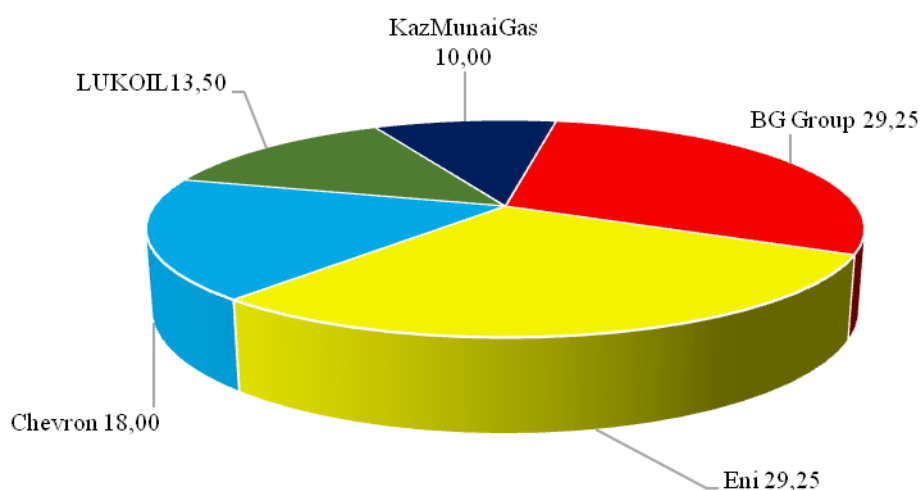
Source: Ministry of Energy, the RK

Karachaganak Petroleum Operating B.V. Kazakhstan branch (KPO)

<http://karachaganak-petroleum-opereiting-bv.kz24.net/>

Estimated extractable reserves of Karachaganak site, under the exploration of Karachaganak Petroleum Operating (KPO) – a joint venture, established by western companies, led by BG Group and Eni are 1,2 bln. tons (9 bln barrels) of crude oil and gas condensate and 1,35 trn. cubic meters of reserves of natural gas. Karachaganak has been the last large oil project without participation of Kazakhstan’s companies for a long time. In 2012 NC KazMunayGas became the participant of the project after acquiring 10% participation interest from the existing participants.

Figure 3. Membership of “Karachaganak Petroleum Operating” and their share



Source: Ministry of Energy, the RK

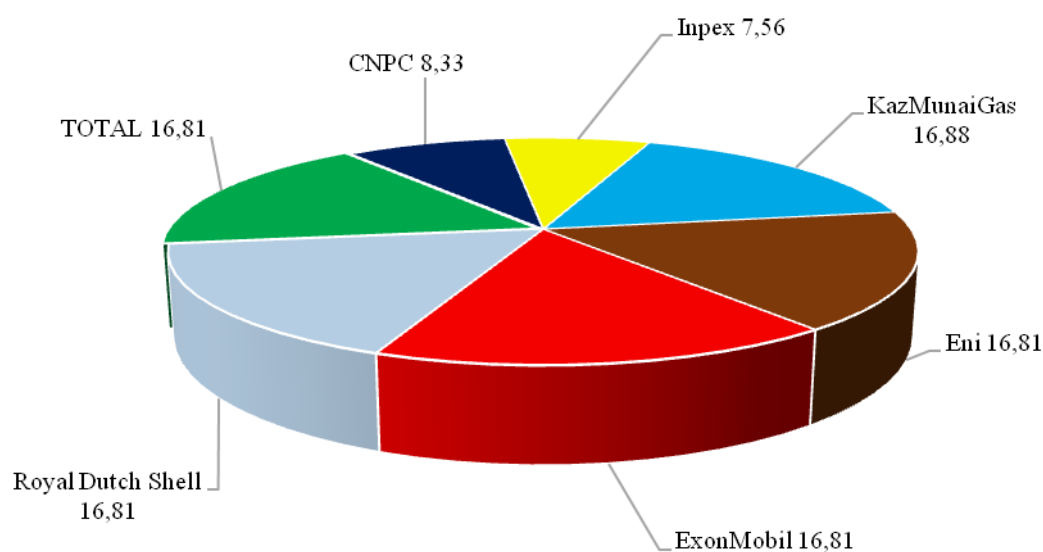
North Caspian Operating Company (NCOC)

<http://www.ncoc.kz/ru/ncoc/default.aspx>

Kashagan is the largest site discovered in 2000 which is being developed under the Production Sharing Agreement for the North Caspian Sea dated November 18, 1997, its proved extractable reserves amount to 761.1 mln. tons. The owners of the site 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% (Figure 4). On October 31, 2013, the transaction on sale of share of ConocoPhillips and acquisition of 8.33% by China National Petroleum Corporation has been completed. As a result, the share of KMG in the project for Kashagan site 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%.

Figure 4. Membership of North Caspian Operating Company (NCOC) and their share



Source: Ministry of Energy, the RK

According to the main principles of the PSA, the Government vested the subcontractors with the exclusive rights to conduct activities in the area of subsoil use, but did not vest the rights of ownership or rent on this site. Consequently, all extracted and processed hydrocarbons (i.e. finished products) are in the ownership of the state. The works are performed on the basis of compensation, at the same time the Government makes payments to subcontracts not in monetary form but rather in part as processed products, allowing the subcontractors to compensate for their expenses and gain profit.

According to PSA, not all expenses, paid by subcontractors, may be compensated. Certain expenses for compensation should be approved by authorized bodies. Authorized bodies review the compensated expenses. As a result of such reviews of the compensation of expenses before December 31, 2015, certain expenses on PSA were classified as non-refundable. The parties to the PSA conduct negotiations with respect to compensation of such expenses. As of 31 December, 2015, the participation interest of NC KazMunayGas group in the disputed non-refundable expenses is KZT 217,166 bln. (2014: KZT 64,286 bln.). KazMunayGas and its partners on the PSA conduct negotiations with the Government related to compensation of such expenses.²⁵

3.1.5. Information on Beneficiary ownership (3.11)

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, the LLP shall be formed according to memorandum of association which must contain a list of the founders. Clause 4 of article 14 of the mentioned Law sets forth that the memorandum of 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.

Article 126 of the Civil Code of the Republic of Kazakhstan (General Part) guarantees protection of service or commercial secret if the mentioned 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 precedent of keeping the public register of corporate organization beneficiaries, 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.

Partially, the extracts of segmental information about beneficiaries of certain companies can be found at:

- www.kase.kz, based on the information, provided on this website, if the company is public;
- the website of electronic government: <http://egov.kz/cms/kk>;
- <https://dfo.kz> from the audit reports of the companies

According to the Resolution of NCIP,²⁶ requirements of the Standard, that are encouraged, but not required for disclosure, will be reviewed further.

EITI Standard, updated in February, 2016, requires that by January 1, 2017, NCIP to publish the “road map” of disclosure of information about beneficiary ownership and determined major events and dates in it. Currently the Draft of the national roadmap is

²⁵ Consolidated financial report of Samruk-Kazyna JSC for 2015

²⁶ Minutes No.52 of NCIP dated 10 March 2015

prepared based on the task of the Department on subsoil use of the Ministry for Investments and Development, the RK and it is transferred for suggestions and comments to the work group of NCIP on implementation of new standards of EITI. Commencing January 1, 2020, EITI Standard requires the states, introducing it, to request and the companies to disclose information about beneficiaries to include it to EITI Report.

3.1.6. State participation in the extractive industries (3.6a, 3.6c)

The state participation in the extractive industries is mainly carried out through Samruk-Kazyna NWF JSC which combines companies of the industry, such as KMG NC JSC (100%), NAC Kazatomprom JSC (100%)²⁷ (Figure 5). Besides that, the National Bank of the RK owns 10% plus 1 share of NC KazMunayGas.

Samruk-Kazyna JSC is composed of 545 companies on 9 levels.

Figure 5. Top 10 subsidiary companies of the Samruk-Kazyna NWF JSC



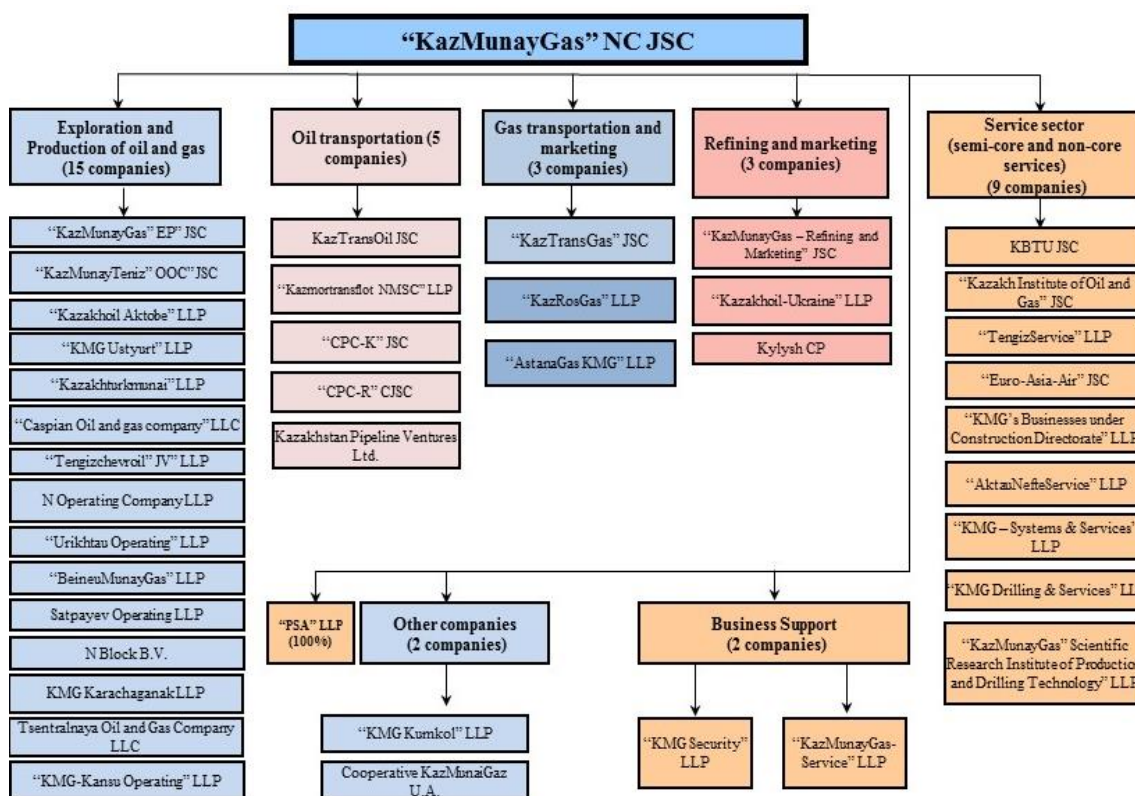
Source: Samruk-Kazyna JSC

National Mining Company Tau-Ken Samruk 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.

National Company KazMunayGas JSC (NC KMG) represents the state in the subsoil use. The Minister of Energy of RK is the chairman of the Board of Directors. NC KMG is a vertically integrated company, rendering services in the area of exploration and production, transportation, marketing of gas, processing and sales as well as other services in the oil&gas sector. KMG group is composed of 201 companies, including corporate centre of NC KazMunayGas JSC.

²⁷ <http://sk.kz/company/indicators>

Figure 6. The ownership structure of NC “KMG” JSC subsidiary companies



Source: NC KazMunayGas JSC http://www.kmg.kz/group_companies/structure/

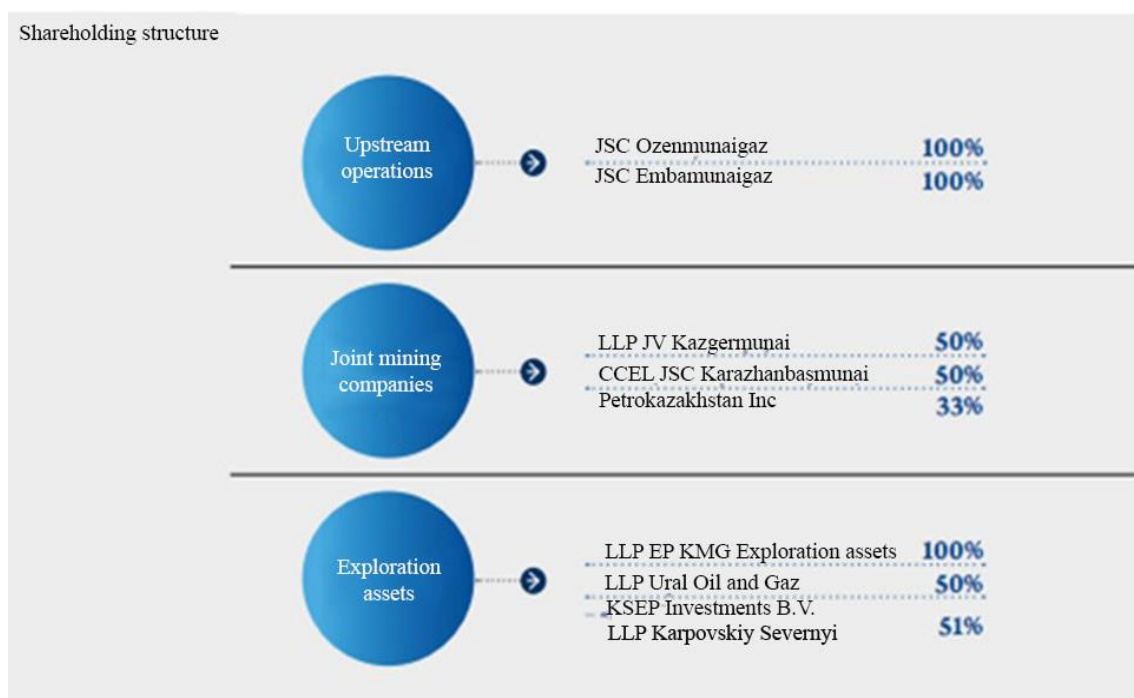
As of 2015, NC KazMunayGas JSC possesses 21% of oil and gas reserves in Kazakhstan, 32% of the residual gas reserves, extracts 28.6% of the total volume of oil and gas condensate’s production and 16% of production of the natural and associated gas, provides for 65% of the transportation of oil by the interstate pipelines, 64% of the transportation of oil by tankers from Aktau seaport as well as 94% of the transportation of the natural gas by the means of the interstate gas pipelines, carries out processing of 83.3% of the Kazakhstan’s oil with the share in the retail trading market of oil products of 16% (based on the data of the Annual report of NC KazMunayGas JSC as of 31.12.2015).

KMG Exploration Production JSC is a subsidiary of NC KMG JSC, which owns 57.9% of the total number of shares (according to the Annual Report of the Company as of December 31, 2015). 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 depositary receipts - on the London Stock Exchange (LSE). KMG EP is developing 47 oil and gas fields.²⁸

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 PetRKazakhstan Inc (Figure 7).

²⁸ Including “OzenMunayGas” JSC – 2 fields, “EmbaMunayGas” JSC – 40 fields, “Kazakh Gas Refinery” LLP – 5 fields.

Figure 7. Ownership structure of Exploration Production KazMunayGas



Source: Annual report of EP KMG JSC in 2015

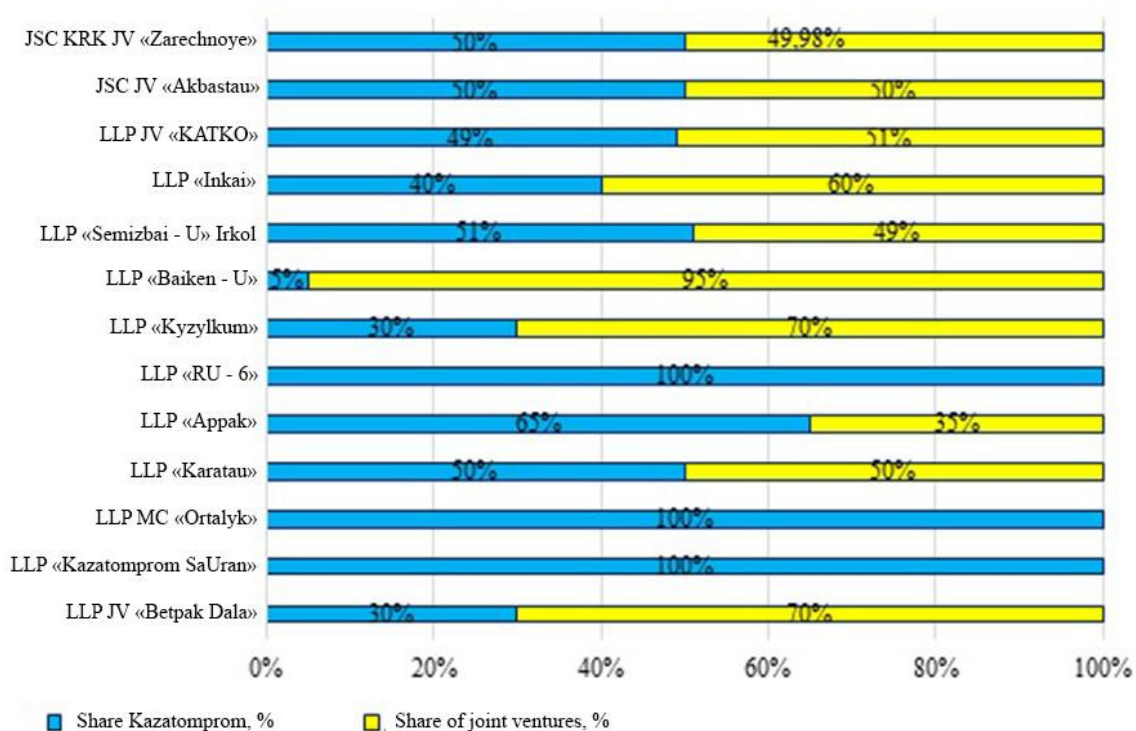
Oil transportation is accomplished by KazTransOil JSC (the national operator of the trunk pipeline), gas is transported by KazTransGas JSC (the national operator in the gas and gas supply) and tanker transportation is implemented by Kazmortransflot National Maritime Shipping Company JSC. NC KazMunayGas JSC is considered as one of the largest employer with the total amount of personnel of 84,000 individuals.

National nuclear company Kazatomprom, 100% of shares are in the ownership of the state represented by the NWF Samruk-Kazyna JSC combines all companies that extract and process uranium. Kazatomprom NAC JSC²⁹ is the national operator on import-export of uranium, rare metals, and nuclear fuel for nuclear electric stations, special equipment, technology and materials of the double purpose.

The structure of Kazatomprom consists of 81 companies at 4 levels.

²⁹ Established in 1997 by the Order of the President of RoK, On establishment of the National nuclear company “Kazatomprom” of 14.07.1997 No. 3593. 100% of company’s shares are in the ownership of the state represented by the NWF Samruk-Kazyna JSC

Figure 8. The ownership structure of “Kazatomprom” NAC JSC subsidiary companies



Source: NAC Kazatomprom JSC

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 (AREVA (France), Sumitomo Corporation, Kansai Electric Power, Energy Asia Limited (Japan), CGN (China), Uranium One (Russia) and Cameco (Canada). The share of NAC Kazatomprom JSC in the total production of uranium in Kazakhstan is more than 55%.

LOANS

According to the Corporate Report of Samruk-Kazyna JSC, as of 31 December 2015, the loans of the Government of the RK included:

- Bonds, acquired by the National Bank of RK on the assets of the National fund of RK – KZT 727,882 bln;
- Loans from the Government of RK – KZT 77,249 bln.;
- Loans from the National Bank of RK – KZT 61,306 bln.

As of 31 December 2015, the outstanding debt of Samruk-Kazyna JSC was USD 17,3 bln., out of which 59% was allocated to NC KazMunayGas JSC, 17% was allocated to KZT, 9% - to Samruk-Kazyna JSC and the rest – to other companies of the group.

3.2. Review of the Extractive Industries

3.2.1. Oil and gas sector: reserves, geological exploration (3.3), production (3.5a) and export (3.5b)

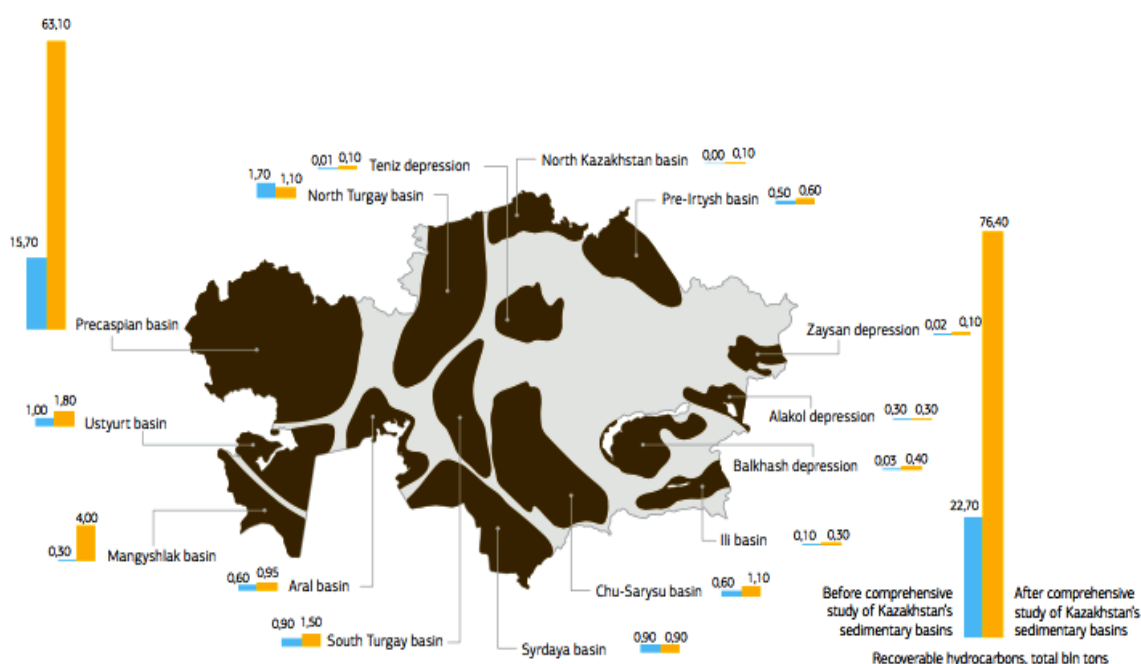
RESERVES

Oil and gas deposits occupy 62% of the area of the country having 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. Oil and gas fields are dated for a number of decantation basins, a part from which is characterized by unique geological features.

Figure 9. Sedimentary basins map of Kazakhstan



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 tonns (62 fields).

According to BP Statistical Review of World Energy, on the confirmed oil inventories for the end of 2015 of 3.9 bln. tons Kazakhstan possesses 1.8% of world reserves of

oil³⁰. 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 2015, the so-called “Reserves-to-production (R/P) ratio” is 49.3 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 2015, the so-called “Reserves-to-production (R/P) ratio” is 75.7 years - it means that the gas reserves will be exhausted after this period.³¹ Vast majority of gas condensate reserves are concentrated in Karachaganak (the largest field) (74%).

GEOLOGICAL PROSPECTING AND EXPLORATION

In the framework of the Program of geological prospecting and exploration works in the Republic of Kazakhstan for 2015-2019, approved by the Resolution of the Government of RK, the allocation of KZT 120 bln. was provided for. At the same time, the state budget allocates only KZT 98.8 bln. Therefore, the budget financing to conduct geological prospecting and exploration is insufficient.

KZT 777 bln. were transferred for the geological prospecting and exploration of the hydrocarbon raw materials, including KZT 3.4 bln. from the state budget. As a result of the performed works, the increase of the oil reserves constitutes 318 bln. tons, gas – 175 bln. cubic meters and condensate – 91 mln. tons.

Currently the geological prospecting and exploration works (GPE) are actively performed at 4 sedimentary basins, the extractable reserves of which constitute 30 bln. tons, at 4 sedimentary basins the geological prospecting and exploration is being performed with the average speed and at the 7 rest basins it is almost unexplored.

The conduct of the geophysical research works is planned on the territory of North Torgay, South Torgay, North Kazakhstan, Priirtyshsky and other sedimentary basins is planned on the funds allocated from the budget. It is planned, provided that there is sufficient financing into geological prospecting and exploration, to perform drilling of carrying-parametrical down holes on the territory of the indicated sedimentary basins. The prognosis of financing of the GPE for hydrocarbon raw materials until 2019 is KZT 777.6 bln., including KZT 15.1 bln. from the state budget.

The work on establishing cooperation with the world companies, leaders in the sectors of mining and geology exploration is currently carried out in order to attract foreign investments and transfer of the new technologies into geology exploration. Overall there are 5 ongoing projects on the amount of USD 30 mln. and 6 foreseen projects on the amount of USD 42 mln.

There are currently large investors operating in Kazakhstan, including Australian group company “Rio Rinto”, South Korean national company “Korea Resources Corporation”,

³⁰BP (2015), Statistical Review of World Energy. June 2016

³¹BP (2014), Statistical Review of World Energy. June 2015

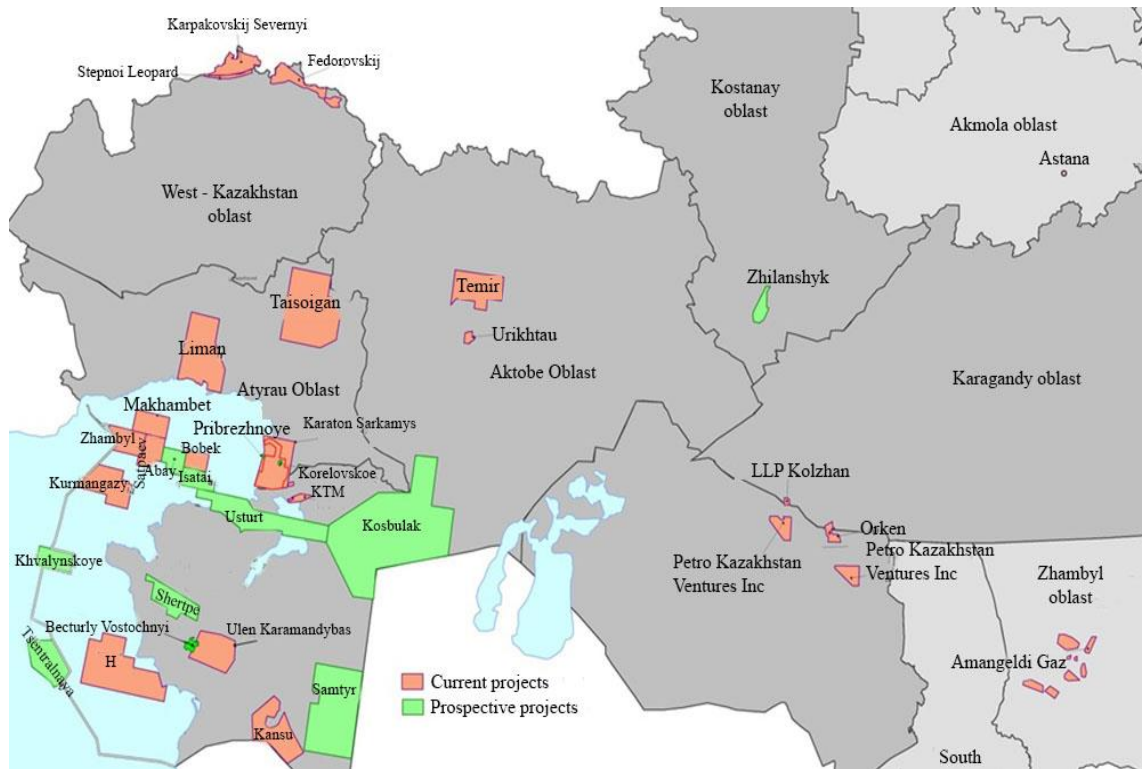
Australian company “Iluka Resources”, German investment fund “Ulmu Fund”. The amount of the attracted investments will be USD 30 mln. In 2015, within the framework of the indicated projects the geological exploration works have commenced. As of the end of the year more than 3 projects at the exploration stage out of 5 joint projects with Kazgeology JSC were performed.

The negotiations with investors from Turkey (Yildirim Holding), Japan (JOGMEC), USA (Azura International), Iran (“Ghadir”, “Sadr Tamin”, “SUNIR”) on implementation of projects on exploration of copper, gold, rare metals, and platinoids at 24 sites of subsoil are currently being held. The estimated amount of investment at the stage of exploration will be more than USD 40 mln.

On the instruction of the Committee of geology and subsoil use of the MID NC KazMunayGas has done re-appraisal of the exploitability and reserves base of the country in the framework of “Integrated study of the sedimentary basins of the Republic of Kazakhstan”. As a result of that, the “Scientific basis of the hydrocarbon potential of the Republic of Kazakhstan”, based on which the “Atlas of the sedimentary exploitable basins containing oil and gas raw materials of the Republic of Kazakhstan” was produced. Based on the research results, the first-row sites were recommended, the effective directions of the prospecting and exploration works were determined and the rational volumes of geological exploration works until 2020 were presented.

In the last 6 years, the total increase of the oil reserves and condensate due to geological exploration works was approximately 100 mln. tons, from which 24 mln. tons are allocated to the share of KazMunayGas³².

Figure 10. Location of geology exploration sites of NC "KMG" JSC



³²Report of the Chairman of the Board of KazMunayGas JSC – S.Mynbayev at the International Forum “Kazakhstan Geology Forum, Oil and Gas, 2015”.

Source: Report of the Chairman of the Board of KazMunayGas JSC – S.Mynbayev at the Ist International Forum “Kazakhstan Geology Forum, Oil and Gas, 2015”

As of January 1, 2016, the proved remaining extractable reserves of oil and gas condensate of NC KazMunayGas JSC (with consideration of the shares) are 755,07 mln. tons and 46.2 tons accordingly, according to the Annual report of the company of 2015. At the same time, the total increase of oil reserves (with consideration of the shares) was 4.8 mln. tons and gas condensate – 0.734 mln. tons.

Further increase of the reserves of hydrocarbons of NC KazMunayGas JSC is closely connected with the reserves potential of the Kazakhstan’s sector of the Caspian Sea.

PRODUCTION

Based on the data of the Ministry of Energy of the RK, the production of the oil, including gas condensate was 79.46 mln. tons³³ in 2015, including 66.5 mln. tons of the crude oil and 12.9 tons of the gas condensate, which is 1,7% less than in the year of 2014. In value terms the volume of oil and gas condensate production has made KZT 5,757.0 bln.

Karachaganak Petroleum Operating B.V. provides for the major amount of the gas - condensate’s production – 98%. Oblastally the major input to the oil production contributed the companies of the Atyrau Oblast – 32.3 mln. tons and Mangystau Oblast – 18.5 mln. tons, West-Kazakhstan Oblast – 12.7 mln. tons, Kysylorda Oblast – 8.9 mln. tons and Aktobe Oblast – 6.9 mln. tons (Attachment 6).

Figure 11. Oil and gas condensate production

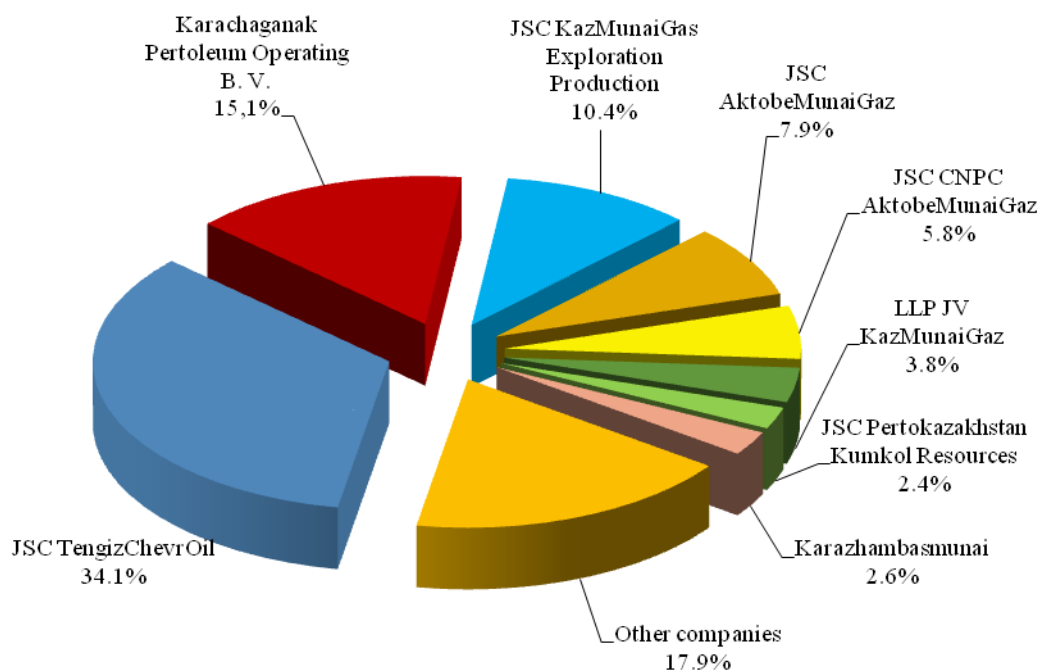


Source: Committee on statistics MNE of the RK

³³Bottom line notice of the Ministry of Energy of the Republic of Kazakhstan in 2015- 2016.

The three largest companies ensured 59.6% of the total volume of the oil and gas condensate production. “Tengizchevroil” LLP 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 10.4%.

Figure 12. Companies facilitating the key production of oil and gas condensate³ production in 2015.



Source: Energy Ministry of the RK

In 2015, oil production at Tengiz after the decrease in 2014 is back and even exceeded the record figure in 2013-27.1 mln. tons³⁴ (table 12). Payments to the state budget during the years of the project implementation exceeded USD 112 bln., including in 2015 to USD 8.2 bln. Between the Government of Kazakhstan and “Tengizchevroil” LLP signed a Memorandum on future expansion projects. This is a significant economic document, which will:

- 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 USD 37 bln. with the estimated completion in the mid 2018.

KPO has produced more than 12 mln. liquid hydrocarbon and 18.234 bln. m³ of gas

³⁴Bottom line notice of the Ministry of Energy of the Republic of Kazakhstan in 2015, and tasks in 2016.

from Karachaganak oil and gas condensate field in 2015.

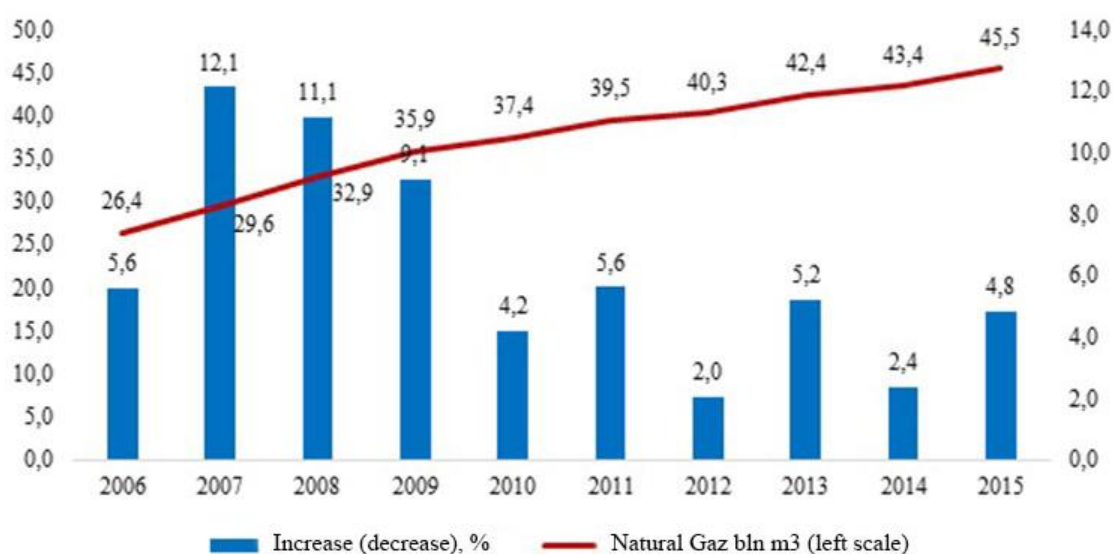
Due to the accidents at gas pipeline in September and October 2013, the participants of the North-Caspian project made a decision to stop the industrial facilities located at Kashagan. The works on the replacement of pipes are currently conducted. A renewal of the commercial production is planned for the end of the year 2017.³⁵

The most part of gas is got together with oil (in the form of associated gas or with gas condensate) within two existing large-scale projects of oil production: Karachaganak Petroleum Opereyting B.V. – 48%, “Tengizshevroil” LLP of 38%. According to Committee on MNE of the RK statistics, production of natural gas in 2015 has made 45.5 bln. m³. Cost the volume of gas production has made KZT 123.2 bln.

West Kazakhstan Oblast (19.7 bln. m³), Atyrau Oblast (15.1 bln. m³) as well as Aktobe Oblast (6.1 bln. m³) and Mangystau Oblast (2.5 bln. m³) provided for the major production share (Attachment 6).

About 40% of volume of gas production in Kazakhstan are used for the reinjection for maintenance of reservoir pressure and only about 60% of gross volume of gas production goes on for own needs of fields and commercial realization to consumers. Deliveries to domestic market have made 15.0 bln. m³ (Table 9).

Figure 13. Natural gas production



Source: Committee on statistics of MNE of the RK

EXPORT

Export of oil and gas condensate in 2015 has made 61.3 mln. tons. Export of natural gas has made 21.8 bln.m³ (Appendix 6). In value terms export of oil and gas condensate, natural gas has made 27.6 bln., these are 60.0% of cumulative export of the country.

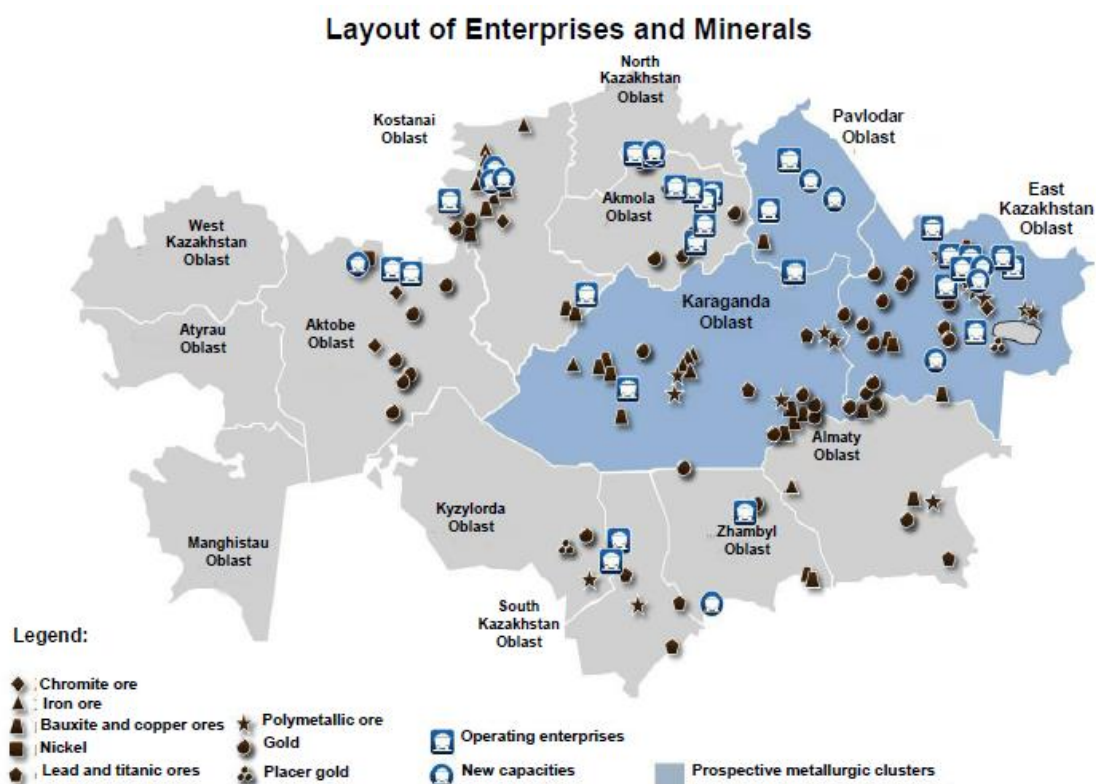
³⁵Report of the Minister of the energy – V.S. Shkolnik “Problems and prospects of the development of the oil and gas sector” at Parliamentary hearings, Astana, 2016.

3.2.2. Mining sector: reserves, geologic exploration (3.3), production (3.5a) and export (3.5b)

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 commercial minerals³⁶.

Figure 14. 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

Uranium

Kazakhstan takes the second place in the world on the volume of stocks and resources of uranium which, according to IAEA make 1.7 mln. tons, or about 12% of the total amount of world reserves and resources of uranium³⁷.

Fields of uranium are various under the terms of formation and to practical value. On a community of geological positions, genetic signs and territorial isolation, the field of Kazakhstan it is possible to consider as a part of six uranium-ore provinces: Shu-Sarysu, Syrdariya North Kazakhstan, Caspian, Pribalkhash and Iliy³⁸.

Now from 54 reconnoitered fields with balance reserves of uranium are developed 16, and the others 38 – are in a reserve.

³⁶B. Nurabayev, Geology industry: current status and development perspectives. [//static.caspianworld.com/speech/amm/2014/geologiya/Nurabayev.doc](http://static.caspianworld.com/speech/amm/2014/geologiya/Nurabayev.doc)

³⁷E. Dzhantureyeva. FPC. Reserves, production, investments. //Kazakhstan. – No. 4, 2015, p. 18-23

³⁸E. Dzhantureyeva. FPC. Reserves, production, investments. //Kazakhstan. – No. 4, 2015, p. 18-23

Feature of reserves of uranium in Kazakhstan is that about 80% from them are concentrated in fields of sandstone type that allows using technology of underground borehole leaching at production.

Uranium fields are located in the territory of the Southern Kazakhstan, Kyzylorda and Akmola oblasts.

Coal

According to the BP Statistical Review of World Energy, as of the end of 2015 the coal reserves of Kazakhstan are 33.6 bln.tons (3.8% of the world reserves), almost 64% is bituminous coal and 36% is bevey coal, the country is the eighth in the world³⁹. 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 2015, the so-called “Reserves-to-production (R/P) ratio” is 316 years - it means that the coal reserves will be exhausted after this period.⁴⁰

Gold

Kazakhstan’s share in world gold reserves is about 5%. The state balance of mineral resources of the Republic of Kazakhstan reserves of 330 fields (369 objects), 94 are operated, 138 – explored, 124 – backup. Total proven gold reserves amount to more than 2.4 thousand tons⁴¹.

Gold deposits have been found in all oblasts of Kazakhstan, the level of stocks lead East Kazakhstan, Akmola, Karaganda and Kostanay Oblast.

Subsoil use of gold is carried out on 154 sites, of them 35 being produced, the 72 – 47 exploration and combined exploration and production.

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.⁴²

Copper

Balance reserves of copper amount to about 40 mln tons. The state balance reserves of 122 objects of copper (120 fields). The subsoil use of copper is carried out on 62 objects, 14 are mined, 33 – exploration and 15 – combined exploration and production⁴³.

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

Polymetals

By the proved reserves of lead and zinc Kazakhstan is ranked third after Australia and China, possessing 10% of the world reserves.

³⁹BP (2014). Statistical Review of World Energy. June 2015

⁴⁰Ibid

⁴¹Djantureeva E. Subsoil use. 2000-2015. Production deposits, investments. Kazakhstan. – 2016 , #3, p.p. 72-76.

⁴²National Agency on Export and Investments KAZNEX INVEST JSC, 2012, Astana

⁴³Ibid

The subsoil use of the polymetal is carried out at 34 sites, of them 16 are under production, 12 are under exploration and 6 are under combined exploration and production⁴⁴.

Iron and Manganese

By the balanced proved reserves of the iron ore Kazakhstan holds 6th place worldwide, following Australia, Brazil, Russia, China and Ukraine, 6% of the world's reserves, by manganese ore – 3rd place after South African Republic and Ukraine.

State balance accounts 66 sites of iron ore subsoil use and 48 sites of the manganese ore subsoil use.⁴⁵ The reserves of iron ore are allocated between Kostanay, Aktobe, Karaganda and Akmola oblasts. Balance reserves of manganese ore are approximately 700 mln. tons, 92% of them are in Karaganda oblast and approximately 6% in Mangystau oblast.

The subsoil use on manganese and iron ore is performed at 52 sites, 17 are under production, 20 – under exploration and 15 – under combined exploration and production.

Bauxites

Balance reserves of bauxites are 336 thous. tons. The state balance accounts for 41 bauxite sites.⁴⁶

Subsoil use related to bauxites is conducted at 6 sites, with 4 sites under production and 2 sites – under exploration.

Chromites

Kazakhstan holds second place after South African Republic on the reserve volumes of chromite ores. The state balance accounts 18 deposits of chromite ores, located in Aktobe oblast.

Subsoil use of chromites is performed at 9 sites, 8 of them are at under production, and 1 is under exploration.⁴⁷

GEOLOGICAL PROSPECTING AND EXPLORATION

For the five years from 2011 to 2015 for geological prospecting and surveying of solid minerals KZT 156 bln. was transferred, including KZT 22 bln. from the state budget. As a result of performed works, the increase of the reserves of the priority mineral resources: gold – 475 tons, copper – 8 mln. tons, lead – 415 thous. tons, zinc – 988 thous. tons as well as uranium, molybdenum, iron-manganesian ores etc. The prognosis of the financing for geological prospecting and surveying on solid minerals until 2019 will be approximately KZT 475.8 bln., KZT 32 bln. being allocated from the state budget. In 2016 on the funds of the state budget the geological prospecting and surveying on solid minerals will be conducted on 40 sites. The expected results will be the following volumes of the prognosed resources of the major types of solid materials: gold – 102 tons, copper – 1 mln. tons, polymetals – 3.3 mln. tons (target indicator of the Strategic Plan of the Ministry of Industrial Development in 2016).

⁴⁴Ibid

⁴⁵B Nurabayev, Geological sector: current state and development perspectives
[//static.caspianworld.com/speech/amm/2014/geologiya/Nurabayev.doc](http://static.caspianworld.com/speech/amm/2014/geologiya/Nurabayev.doc)

⁴⁶Ibid

⁴⁷

PRODUCTION

Uranium

In 2015, Kazakhstan, Canada and Australia extracted approximately 70% of the total volume of the worldwide production of uranium (39%, 22% and 9%, accordingly).

Kazakhstan reserved the leading position in the world as the largest producer of the natural uranium: the volume of production by all companies in 2015 amounted to 23,805 tons of uranium, compared to 2014, there is a growth by 4,3%⁴⁸ (Attachment 6). NAC Kazatomprom JSC, with consideration of the participation interests in subsidiaries and dependent companies, extracted 13,000 tons of uranium in 2015 that is 21% of the world production of uranium.⁴⁹ More than 80% of the total volume of production of uranium is allocated to South-Kazakhstan oblast.

Coal

According to the data of the Committee of statistics of the Ministry of National Economy of the Republic of Kazakhstan, the production of the coal and lignite decreased by 5% compared to 2014 and amounted to 107.3 mln. tons (without consideration of the coal concentrate), of which 59.5% of the production was secured by Pavlodar oblast and 33.8% - by Karaganda oblast (Attachment 6).

In 2015, 67.5 mln. tons of coal were delivered to the internal market. Out of total volume of coal 74% or 51 mln. tons are offloaded to the energy-producing companies, that is 1.6 mln. tons less than in 2014.

Gold

63.6 tons of raw and half-finished gold were mined in Kazakhstan in 2015 as well as gold in the form of powder. Of them 33.7% were mined by East Kazakhstan Oblast, then Akmola Oblast (32.6%) and Karaganda Oblast (10.6%) (Attachment 6).

Silver

Silver production (raw and semi-finished or in powder form) was 1306.6 tons (Table in Attachment 6). East Kazakhstan is one of the main oblasts in the Republic as the producers of finesilver, provided for 72% of the total volume of production.

Copper

In 2015, production of refined raw, non-alloyed copper decreased by 16.5% compared to 2014 and amounted to 394.6 thous. tons, 80% of them was accounted for Karaganda Oblast and 20% for East Kazakhstan Oblast (Attachment 6).

Lead and Zinc

In 2015, East Kazakhstan Oblast produced 100% of the republican volume of raw lead-120.1 thous. tons, an increase by 4% compared to 2014, 85.7% of which was exported. East Kazakhstan Oblast produced 100% of the volume of raw zinc - 323.8 thous. tons, 85% of which was exported. (Attachment 6)

Iron ores

In 2015, according to the RK Statistics Agency, it was produced 17.1 mln. tons of iron ore. 82.5% of the total volume of mined iron ores is accounted for Kostanai Oblast and 26.2 % - for Karaganda Oblast (Attachment 6).

⁴⁸<http://www.kazatomprom.kz/ru/content/kompaniya/deyatelnost/dobycha-prirodnogo-urana>.

⁴⁹Ibid

Manganese ores

In 2015, production of manganese ore decreased by 42% compared to 2014 and amounted to 1.6 mln. tons. In Karaganda oblast accounts for 100% of the total production of manganese ore in the country (Attachment 6).

Bauxites

Aluminum (bauxite) was mined in Kostanai Oblast. In 2015, volume production was 4.7 mln. tons and decreased by 10% compared to 2016 (Attachment 6).

Chromites

In 2015, chrome ore mining 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 3 shows the main export directions in 2015 according to the RK Agency for Statistics and the RK Revenues Committee (more detailed data is given in Attachment 6).

Table 3. Principal areas of the production export

Type of Products	Countries to which the products are exported from Kazakhstan
Oil and gas condensate	Italy, China, the Netherlands, France, Romania, Switzerland, Spain, Greece, Austria, Japan
Natural gas	Russia, Ukrain, Switzerland, Poland, China, Kyrgyzstan
Gold	Russia, UK, Kyrgyzstan
Silver	UK, Hongkong
Copper	Britain, China, Germany, Egypt, Malta, Turkey
Lead	Spain, China, Vietnam, Russia
Zink	China, Turkey, Ukraine, Russia, Netherlands
Chrome ores	Russia, China
Iron ores	Russia, China
Manganese ores	Russia, China, Uzbekistan
Uranium	China, Russia, France, Kyrgyzstan, Canada, the USA, Ukraine
Coal	Russia (main importer), Kyrgyzstan

In 2015, 7.1 tons of gold, for the sum of USD 184.4 mln. are sent for export. To the countries out of the Customs union 1,2 tons raw or semi-processed, or in the form of gold powder, (from them to Great Britain –0.8 tons, Kyrgyzstan-0.4 of tons) to Russia – 5.9 tons of gold (powder of the gold which is not used for stamping of coins) are sent (Appendix 6). On sharp reduction of export of gold the temporary ban since June, 2014 has influenced export of the gold-bearing rock to the third countries⁵⁰.

In 2015, 1.28 thous. tons of silver amounting to USD 482,4 mln. are sent for export. Almost all volume of the silver manufactured in Kazakhstan is exported to Great Britain – 99.5% of the total amount of export of silver. 0.5% or 6.7 tons fall to the share of Hong Kong.

⁵⁰Government decree of the RK “On the introduction of a temporary ban on raw precious metals, scrap and waste of precious metals and raw materials containing precious metals to export from the territory of the Republic of Kazakhstan” dated 3.06.2014.

In 2015, 354.5 thous. tons of copper, for the sum of USD 1.9 bln. are sent for export. The main importers of copper are – China (40.9% of the total amount of export), Great Britain, Turkey.

Export of lead has made 110.7 thous. tons on USD 188 mln. of 74.1% of the total amount of export of lead it is the share of Spain and 21.1% - to China.

The main importers of zinc are China – 61.6% of the total amount of export and Turkey – 34.1%.

Almost all volume of export of chrome ores is the share of Russia (1,0 mln. tons).

In 2015, 8.5 mln. tons of iron ores, for the sum of USD 404,4 mln. Russia – 94.1% of the total amount of export and China – the rest are sent for export.

93.2% of the total amount of export of manganese ore are the share of Russia.

In 2015, 27.6 mln. tons of coal are exported. Almost all export of coal goes to Russia.

In 2015, the volume of export of uranium has made 28.7 thous. tons. In the Attachment 6 indicators of export of uranium on oblasts of Kazakhstan according to Committee of state revenues and Committee on MNE statistics are given. Uranium is exported to China, Russia, France, Kyrgyzstan, Canada, the USA, Ukraine.

3.3 Governmental incomes, generated by the Extractive Industries

3.3.1. Taxes and other payments (4.1b)

The National Fund accumulates a part of the revenues generated by the mining sector of the economy at a favorable 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.⁵¹

Taxes from the oil and gas companies determined by the list being approved annually by the RK MF and the RK ME shall be sent to the National Fund of the RK on taxes and payments as defined by law. Other taxes and payments, as well as taxes from other companies in the mining sector, are sent to the republican budget and local budgets and are not separated from taxes, received from other sectors of economy. Table 1 below provides details of the tax receipts to republican or local budget and to the National fund.

Let's review the total incomes of the government, accumulated by the extractive industries in absolute numbers and in % of consolidated incomes of the government (Table 4). In 2015 the total incomes of the state budget were KZT 7,634 bln, receipts to the National Fund, according to its annual report⁵² were 60.7% of the incomes of the state budget.

Basically, the National Fund of Kazakhstan accumulates the direct taxes paid by the oil and gas sector, i.e. 53.9% of total revenues of the state budget. The National Fund fully accumulates the share the Republic of Kazakhstan under the Production Sharing Agreements, almost in full - rent export tax (99.0%), bonuses (60.3%), receipts from the subsoil users under the claims on compensation for damage by the organizations of oil sector (59.9%), excess profit tax (84.6%) and the lion's share of the mineral production tax (79.6%).

⁵¹Makhmutova M (2008) Management of the oil incomes: Concept of the National Fund. Almaty. FSK.

⁵²Order of the President RoK, On approval of the report on forming and use of the National Fund of the Republic of Kazakhstan for 2015 dated June 15, 2016 No. 282

Table 4. Receipts to the National Fund of the Republic of Kazakhstan in 2015, their Share in the Revenues of the State Budget

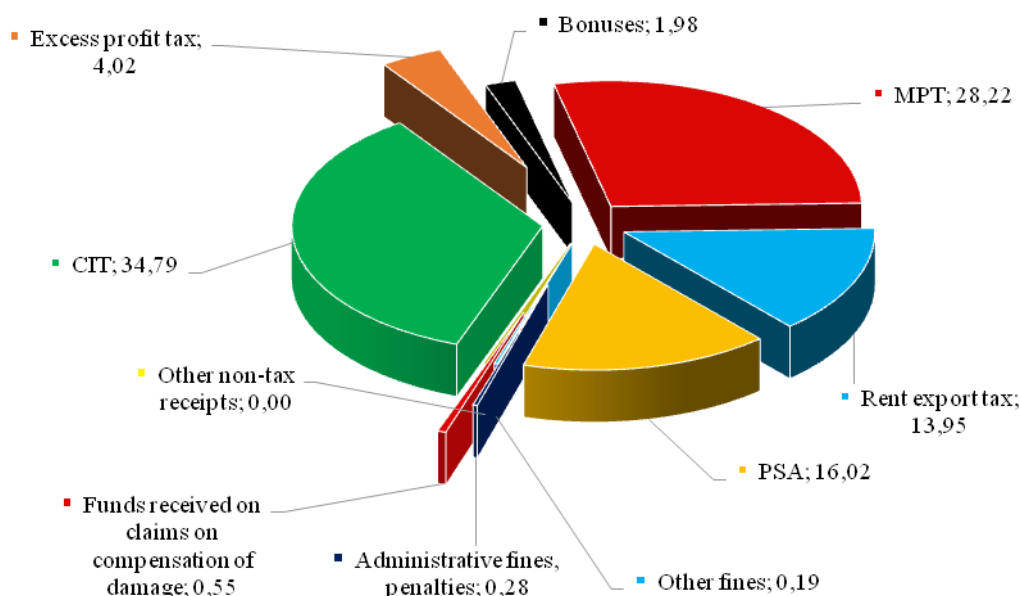
Types of payments	Receipts to the National Fund of the Republic of Kazakhstan (KZT thous.)	Revenues of the State Budget* (KZT thous.)	Share of the Receipts of the National Fund from the consolidated Revenues of the Government, %
Receipts	11,793,630,511	7,634,802,000	60.7
including: direct taxes paid by the organizations of oil sector (excluding taxes paid out to the local budgets)	1,629,829,522	1,378,214,000	53.9
<i>including:</i> <i>corporate income tax</i>	567,063,225	1,224,645	31.6
<i>Excess Profits Tax</i>	65,545,607	11,916,000	84.6
<i>Bonuses</i>	32,249,326	21,265,000	60.3
<i>Mineral production tax</i>	459,942,363	118,073,000	79.6
<i>Rent export tax</i>	227,319,646	2,315,000	99.0
<i>Share of the RK on production sharing</i>	261,032,882	-	100%
other receipts from the activities performed by the organizations of oil sector (excluding receipts paid out to the local budgets), including:	16,676,573	29,726,000	35.9
administrative fines, penalties, sanctions and/or charges imposed by the central state authorities and/or their territorial subdivisions on the organizations of oil sector	4,621,289	9,323,000	33.1
other fines, penalties, sanctions, charges imposed by the state institutions to be financed from the state budget on the organizations of oil sector	3,139,686	3,763,000	45.5
funds received from the subsoil users under the claims on damage to be compensated by the organizations of oil sector	8,912,030	5,954,000	59.9
Other non-tax revenues from the organizations of oil sector.	3,568	10,686,000	0.0
Receipts from privatization of the state property that is in the republican ownership and is related to mining and production industries.	-	-	-

Source: Order of the RK President, On approval of the report on formation and use of the National Fund of the Republic of Kazakhstan in 2015 No. 282, dated June 15, 2016. Statistical bulletin of the MF RK, December 2015.

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/statistical_bulletin_flr

* except for receipts from oil sector organizations

Figure 15. Receipts structure of the National Fund of the RK from subsoil use companies in 2015.



Source: Order of the President of RK, On approval of the report on formation and use of the National Fund of the Republic of Kazakhstan in 2015 No. 282, dated June 15, 2016

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 RK.⁵³

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 16.4% of the tax incomes of the local budgets and 22.14% of the tax incomes of the republican budget (Table 5). These incomes do not have a target purpose and transferred towards current expenses.

⁵³Statistical bulletin of the MF 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 5. Information on the share of tax payments from subsoil users in tax payments of the consolidated budget (State budget+National Fund), republican and local budgets in 2015

KZT Thous.

	Number of payers	Total in RK (SB+NF)	including:			
			SB (RB+LB)	RB	LB	NF
Total in RK		6,738,764,669	5,108,933,696	3,495,181,712	1,613,751,984	1,629,829,522
Tax receipts		6,497,065,806	4,883,911,997	3,332,925,069	1,550,986,928	1,613,152,949
Non-tax receipts		241,698,863	225,021,700	162,256,644	62,765,056	16,676,573
Including:						
Total amount of receipts from the oil and gas sector (ROGS) in the RK	159	2,430,961,230	801,165,548	640,711,170	160,454,378	1,629,795,682
<i>out of which the amount of incomes on the reconciliation list of ROGS</i>	72	<i>2,420,110,451</i>	<i>795,190,843</i>	<i>638,568,123</i>	<i>156,622,720</i>	<i>1,624,919,608</i>
<i>share of the total incomes on ROGS (%)</i>		<i>99,55</i>	<i>99,25</i>	<i>99,67</i>	<i>97,61</i>	<i>99,70</i>
Total amount of receipts from the mining sector (RMS) in the RK	302	239,358,995	239,358,995	133,996,613	105,362,382	-
<i>out of which the amount of incomes on the reconciliation list of RMS</i>	82	<i>236,621,875</i>	<i>236,621,875</i>	<i>132,972,878</i>	<i>103,648,997</i>	-
<i>share of the total incomes on RMS (%)</i>		<i>98,86</i>	<i>98,86</i>	<i>99,24</i>	<i>98,37</i>	-
Total on ROGS and RMS	461	2,670,320,225	1,040,524,543	774,707,783	265,816,760	1,629,795,682
<i>share of the total amount of receipts in RK (%)</i>	154	<i>39,63</i>	<i>20,37</i>	<i>22,17</i>	<i>16,47</i>	<i>100</i>

Source: MF of RK

3.3.2. In kind payments (4.1c)

According to the ME of the RK (outgoing Letter No. 08-03/22234 dated 20.09.2016, the payment ‘Production Share of the Republic of Kazakhstan’ is envisaged in in-kind form under the contracts as Production Sharing Agreement. According to the reports on form LKU No.2 in 2015 payments in-kind were not made. Based on the information from Committee of geology and subsoil use of the Ministry of Investment and Development of the RK (outgoing Letter No. 27-6-1767 dated 14.09.2016), based on the reports on LCC, the payments in-kind were not made by the companies of the oil and gas sector and mining sector companies.

State Revenue Committee of the Ministry of Finance of the RK (outgoing No. SRC-06-2-47836-src-20153 dated 11.08.2016) pointed out that in accordance with clause 9 article 31 of the Code of the Republic of Kazakhstan ‘Concerning taxes and other obligatory payments to the budget’ (Tax Code), the tax obligation on payment of taxes and other obligatory payments to the budget as well as the obligation on payment of the penalty and fines are performed in national currency, excluding cases, provided by the present Code, legislative acts of the Republic of Kazakhstan, regulating activities of the joint stock companies, as well as cases, when the legislation of the Republic of Kazakhstan and provisions of the contracts on subsoil use envisage payments in-kind or in foreign currency. Information about the amounts of taxes and other obligatory payments to the budget, paid by the legal entities, in accordance with the Article 557 of the Tax Code, are available on the official website of the State Revenue Committee of the Ministry of Finance RK at www.kgd.gov.kz.

3.3.3. Income from transportation (4.1f)

Oil transportation

Oil transportation via main oil pipelines is carried out by ‘KazTransOil’ JSC - a subsidiary of NC ‘KazMunayGas’ JSC.

In addition to this, NC ‘KazMunayGas’ JSC owns equity in the Caspian Pipeline Consortium (CPC) in the amount of 20.75%, including the Government of the Republic of Kazakhstan - 19%, and Kazakhstan Pipeline Ventures -1.75%.

The main active oil export routes are:

- Atyrau-Samara pipeline (‘KazTransOil’ JSC - 100%);
- CPC pipeline (NC ‘KazMunayGas’ JSC - 20.75%);
- Atasu-Alashankou pipeline (‘KazTransOil’ JSC - 50%);
- Aktau seaport;
- Batumi seaport.

Diversification of transportation of Kazakh oil has to NC ‘KazMunayGas’ JSC a special role, as it gives the opportunity to select the most cost-effective routes for the transportation of hydrocarbon resources to the world markets and serves as a guarantee of economic security.⁵⁴

⁵⁴Annual report of NC ‘KazMunayGas’ JSC for 2015

Figure 16. Layout of major pipelines



Source: <http://kazenergy.com/2012-06-20-08-42-46/6504.html>

The main activity of “KazTransOil” JSC is:

- Oil transportation (pumping, transshipment, draining, filling, storage, blending) and petroleum products via main pipelines;
- Construction and operation of the pipeline system on the territory of the Republic of Kazakhstan and abroad;
- Transportation of Kazakhstani oil through the pipeline systems of other countries (operator activity on a single routing), and others.

In 2015, the system of main pipelines of “KazTransOil” JSC transported 47.2 mln tons, including 7.0 mln. tons of Russian by Priirtyshsk - Atasu-Alashankou oil transit route.⁵⁵

In 2015, the volume of oil transportation through CPC pipeline amounted to 42.7 mln. tons (including 38 mln. tons of Kazakhstani oil), Atyrau-Samara -15.7 mln. tons, Atasu-Alashankou -11.8 mln. tons.⁵⁶

It is impossible to select in the budget the income from transportation of production of mining sector, oil and gas as the amounts of taxes and other obligatory payments are paid to the budget in general from all activity of the companies, which are carrying out transportation and separately aren't divided into kinds of activity.

In “KazTransOil” JSC there is no separate methodology for calculation of taxes for kinds of activity. Taxes are paid by the company totally on all kinds of activity. In table 6 the taxes paid by the company totally on all kinds of activity are specified.

⁵⁵In accordance with the Agreement between the Government of the Republic of Kazakhstan and the Government of the Russian Federation on cooperation in the field of transportation of Russian oil through the territory of the Republic of Kazakhstan to China on December 24, 2013.

⁵⁶Annual report of NC “KazMunayGas” JSC for 2015.

Table 6. Taxes of "KazTransOil" JSC in 2015.

Name of taxes	Amount in KZT thous.
Corporate income tax	16,850,829
CIT withheld at a source of payment of legal nonresident persons	30,250
VAT on nonresidents	19,213
VAT on the Customs union	6,927
Excise	1,401
IPN	3,789,471
Social tax	3,201,316
MET (on underground water)	8,444
Property tax	5,076,892
Land tax	24,443
Tax on vehicles	36,179
Payment for issues to the environment	70,096
Payment for use of water resources	8,035
Other taxes	87,910
	29,211,406

Incomes from transportation of oil of "KazTransOil" JSC in 2015 has made KZT 176,0 bln. (Attachment 7).

Source: data of "KazTransOil" JSC

Transportation of oil on system of "KazTransOil" JSC is carried out in the following directions (Table 7):

Table 7. Routes and volumes of transportation of oil in 2015.

No.	Transportation direction	Oil volume, mln. tons
	transportation load	47,5
1	The RK Oil Refinery, including:	14,4
1.1	Atyrau Refinery	4,8
1.2	PKOP	4,4
1.3	POCR	4,8
1.4	Bituminous plant	0,4
2	PAS Samara	15,7
3	Railway shipments	0,03
4	Shipment by the sea (export through Aktau port)	2,9
5	Transfer in the OP CPC system	2,8
6	Transfer in Atasu-Alashankou	11,8
6.1	including, transit Russian oil	7,0

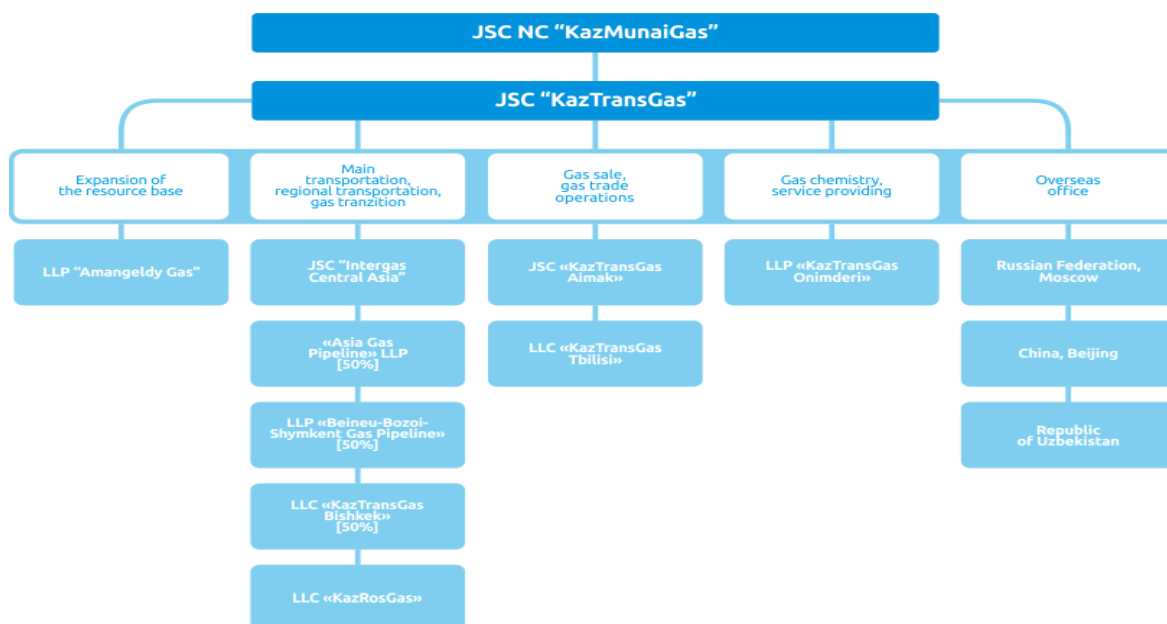
Source: data of "KazTransOil" JSC

Gas transportation

NC “KazMunayGas” JSC, “KazTransGas” JSC subsidiary according to the Resolution of the government of the RK No. 914 dated July 05, 2012, is a national operator in the sphere of gas and gas supply⁵⁷.

“KazTransGas” JSC is a part of NC “KazMunayGas” JSC and controls the main network of transport gas pipelines more than 17.7 thous. km long in the country with an annual volume up to 160 bln. m³, network of gas-distributing gas pipelines more than 40 thous. km long, 31 compressor stations on which 322 gas-distributing units are installed ensure trouble-free operation, serve three underground gas storages

Figure 17. Gas transmission industry control scheme



Source: “KazTransGas” JSC

Through the territory of Kazakhstan the transit of natural gas is transferred from Turkmenistan and Uzbekistan to China and the Russian Federation.⁵⁸

Table 8. Income from transportation of gas by “KazTransGas” JSC group in 2015

Name of taxes	2015
Trunk gas transportation	99,433,602
Internal transportation	3,510,245
for export transportation	21,958,579
international transit	73,964,778
Russian transit	26,106,972
Central Asian transit	47,857,806
Uzbek transit	—
Oblastal transportation	18,267,124
Total income from gas transport	117,700,726

Source: “KazTransGas” JSC

⁵⁷Resolution of the RK Government dated July 05, 2012 .No. 914.

⁵⁸Annual report of NC “KazMunayGas” JSC for 2015.

Payments to budget for gas transportation

In 2015, the group of companies of “KazTransGas” JSC has paid taxes and other obligatory payments to the budget in the amount of KZT 20.1 bln. including.

- “IntergazCentralAsia” JSC - KZT 11.7 bln.
- “KazTransGas – Aimak” JSC - KZT 4.2 bln.
- “KazTransGas-Almaty” JSC - KZT 4,2 bln.

Tax declarations made in accordance with the Tax Code of the Republic of Kazakhstan. Gas transmission infrastructure in Kazakhstan was designed during the Soviet period and intended for the transportation of gas to Russia. As a consequence of the nature of the transit gas transportation infrastructure, a significant proportion of the territory of the Republic of Kazakhstan still has no gas supply system, especially the oblasts of Northern Kazakhstan. However, the implementation of the project of construction of gas pipeline Kazakhstan - China in distance between Beineu-Shymkent-Bozoi aimed at gasification of the most densely populated oblasts of Kazakhstan.⁵⁹

In accordance with the Agreement on counter delivery of gas between “Gazprom” OJSC, “Uzbekneftegaz” NEC and NC “KazMunayGas” JSC dated December 27, 2006 carried out processing of Karachaganak gas to the Orenburg gas processing plant. The entire volume of gas imported from Uzbekistan to Kazakhstan, “swapped” at the same price and in equal volumes of the gas supply from the Karachaganak field to the Orenburg gas processing plant and export of Russian gas to the international markets⁶⁰.

Gas supply of southern oblasts and Kostanai oblast is carried out within the swap operations of “Gazprom” OJSC at the expense of resources of the Uzbek gas via pipelines “BGR-TBA” and “Gazly–Shymkent”, Uzbek and/or Turkmen gas by “Turkmenistan-China” MGP, Kazakhstani gas through the “Bozoi –Shymkent” gas pipeline as well as on Russian gas by “Bozoi–Shymkent” gas pipeline. Gas supply of western oblasts of Kazakhstan at the expense of gas resources of Kazakhstani mineral developers.

Table 9. Transportation volumes of gas through the main gas pipelines (bln./m³)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total	121,9	114,2	116,7	91,1	101,7	110,6	109,2	110,2	105,4	102,8
International transit	107,6	97,9	97,7	73,2	79,7	89,04	84,7	85,3	79,1	75
Gas supplies from Kazakhstan for export	7,8	8,3	9,6	10,0	13,5	11,89	11,9	12,0	11,2	12,7
Supplies for domestic consumption	6,5	8,0	9,4	7,9	8,5	9,6	12,6	12,9	15,1	15

Source: “KazTransGas” JSC

On July 27, 2011 a protocol No.2 “Concerning amendments and additions to the Agreement between the Government of the Republic of Kazakhstan and the Government of the People’s Republic of China on cooperation in construction and exploitation of the gas pipeline Kazakhstan - China of 18 August 2007” was signed, according to which the parties agreed to implement increasing the power of the first section of the “Kazakhstan – China” MGP to 25 bln. m³ per year, of which 20 bln. m³

⁵⁹Annual report of NC “KazMunayGas” JSC for 2015.

⁶⁰Same source

are intended for use by the Chinese side to implement the transit of Turkmen and Uzbek gas to China, and 5 bln. m³ per year for Kazakhstan in order to ensure the needs of the internal gas market of Kazakhstan, as well as potential gas exports to China.

Project implementation period 2012-2017. The project involves the construction of the main gas pipeline of 1304 km bandwidth of up to 25 bln. m³ per year.

As of December 31, 2015 a linear part of the gas pipeline, compressor station No. 2 and No. 6 put into operation. Since the launch of the gas pipeline on December 31, 2015 there has been transported 5.9 bln. m³ of gas.

The gas transportation infrastructure of the Republic of Kazakhstan on gas transit consists of major trunk gas pipelines:

- “Central Asia-Center” - the distance about 4,000 km, capacity 60 bln. m³ (Turkmen and Uzbek gas);
- “Bukhara – Ural” - the distance about 4.500 km, capacity 7.2 bln. m³ (Uzbek gas);
- “Orenburg-Novopskov” and “Soyuz” MGP” - the distance 760 km and capacity 10 bln. m³ and 20 bln. m³ (Russian gas);
- “Kazakhstan – China” - the distance of 1,310 km a part of the “Central Asia – China” main gas pipeline, designed to transport gas from the largest gas field Galkynysh (Turkmenistan) to China, the current capacity of 37 bln. m³ with the prospect of expansion to 55 bln. m³.

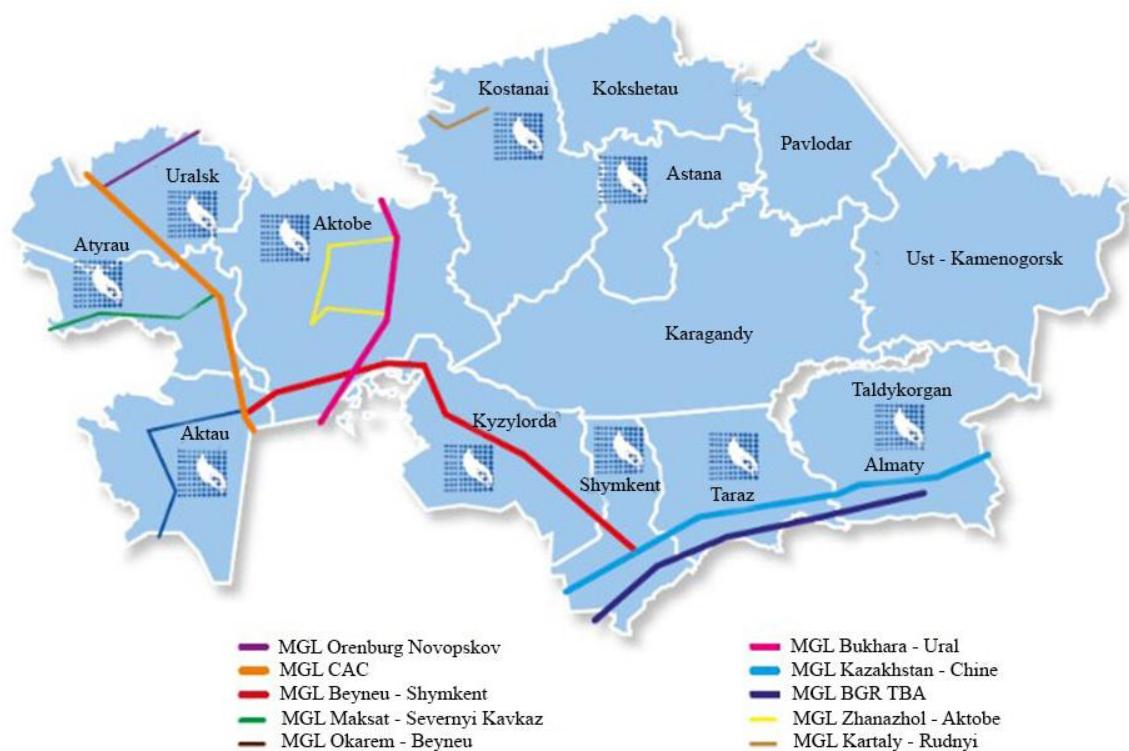
According to the Statistics Committee and the State Revenue Committee, the volume of natural gas exports in 2015 amounted to 21.8 bln. m³ (Attachment 6).

In accordance with the Law “On gas and gas supply” “KazTransGas⁶¹” JSC as a national operator in the sphere of gas and gas supply was tasked to gasificate the oblasts of the country. The projects are implemented in accordance with the General scheme of gas supply, approved by the Government. In order to ensure stable gas needs of the southern oblasts, reducing dependence on imported gas and ensuring the energy security of the country implementation of the project “Construction of gas pipeline Beyneu - Bozoi – Shymkent” is continued. The route of the pipeline with distance of 1.477 km passes through the territory of Mangystau, Aktobe, Kyzylorda and South Kazakhstan Oblasts.

On December 27, 2013 the transportation of gas through the “Beineu - Bozoi – Shymkent” gas pipeline was started on the section of “Bozoi – Shymkent” (311-1.453 km) with the capacity of up to 2.5 bn m³ per year. In the autumn of 2015 a section “Beyneu-Bozoi” put into operation (0-311 km). Since the beginning of transport to the end of 2013 as of December 31, 2015 “Beineu - Bozoi – Shymkent” gas pipeline has transported 2.6 bln. m³ of natural gas.

⁶¹ Government decree of the RK dated July 5, 2012. No. 914.

Figure 18. Gas pipelines map of Kazakhstan



Source: "KazTransGas" JSC

Rail transportation

For the transportation of oil products and mining sector production railway is used.

To carry out transportation of goods between the carrier and the shipper a contract⁶² of carriage is made, therewith the contract is compiling the railway consignment note.

According to the Law of the RK "On railway transport" dated December 8, 2001 No. 266-II consignor, i.e. a person sending the goods indicated in the railway waybill.

In addition to this, in accordance with the Law the transportation is considered to be the movement of the carriage of passengers, baggage, cargo-luggage, mail and cargo from origin to destination; transportation process - a set of organizational and technologically interrelated operations performed in the preparation, implementation and completion of the transport by rail; participant in the transportation process is a user of services in transportation, the carrier, the national infrastructure operator, locomotive traction, cars operator (containers).

The cargo transportation tariff strategy on the territory of the Republic of Kazakhstan is based on differentiation depending on: type of (names) of cargo, route and transport distance, type of rolling stock and accessories (inventory (shared) or private rented), load of the car and others.

The procedure for calculating the cost of transportation of goods is the same for all consumers and is calculated according to the existing tariff guidelines, taking into account the correction factors established by the authorized body. To make a calculation

⁶²"Concerning approval of transportation of goods regulations by rail transportation" government decree of the RK dated July 21, 2011. No.682.

of the tariff and to provide information about the advanced transportation natural developers is not given possible, notes NC “Kazakhstan Temir Zholy” JSC.

However, the NC “Kazakhstan Temir Zholy” JSC has provided data on the tariff level on the carriage of goods in the national (inter-oblastal) and international (export, import) directions and data in terms of transportation and delivery amount by making reservation of confidentiality of these data (Attachment 7).

In NC “Kazakhstan Temir Zholy” JSC a separate accounting of paid taxes and other payments to the budget for transportation is not conducted, in connection with which information about paid taxes and other payments in the budget for transportation is not available.

3.3.4 Infrastructure provision and barter agreements (4.1d)

According to the reports under LCC (License and Contract Conditions), companies-natural developers finance the infrastructure in the oblasts (Attachment 5). In 2015, expenses for the social sphere (more detailed in section 3.6) and local infrastructure amounted to KZT 53.3 bln.

According to the intergovernmental agreement signed in June 2012, Kazakhstan has committed itself to annually supply 1.5 mln. tons of crude oil to Russia as compensation for the duty-free supply of petroleum products in the amount of 1.3 mln. tons. NC KMG is a provider of aforesaid volumes of crude oil exports. In 2015, “Kazakhstan has set to Russia about 2.3 mln. tons of oil to compensate for the Russian Federation (RF) federal budget losses in respect of petroleum products supplied from the Russian Federation to the Republic of Kazakhstan (RK) in 2012-2013”.⁶³

Minister of Investment and Development (MID) of the RK A.Isekeshev at the VI mining forum “MINEX Central Asia-2015” on March 18, 2015 stated that within the framework of the industrialization program in Kazakhstan an Order is being prepared, which will enter into a barter transaction with investors, in return for technology and investment, by providing them with in the use of the deposit. Order of the Minister for Investment and Development of the Republic of Kazakhstan dated 31 March 2015 No. 380 approved the “Rules for recognition of industrial activity (process) of subjects of industrial - innovation activities (process) related to subsoil use” <http://adilet.zan.kz/rus/docs/V1500010758>.

In 2015, as a subject of industrial innovation, entered into the following contracts for exploration of iron ore in the area Bapy in Karaganda oblast by “Bapy Mining” LLP. **“Bapy Mining” LLP** is the subject of industrial innovation for trans-oblastal project “Production and processing of iron ore to produce steel-making iron for innovative technologies” and are included in the oblast industrialization map. Subsoil use right is granted **in order to expand production, the production of competitive products of steel-making iron capacity of 400,000 tonnes per year for the above project.**

A Contract for exploration of chromite-containing ores at South Kempirsai ore field in Aktobe by TNK “Kazchrome” JSC was concluded. **TNK “Kazchrome” JSC** is the subject of industrial innovation activity. The project “Construction of a new ferroalloy plant in Aktobe” is included into the Republican map of industrialization for 2010-2014. Subsoil use right is granted **in order to ensure the raw material department of Aktobe ferroalloys plant of TNK “Kazchrome” JSC.**

⁶³Annual report of NC KMG JSC for 2015 RD "Check for strength in difficult times"
http://www.kase.kz/files/emitters/RDGZ/rdgzp_2015_rus_2.pdf

A contract for production of iron ore at the deposit Abail in South Kazakhstan oblast by “Ferrum Construction” LLP was concluded. **“Ferrum Construction” LLP**, is the subject of industrial innovation, included into the oblastal map of industrialization of the South Kazakhstan oblast for the implementation of industrial and innovative project for the construction of the South-Kazakhstan Metallurgical Plant for the production of long steel in capacity of 500 thous. tons per year. Subsoil use right is granted **in order to ensure the raw material base of the project on the organization of the construction of the South Kazakhstan Metallurgical Plant.**

A contract for the exploration of gold-bearing ores at Karatas-Maybulak area in Zhambyl oblast by “Aurum Deutschland” LLP. **“Aurum Deutschland” LLP** is the subject of industrial innovation, included into the oblastal map of industrialization of Zhambyl oblast **for the implementation of industrial and innovative project for the construction of mining and metallurgical complex and development of gold deposits in Zhambyl oblast with a design capacity of 5.100 kg of gold in dore per year.** Subsoil use right is granted in order to expand the production of gold-bearing ores.

3.3.5. Payments into the local budgets (4.2d)

The taxes of oil-and-gas and mining companies, such as personal income tax, social tax, property tax, land tax, vehicle tax, other tax revenues and payments received in local budgets and usually for statistical reports of MF of the RK do not stand out from the taxes received from other sectors of the economy.⁶⁴ Table 1 shows the details of tax revenues to the republican and local budgets, and the National Foundation. Taxes from the extractive sector companies covered in the EITI reconciliation make up 16.47% of tax revenues of local budgets (Table 5).

3.3.6. Transactions of the state companies (4.2s)

In Kazakhstan, there are no rules and practices governing the transfers of funds between the state-owned enterprise (SOE) and the state, retained earnings, reinvestment and third-party financing. Information about the quasi-fiscal operations and fuel subsidies will not be published.

Before 2015, the Kashagan project was fully owned by NC “KazMunayGas” JSC. From the 3rd quarter of 2015, it was decided to purchase 50% stake in the project by the Samruk-Kazyna NWF in order to maintain the financial stability of NC “KazMunayGas” JSC. As a result, the project was transformed into an independent consolidated structure as a part of the National Welfare Fund Samruk-Kazyna. This decision allowed the KMG to reduce the debt burden by USD 6 bln.⁶⁵

In 2015, in accordance with Government Resolution dated July 23, 2015⁶⁶ “Samruk-Kazyna” NWF has transferred to the National Bank of the Republic of Kazakhstan 58,420,748 (fifty-eight mln four hundred and twenty thousand seven hundred and forty-eight) common shares, constituting 10% of the shares plus one share of NC “KazMunayGas” JSC and received KZT 750,000,000,000 (seven hundred and fifty bln.).

⁶⁴Statistical Bulletin of MF RK

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

⁶⁵Notes to the financial statements of Samruk-Kazyna JSC for 2015

⁶⁶Government decree of the RK dated July 23, 2015. No. 570 "About joint stock company issues "National Company "KazMunaiGas".

Dividend policy of the Samruk Kazyna Fund is described here

http://kMGP.kz/upload/company/dividendnaya_politika_samruk-kazyna_na_2009-2013_gody.PDF

Subsidiaries pay dividends to the national companies, which are both recipients and payers of dividends (in consolidated form, i.e. all of its subsidiaries and organizations, including those from the mining companies) to National Welfare Fund “Samruk-Kazyna” JSC.

According to the consolidated statement of subsidiaries for dividends paid to the National Welfare Fund “Samruk-Kazyna” JSC (Attachment 2-2) as follows:

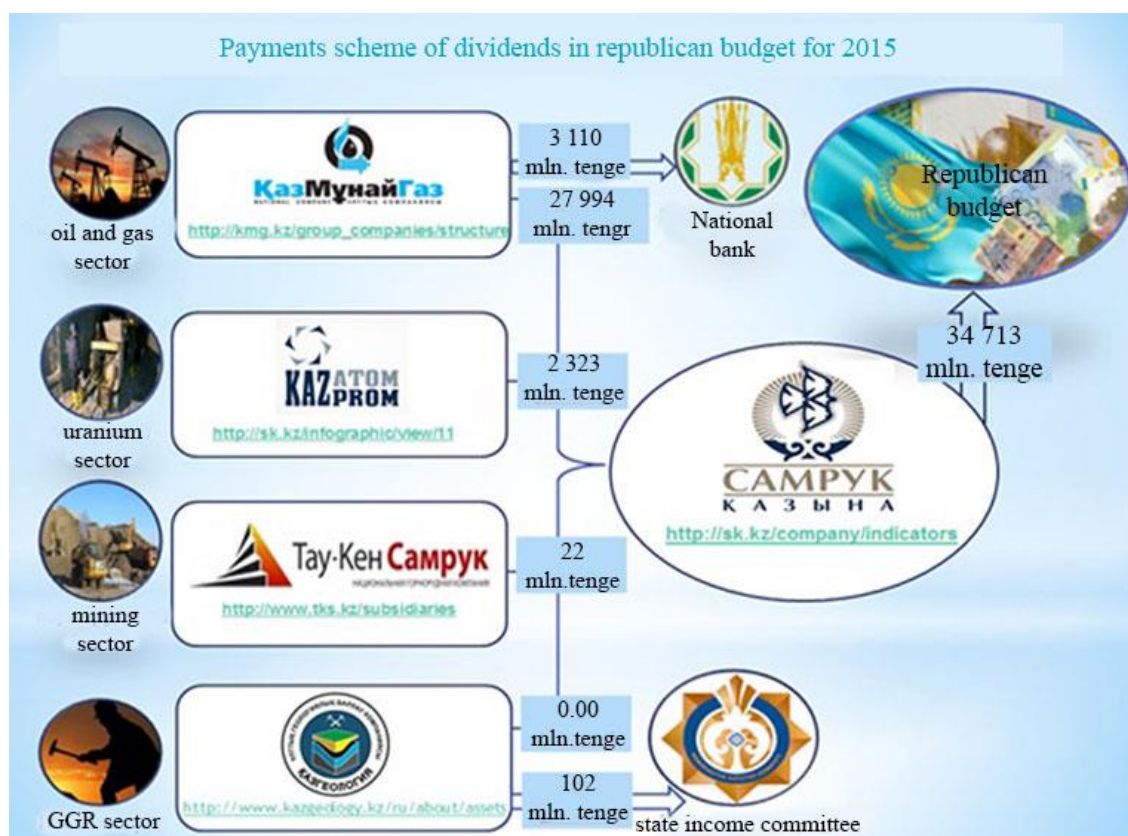
- NC “KazMunayGas” JSC <http://www.kMGP.kz> (state share 90%) – KZT 27,993,998 thous.
- “Tau-Ken Samruk” JSC <http://www.tks.kz> - KZT 22,067 thous.
- “NAC “Kazatomprom” JSC <http://www.kazatomprom.kz/ru> - KZT 2,323,320 thous.

In connection with the transfer in 2015 of 10% plus one share of KMG to the National Bank, NC KMG transferred KZT 3,110,424 thous. to the National Bank of Kazakhstan.

- National Geological Prospecting Company “Kazgeology” JSC <http://www.kazgeology.kz> paid to BCC 201301 (dividends on state shares, owned by the Republic) to the State Revenue Office of Esil district of Astana in amount of KZT 102,097 thous.

In 2015, “Samruk-Kazyna” National Welfare Fund has paid to the Republican budget KZT 34,712,837 thous.

Figure 19. Scheme of state participation in the extractive industries



NC “KazMunayGas” JSC in 2015 has received dividends (Attachment2-2) from the following subsidiaries:

- “KMG Karachaganak” LLP (100%) - KZT 45,244,019 thous;
- “Tengizchevroil” LLP (20%) – KZT 401,710 thous;
- “Aktobe Kazakhoil” LLP (50%) - KZT 27,655,000 thous.

“Tau-Ken Samruk” JSC did not receive dividends from subsidiaries, as they re-founded and do not have income.

NAC “Kazatomprom” JSC in 2015 (Attachment 2-2) has received dividends from the following subsidiaries:

- “Inkai” JV LLP (40%) - KZT 11,152,337 thous,
- “Karatau” LLP (50%) - KZT 11,895,506 thous,
- “Akbastau” JV LLP (50%) - KZT 13,372,751 thous,
- “KATCO” JV (49%) - KZT 24,718,736 thous,
- “APPAK” LLP (65%) - KZT 163,721 thous,
- “Zarechnoye” JV JSC (49.98%) - KZT 465,928 thous,
- “Semizbay-U” LLP (51%) - KZT 3,767,910 thous.

3.4. Distribution of incomes from the extractive industries (3.7)

As already mentioned, the revenues from extractive oil and gas companies go to National Fund of the RK. Revenues from mining companies go to the republican and local budgets, depending on the type of tax or payment.

According to the Law of the Republic of Kazakhstan dated November 28, 2014 “On Republican budget for 2015 – 2017” for 2015 from the National Fund of the Republic of Kazakhstan KZT 1,702,000,000 thousand (nearly USD 8.3 bln.) was transferred to

the national budget in the form of guaranteed transfer to finance current expenditure budget programs and budget development programs.

In accordance with the Presidential Decree of November 17, 2014 No.956 “On the selection of the target transfer from the National Fund of the Republic of Kazakhstan for 2015” and on November 17, 2014 No. 957 “On selection of the target transfer from the National Fund of the Republic of Kazakhstan for 2015- 2016” KZT 754,416,963 thous. (nearly USD 2.650 bln.) were transferred as the target of the transfer for 2015 from the National Fund of the Republic of Kazakhstan to the Republican budget.

In accordance with the Presidential Decree dated February 17, 2015 No. 1003 “On Amendments to Presidential Decrees of Kazakhshtan dated November 17, 2014 No. 956 “On selection of the target transfer from the National Fund of the Republic of Kazakhstan for 2015 and on November 17, 2014 No. 957” “On the selection of the target transfer from the National Fund of the Republic of Kazakhstan for 2015-2016”, the target transfers were selected from the National Fund of the Republic of Kazakhstan to the Republican budget for 2015-2016 in amount of 765 bln., a part of them in 2015 (Table 10).

Table 10. the purpose of the special transfer from the National Fund to the Republican budget in 2015

Assignment		Amount, KZT	Total amount, KZT
Construction and reconstruction of roads of republican significance			178 bln.
The increase in the chartered capital of “Baiterek” National Managing Holding JSC, followed by an increase in the chartered capital of “Kazakhstan Mortgage Guarantee Fund” JSC for the implementation of a mechanism to guarantee equity contributions			5 bln.
Modernization (reconstruction and construction) of heating systems, water supply and sanitation through oblastal budgets crediting mechanism, budgets of Astana and Almaty cities with the definition as the attorney (agent) of “Kazakhstan Center for modernization and development of housing and communal services” JSC			60 bln.
Completion of pre-existing credit housing projects for “Housing Construction Savings Bank of Kazakhstan” JSC through the mechanism of lending to the budget of local executive bodies.			30 bln.
Subsidizing interest rates to increase the volume of financial improvement of subjects of agro-industrial complex			7 bln.
subsidizing interest rates on loans for the purchase and leasing of agricultural machinery and technological equipment and livestock and poultry - (thirteen) bln. KZT;			13 bln.
Strengthening laboratory capacity for monitoring of technical standards and regulations			5 bln.
The increase in exploration activities in prospective subsoil areas			6 bln.
Formation of the material and technical base of higher educational institutions			3 bln.
Funding from the state budget projects with international financial institutions			39,200 bln.
The increase in the chartered capital of “Samruk-Kazyna” National Welfare Fund JSC with a consequent increase in the chartered capital of National Company “Kazakhstan Temir Zholy” JSC	for the construction of the second railway track in the area of Chu - Almaty-1	8,300 mln.	19,800 mln.
	to complete the construction of the railway line Borzhakty - Ersai	6,700 mln.	
	for the construction of the ferry complex in the port of Kuryk and operation of universal utility ferries	4,800 mln.	
Isolation of target transfers on development of oblastal budgets, budgets of the cities of Astana and Almaty	In summing up the necessary infrastructure in the implementation of projects under the program "Business Road Map 2020"	10 bln.	57,500 bln.
	For design, construction and (or) purchase of utilities in the areas of construction (purchase) of property of “Baiterek” National Managing Holding JSC and its subsidiaries	17,500 mln.	
	For construction and reconstruction of education, especially the elimination of three-shift education and school accidents	17,300 mln.	
	For realization of the state educational order in preschool	12,700	

Assignment		Amount, KZT	Total amount, KZT
	educational institutions	mln.	
Total in 2015			423,5 bln.

Source: Order of the RK President No.1003 dated February 17, 2015

The funds of the National Fund of the Republic of Kazakhstan accounted for KZT 16,429,299,412 thous. (KZT 14,935,974,327 thous.– by accrual accounting in accordance with the audited financial report) as of January 1, 2014, and KZT 25,754,359,070 thous. (KZT 23,589,921,384 thous. – by accrual accounting in accordance with the audited financial report) as of December 31, 2015.

The following bonds of the Kazakhstani emitters in the total amount of KZT 1,067,226,525 thous. 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 2015:

Table 11. Purchase of bonds by the means of monetary sources from the National Fund in 2015

Emitter	Quarter	Contract details of purchase and sale	Amount of transaction (KZT thous.)
1	2	3	4
NH Baiterek JSC	First	No. 14 NB dated 21.01.2015 No. 112 NB dated 12.03.2015 No. 118 NB dated 26.03.2015	300,595,125
NH Baiterek JSC	Third	No. 472 NB dated 30.09.2015	15,000,000
NWF Samruk-Kazyna JSC	Fourth	No. 523 NB dated 16.10.2015	751,631,400
Total:			1,067,226,525

Source: Order of the RK President, On approval of the report on formation and use of the National fund of the Republic of Kazakhstan in 2015.

Due to the absence of the active market for these financial instruments 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 KZT 667,324,540 thous. 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".

3.5. Transfers to the local budgets (4.2e)

As mentioned above, the national budget receives transfers from the National Fund of Kazakhstan. In turn, the Republican budget gives transfers to local budgets. The volume of transfers of a general nature (subventions and seizures) is approved annually by law. The formula is not used if redistribution. Targeted transfers in 2015 allocated from the National Fund and will go to local budgets through targeted transfers of the Republican budget.

Table 12. The purpose of the special purpose transfer from the National Fund to the Republican budget, intended for the allocation of target transfers on the development of local budgets in 2015.

The allocation of target transfers on development of oblast budgets, budgets of Astana and Almaty	For conducting necessary infrastructure in the implementation of projects under the Program “business Road map 2020”	10 bln.	57,500 bln.
	For the design, construction and (or) acquisition of engineering networks in the areas of construction (purchase) of housing “Baiterek” National Managing Holding JSC and its subsidiaries	17,500 mln.	
	On the construction and reconstruction of educational facilities, primarily to eliminate three-shift education and emergency schools	17,300 mln.	
	For the implementation of the state educational order in pre-school educational institutions	12,700 mln.	

3.6. Social expenses (4.1e)

Transfer of payments to the social development of the oblasts is fed to the code of budgetary classification (BCC) 206114 “Deductions of subsoil users on the socio-economic development of the oblast and the development of its infrastructure”⁶⁷

In fulfillment of contract obligations by subsoil users oil and gas and mining sectors on the socio-economic development of oblasts in 2015 it was directed USD 56.0 bln. KZT in total (based on LCT reports), of which oil and gas companies – KZT 43.7 bln. (78% of total), including those subjected to reconciliation KZT 42.5 bln. (97% of the total amount of the oil and gas sector); the total amount of USD 56.0 bln., the companies of

⁶⁷ The Decree of the Minister of Economy and budget planning of the RK dated 17.07.2014, No. 199 "About modification and additions in the decree of the Minister of Economy and budget planning of the Republic of Kazakhstan from March 13, 2013 of No. 71 “Some issues of the single budget classification of the Republic of Kazakhstan”.

mining sector on the social development allocated KZT 12.3 bln. (22%), including those exposed to the reconciliation of KZT 10.9 bln. (89% of the total amount of the mining sector) (Attachment 5).

However, this data is not complete, since not all companies have reported data as per Appendix 3-1 in the system of EGS

The oblast akimats provided information on the expenditure of funds for social development of oblasts at the expense of funds allocated from the local budget (Attachment 3-1). According to the information given by akimats submitted to the Ministry for Investments and Development of Kazakhstan, in general, the development of the social sphere has been transferred KZT 21,474.6 bln., the amount of KZT 6,291.1 bln. has been transferred to the balance sheet items in (App 3-2)

In order to meet the EITI requirements for transparency and accountability in the extractive sector, in 2016 the Technical specification for the manufacture of 11th National EITI report in 2015 provides not only the reconciliation of income from companies and Governments, but also verification of the financing of socio-economic development of the oblasts in the framework of mining companies contractual obligations

According to technical specifications of the companies subsoil users submit EITI reporting through the UGSU in accordance with Attachment 3. Expenditure on social development and local infrastructure within the framework of contract obligations (LCC), with the exception of the funds listed on the BCC 206114, applicable in the case of additional costs (except funds that are listed on the BCC 206114), agreements, memoranda, contracts, social partnership with the local administrative bodies (akimats). Sponsorship does not apply to the inclusion in the Attachment 3. Reports on companies are available online on the website EGSU http://egsu.energo.gov.kz/pages/ipdo/appendix_3_2.jsf?faces-redirect=true

Akimats, according to the technical specifications also presented information on the expenditure of funds from companies in the framework of the memorandums, agreements, social partnership, etc.

As a result of conducted reconciliation, there were identified discrepancies, explanations for which are published in Appendix 11 on the website of the EITI Kazakhstan <http://eiti.geology.gov.kz/ru/national-reports#2015-%D0%B3%D0%BE%D0%B4a8294>

3.7. Quasifiscal expenses of the state companies (3.6b)

From 2010 to 2015, charity and sponsorship projects of “Samruk-Kazyna” JSC was supported by a single operator SK - Astana. In 2015, “Samruk-Kazyna” JSC according to the Consolidated financial report spent on sponsorship and charitable assistance of KZT 17.7 bln. (in 2014 – KZT 33 bln.). The largest supported project – professional sports club “Astana”, which brings together the football club “Astana”, hockey club “Barys”, ProTeamAstana cycling team, boxing club “Astana Arlans” and others. Its annual budget was about a hundred mln dollars.

In the course of 2015 based on the instructions of the Shareholder, “Samruk-Kazyna” JSC has funded various charity projects totaling 23,361 bln.

In 2015, “Samruk-Kazyna” JSC has increased the provision for construction of Kazakhstan history Museum in Astana on KZT 2.593 bln. and recognized a provision for the construction of kindergartens in Astana at 1.793 bln. As of December 31, 2015, carrying value of the provision for construction of social facilities KZT 156.265 mln (31 December 2014: KZT 160.931 mln) includes provisions for obligations for construction

of the following objects: “Museum of history of Kazakhstan” (NC KMG), “Multifunctional ice Palace in Astana” (NC KTZ), “Television and Radio” (NC KTZ), “Shchuchinsk-Borovoye Golf club” (NC KMG) and reconstruction of the object “World exhibition centre” in Moscow (NC KMG). Provision expenses for construction were recognized in equity as other distributions to Shareholder.⁶⁸

As other distributions to the Shareholder of the “Samruk-Kazyna” recognized costs in the amount KZT 4.454 bln. for financing LLP PSA exercising public functions authority under the PSA in the oil and gas industry.⁶⁹

3.8. Information on Local Content (3.8a)

In 2015, the negotiation process ended and Kazakhstan became a member of WTO. Under the terms reached in the negotiation process on accession to the WTO, Kazakhstan has reserved the right to maintain local content until January 1, 2021 for the subsoil use contracts concluded before January 1, 2015.

The share of the Kazakh content in the procured GWS for 2015.

Mining sector (SCM) (Attachment 9 according to the Republic of Kazakhstan). The total amount of contracted goods, works and services by subsoil users affected reconciliation for the year 2015 amounted to KZT 374.8 bln., the local content percentage – 59.9% of (KZT 224.6 bln.), including:

- goods KZT 172.7 bln., the share of local content of 22.8% (KZT 39.3 bln.);
- works at KZT 107.1 bln., the share of local content – 89.4 % (KZT 95,7 bln.);
- services KZT 94.98 bln., the share of local content -94.4% (KZT 89.7 bln.).

The oil and gas sector (Hydrocarbons) (Attachment 9 according to the Ministry of Energy of Kazakhstan). **The bulk of procurement of subsoil users of Kazakhstan accounts for three major subsoil users: TChO, Karachaganak petroleum operating B.V. and North Caspian Company B.V. amount to 60.9%.**

The total amount of contracted goods, works and services by subsoil users subjected to reconciliation for 2015 amounted to KZT 3,535.2 bln., the local content percentage as 56.7 % (2,005.7 bln. KZT), including:

- goods KZT 473,0 bln., the share of local content to 15.0 % (70,96 bln.);
- works on KZT 1,584.7 bln., the local content percentage – 50.9 percent (807,3 bln. KZT);
- services KZT 1,475.9 bln., the share of Kazakhstan content of 76.4 % (1 of 127.5 bln.).

3.9. Budgetary processes and audit (3.8b)

The stages of the budget process are comprehensively described in the Budget Code. The Republican and local budgets are annually developing giving the forecast of socio-economic development. Forecasting revenues to the state and Republican budgets, to the national Fund by categories, classes and subclasses of the unified budget classification are being implemented by the Central state body on state planning (MNE), which approves the Methodology of forecasting of receipts of the budget. For planning of budget expenditures administrators of Republican budget programs until May 15th

⁶⁸Consolidated financial report of “Samruk-Kazyna” JSC for 2015.

⁶⁹Same source.

should give to the MNE drafts of strategic plans and budgetary programs in the MOF – the budget requests and the projects of budget programs and strategic plans. To August 1st MF should compose a draft budget and submits it for consideration of the Republican budgetary Commission and provide up to August 15th a draft law on the Republican budget for the consideration of the Government. The government introduces the draft law on the Republican budget to the Parliament before September 1st, where it is then a discussion in the plenary of both houses of Parliament and meeting of working groups and standing committees. After the approval of the draft law in the Parliament, the document is sent for signature of the President of Kazakhstan, which in the period of December 1st adopts the law on republican budget. Budget performance is monthly outlined on the website of the Ministry of Finance www.minfin.gov.kz, annual performance report for the MOF is provided to the Government before April 1st after the end of the financial year. The government provides a report no later than April 20 to the Parliament of Kazakhstan and the accounts Committee for control over execution of the Republican budget. The audit Committee not later than May 15 submits to the Parliament the report on execution of the Republican budget for discussion and approval. The reports of the audit Committee can be found on its website: www.esep.kz

Annual report on the formation and use of the National Fund of Kazakhstan is prepared by the Government jointly with the National Bank of Kazakhstan until May 1, with the inclusion of the results of the audit of the National Fund of Kazakhstan until June 1, the report is provided for approval by the President. Information on the annual report on formation and use of the National Fund is published in the media.

In accordance with the instructions on reporting companies in the system of USSUMS, the company has to attach a certificate stating that the audit was conducted. Attach the entire audit report is not required, since the system has limitations on attaching the report of scanned files. In the case that at the time of delivery of the EITI report, such a conclusion is missing, it is needed to write in a cover letter to the competent authority that the audit opinion will be provided later. Of the 154 companies undergoing reconciliation in 2015, only 23 companies were not attached to the conclusion of the audit.

3.10 Contribution of the Extractive Sector to the Economy (3.4)

According to the statistics Committee of the Ministry of national Economy of Kazakhstan, in 2015 the share of oil and gas sector made up 17.6% of the GDP⁷⁰, or 7,210.7 bln.. Statistics Committee does not produce estimates of informal sector, in the framework of this report producing such estimates is not possible.

Exports of oil and gas condensate in 2015 amounted to 61.3 mln. tonnes. Natural gas exports amounted to 21.8 bln. m³ (Attachment 6). In value terms the export of oil and condensate, natural gas accounted for USD 27.6 bln., it is 60.0% of total exports of the country.

The entire mining sector (i.e. oil and gas and mining sectors) provides 60,8 % of the industry (table 13).

⁷⁰Statistics Committee of the Ministry of National Economy of the RK.. Express-information. No. Э-41-02/148 dated April 21,2016. GVA oil and gas sector calculation was made in accordance with recommendations by the international Monetary Fund including procedues related to oil. (2006)

Table 13. Share of the mining industry in the industry of the Republic of Kazakhstan, %

	2015
Industry - total	100,0%
Mining and quarrying	50,9
1. Mining of coal and lignite	1,4
2. Production of crude petroleum and natural gas	40,3
<i>Crude oil</i>	<i>39,5</i>
<i>Natural gas production</i>	<i>0,8</i>
3. Mining of metal ores	4,8
<i>Iron ore production</i>	<i>0,9</i>
<i>Mining of nonferrous metal ores</i>	<i>3,9</i>
4. Other mining and quarrying	1,0
5. Technical services in the mining industry	3.4

Source: Committee on statistics of the Ministry of National Economy of Kazakhstan.
Notes to table: the italicized lines are the decoding of the amount specified in the line in bold

Employment in extractive industries

Data on employment in the extractive industries in absolute terms and as a percentage of the total employment given in table 14.

Table 14. Number of employees in the extractive industry and their share of the total number of employment

	2015
Of all employed in economy, thousand people	8623,8
In the mining industry, thousand persons total, including:	204,769
Mining of coal and lignite thousand	31,683
Production of crude petroleum and natural gas, thousand people	46,887
Mining of metal ores, thousand people	79,928
The share of workers in the mining in total employment in the economy, %	2,5

Source: Committee on statistics of the Ministry of National Economy of Kazakhstan.

IV. RECONCILIATION OF REPORTING PAYMENTS

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

The recipient has provided the Reports on Payers received from territorial authorities on the basis of registration forms and personal accounts of taxpayers which are operated in the place of their registration account. Control of contributions to the budget, including mining companies, are provided in the Program of external state financial control for annual Plans of control actions of Calculating Committee.

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 USSUMS RK IIS;
- 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 Summary report on Essential Tax and Non-Tax Payments/Receipts.

During the reconciliation, we have specified that 131 Payers performed audit of their financial reports for the year ending on December 31, 2015 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 November 2016. Information on Payers is shown in Attachment 1-4 and 1-5.

After having specified discrepancies and identified reasons for discrepancies, we prepared "Summary Report on Essential Tax and Non-Tax Payments/Receipts for 2015" (Attachment 1-6). Information on payments to the budget broken down by Payers is shown in Attachment 1-4 and 1-5.

For 2015 according to the Technical Specification has included 154 companies, from them 82 mining sectors and 72 the oil and gas sector. From 82 companies mining sector one company has not provided the reports ("Dala Mining" LLP), it being taken. Companies such as NC "Saryarka" JV JSC, "Salyk-4 Project" LLP, "Kazakhaltyn MMC" JSC, "OC SEC Aktobe" JSC and "OC SEC Pavlodar" JSC have submitted letters that they do not participate in the verification for the following reasons:

- "OC SEC Saryarka" JSC did not work on the subsoil use contract in 2015.
- "OC SEC Aktobe" JSC did not work on subsoil use contract in 2015, so the subsoil use rights will be transferred to strategic partners in 2016.
- "OC SEC Pavlodar" JSC did not work on contracts for subsoil use in 2015, because the right of subsoil use contracts transmitted to the SEC as a contribution to the share capital, at present registration of the rights to subsoil use is being carried out.
- "MMC Kazakhaltyn" JSC is forming a return of contract territories in connection with the negative result of the assessment.

-“Salyk-4 Project” LLP did not undertake economic activity in 2015 with the absence of approved project industrial design deposits of Sayak-IV.

The proportion of the total amount of taxes and payments amounted to - KZT 3,556.7 mln (1.51% of the total amount of taxes on the mining sector in 2015).

Out of 72 companies in the oil and gas sector “North Caspian operating company N.V.” Branch, “North Caspian operating company B.V.” Branch, Oil Company “KOR” JSC submitted letters that they do not participate in checking for the following reasons:

- “The North Caspian Operating Company N.V.” Branch is not a subsoil user, it is an operator appointed in the frame of the production sharing agreement for the North Caspian.

- “The North Caspian Operating Company B.V.” Branch is not a subsoil user, it is an operator appointed in the frame of the production sharing agreement for the North Caspian.

- Oil Company “KOR” JSC did not submit EITI report in connection with the confidential company policy.

The proportion of the total amount of taxes and payments amounted to KZT 44,906.3 mln (1.85% of the total amount of taxes on the mining sector in 2015).

Recipients of taxes and other obligatory payments to the budget were (hereinafter referred to as a “recipient”):

- State revenue Committee of the Ministry of Finance of the Republic of Kazakhstan,- customs tax and other payments to the budget;
- Ministry of Energy and mineral resources of the Republic of Kazakhstan, - on payments made in kind.

In 2015, incomes were received into the budget from Taxpayers of subsoil users (that carried out verification) of taxes and other payments amounting to KZT 2,613,436.0 bln., including from Contributors in the oil and gas sector in the amount of KZT 2,380,370.8 bln. (91.1% of total income), from payers in the mining sector in the amount of KZT 233,065.2 bln. (8.9% of total income).

Convergence of Payers and Recipient data in 2015 amounts to - KZT 21,892.0 bln. (0.84% of the total amount of payments) including the oil and gas sector amounted to 21,585.5 bln. according to the minerals sector it was KZT 306.5 bln. The variance mainly occurred under section I-III “taxes” and section IV “Customs payments”. Payments on identified differences are confirmed by personal accounts and payment orders.

Description of the differences in data of payers and recipient was reflected below. Common discrepancies between payers and recipients are calculated according to model with their objective reflection. Therefore, for better understanding of the differences, it is needed to familiarize users with the disaggregated information.

4.1.1. Tax revenues

<i>In thousands KZT</i>	2015
Report of Payers	730,630,479
Report of Recipients	746,460,894
Discrepancy	16,184,734

Including the result of reconciliation in terms of customs tariffs:

Corporate income tax, BCC 101105-101110

Overall, the total amount of corporate income tax includes actually payments paid during the reporting period for all types of corporate income taxes, taking into account penalties and fines, regardless of these amounts for a specific time period, as well as the amount of tax arrears through repayment of amounts overpaid other taxes or fees, strictly according to the BCC. An overpaid amount of tax standing in another tax or payment should be considered as a reduction to the amount of the payment.

KZT thousands

2015

Report of Payers	821,841,427
Report of Recipients	826,936,124

Discrepancy **5,094,928**

The discrepancy according to “Corporate income tax” between data of Payers and data of the Recipient amounts to KZT 5,094,928 thous.

Information on discrepancy is given below:

No. s/o	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	Offshore oil company “KazMunayTeniz” JSC	2,701	5,097,512	5,094,811	-
2	JVC “Khorasan – U” LLP	515,423	515,308	115	-
3	Small discrepancies for other companies due to rounding	-	-	1	1
Total		518,124	5,612,820	5,094,927	1

Offshore oil company “KazMunayTeniz” JSC provided a written explanation No.202-09/682 dated May 24, 2016 year on the causes of *all discrepancies* in connection with that “...differences on the EITI for the year 2015 arose in connection with the implementation of a branch of the KMT asset useactivities Tolkyin and Borankol in accordance with fiduciary contracts no. 1-NB-HCS/198-26 and no. 2-NB-HCS/197-26 dated 21.07.2016, concluded between the Ministry of Energy of the Republic of Kazakhstan (ME) and KazMunayGas National Company JSC. Taxes and other payments in terms of types of work according to trust deed are performed from specific bank account of the trust deed with the permission of the ME of the RK.

- Account of activities for trust use is kept separately, is reflected in separate financial reports of KMT Branch and is not consolidated in the financial reporting KMT confirmed with auditors of “Ernest & Young” LLP.

On JV “Khurasan-U” LLP the difference in KZT 115 thous. was formed because the Payer included in the report all sum taking into account the withheld tax at a source of payment for a rate of 15% of the sum of the remuneration paid by Bank on a contribution and the credit rest on the current account.

BCC	Company	Payer	Recipient	Difference
101110 (101101-101104)	JVC “Khorasan – U” LLP	515,423	515,308	115
Total		515,423	515,308	115

As the confirmation, the Payer has provided “The certificate of the withheld tax at a source of payment for a rate of 15% of the sum of the remuneration paid by Bank on a contribution and the credit rest on the current account” dated 30.12.2014 in the 31.12.2015 to No. 174976 in the sum of KZT 115 thous. This amount of a tax should be payment of the Payer and he should not have reflected this payment in the report on EITI.

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

Total sum of individual income tax includes factually paid in the report period to all types of individual income tax in terms of penalty fees and fines, however, this sum belongs to other period, as well as the amount of payable taxes at the cost of tax refund in accordance with the BCC. Excessively paid amount of payment reckoned on account of payment of other payment is reduced by the reckoned sum.

<i>In thousands KZT</i>	2015
Report of Payers	63,571,254
Report of Recipients	74,073,238
Difference	10,506,643

Discrepancy on “Individual income tax” between data of the Payer and data of the Recipient amounts to KZT 10,506,643 thous.

Information on discrepancy is given below:

No. s/o	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	“Tengizchevroil” LLP Offshore oil company	4,775,774	14,973,138	-	10,197,364
2	“KazMunayTeniz” JSC	80,916	365,014	284,098	-
3	“Shubarkul Komir” JSC	146,010	143,681	2,329	-
4	“Dala Mining” JSC	-	22,845	-	22,845
5	“NMC Kazgeologiya” JSC	54,227	54,233	6	-
6	Insignificant discrepancy of rounding	-	-	1	-
Total		5,056,927	15,558,911	286,434	10,220,209

The obscure discrepancy on “Tengizchevroil” LLP occurred because the Payer showed the amount in the report less, than the Recipient. Explanation from the Payer is not obtained.

“Offshore oil company KazMunayTeniz” JSC provided a written explanation no.202-09/682 dated May 24, 2016 year on the causes of *all discrepancies* in connection with that “...differences on the EITI for the year 2015 arose in connection with the implementation of a branch of the KMT asset use activities Tolkyin and Borankol in accordance with fiduciary contracts no.1-NB-UVS/198-26 and no.2-NB-UVS/197-26 dated 21.07.2016, concluded between the Ministry of Energy of the Republic of Kazakhstan (ME) and “KazMunayGas” National Company JSC. Taxes and other payments in terms of types of work according to trust deed are performed from specific bank account of the trust deed with the permission of the ME of the RK.

- Account of activities for trust use is kept separately, is reflected in separate financial reports of KMT Branch and not consolidated in the financial reporting KMT confirmed with auditors of “Ernest & Youn LLP.

“Shubarkol Komir” JSC provided as evidence of payment for the full amount of the payment:

BCC	Company	Payer	Recipient	Difference
101201	“Shubarkol Komir” JSC	146,010	143,681	2,329
Total		146,010	143,681	2,329

Payment order to the difference:

No. s/o	Company	No. Payment order	Payment order Date	Amount in thousands KZT
1	“Shubarkol Komir” JSC	2816	21.08.2015	2,329
Total				2,329

The discrepancy occurred due to the fact that the “Shubarkol Komir” JSC accomplished tax payment for the “Sary-Arka Speckoks” JSC to Q2 in August, 2015. The balance according to sub-ledger account was transferred to the "Shubarkol Komir"JSC dated 20.11.2015. Payment made in accordance with the decision on liquidation of “Sary-Arka Speckoks” JSC, BIN 050640000109, by acceding to the “Shubarkol Komir” JSC, BIN 020740000236, dated 01.08.2015.

Unidentified discrepancies on “Dala Mining” LLP has occurred because the Payer has not provided the report for verification. Consequently, the mentioned discrepancy remained unidentified.

The divergence on “Kazgeology NMC” JSC for KZT 6 thous. arose because the Payer did not reflect payment in connection with the loss of the document.

BCC	Company	Payer	Recipient	Difference
101201	NMC “Kazgeology” JSC	54,227	54,233	6
Total		54,227	54,233	6

3. Social tax, BCC 103101

The total amount of payments includes the sums of the specified payments which are actually paid in the reporting period taking into account a penalty fee and penalties, irrespective of belonging of these sums to a certain period, and also the sum of repayment of tax debt at the expense of the sums of excessively paid other payments, is strict according to the specified BCC. Excessively paid amount of payment reckoned on account of payment of other payment is reduced by the reckoned sum.

<i>KZT thousands</i>	2015
Report of Payers	73,072,191
Report of Recipient	73,309,002
Difference	240,060

The discrepancy on “Social tax” between the Payer and Recipients’ data amounts to KZT 240,060 thous.

Information on discrepancy is given below:

No. s/o	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	Offshore oil company "KazMunayTeniz" JSC	81,991	305,270	223,279	-
2	"Shubarkol Komir" JSC	206,748	205,124	1,624	
3	"Dala Mining" LLP	-	15,153	-	15,153
4	Insignificant discrepancy due to rounding	-	-	4	-
Total		288,739	525,547	224,907	15,153

"Offshore oil company KazMunayTeniz" JSC provided a written explanation No. 202-09/682 dated May 24, 2016 on the causes of *all discrepancies* in connection with that "...differences on the EITI for 2015 arose in connection with the implementation of a branch of the KMT asset useactivities Tolkyn and Borankol in accordance with fiduciary contracts no. 1-NB-HCS/198-26 and no. 2-NB-HCS/197-26 dated 21.07.2016, concluded between the Ministry of Energy of the Republic of Kazakhstan (MoE) and "KazMunayGas" National Company JSC. Taxes and other payments in terms of types of work according to trust deed are performed from specific bank account of the trust deed with the permission of the ME of the RK.

- Account of activities for trust useis kept separately, is reflected in separate financial reports of KMT Branch and is not consolidated in the financial reporting KMT confirmed with auditors of "Ernest & Young" LLP.

"Shubarkol Komir" JSC as confirmation has provided the payment order on a difference:

BCC	Company	Payer	Recipient	Difference
103101	"Shubarkol Komir" JSC	206,748	205,124	1,624
Total		206,748	205,124	1,624

The payment order on a difference on BCC 103101:

No. s/o	Company	No. Payment order	Date of payment order	Amount in KZT thousands
1	"Shubarkol Komir" JSC	2815	21.08.2015	1,624
Total				1,624

The discrepancy occurred due to the fact that the "Shubarkol Komir" JSC accomplished tax payment for the "Sary-Arka Speckoks" JSC to Q2 in August, 2015. The balance according to sub-ledger account was transferred to the "Shubarkol Komir" JSC dated 20.11.2015. Payment made in accordance with the decision on liquidation of "Sary-Arka Speckoks" JSC, BIN 050640000109, by acceding to the "Shubarkol Komir" JSC, BIN 020740000236, dated 01.08.2015.

Unidentified discrepancies on "Dala Mining" LLP accrued because the Payer did not provide the report for verification. Consequently, the discrepancy remained unidentified.

4. Property tax, BCC 104101

KZT thousands **2015**

Report of Payers	55,964,984
Report of Recipients	55,959,498

Difference **6,079**

Discrepancy on “Property tax” between data of Payers and data of the Recipient amounts to KZT 6,079 thous.

Information on discrepancy is given below:

No.	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	“Shubarkol Komir” JSC	59,113	53,330	5,783	-
2	“KazKuper” LLP	14,873	14,884	11	-
3	“Dala Mining” LLP	-	286	-	286
Total		73,986	68,500	5,793	286

Concerning clarification of the discrepancies, payers have provided an extract from the personal account on the status of settlements with the budget, money orders, and written explanations.

“Shubarkol Komir” JSC provided payment for the full amount of the discrepancy as an evidence:

BCC	Company	Payer	Recipient	Difference
104101	“Shubarkol Komir” JSC	59,113	53,330	5,783
Total		59,113	53,330	5,783

Payment orders to a difference on BCC 104101:

No.	Company	No payment order	Payment order Date	Amount In thousands KZT
1	“Shubarkol Komir” JSC	2890	24.08.2015	5,240
2	“Shubarkol Komir” JSC	2847	21.08.2015	557
3	“Shubarkol Komir” JSC	4553	11.12.2015	(14)
Total				5,783

The discrepancy occurred due to the fact that the “Shubarkol Komir” JSC accomplished tax payment for the “Sary-Arka Speckoks” JSC to Q2 in August, 2015. The balance according to sub-ledger account was transferred to the “Shubarkol Komir” JSC dated 20.11.2015. Payment made in accordance with the decision on liquidation of “Sary-Arka Speckoks” JSC, BIN 050640000109, by acceding to the “Shubarkol Komir” JSC, BIN 020740000236, from 01.08.2015. According to the payment order No. 4553 of 11.12.2015 the explanation is received from the Payer that this amount was transferred by him mistakenly for the worker on incorrect BCC. Therefore the Payer did not reflect this sum in the report.

Discrepancy on “KazKuper” LLP was formed as a result the Recipient has twice reflected 11,0 thousand KZT which have been withdrawn from the settlement account of the debtor of “KazKuper” LLP and “Avtotsentr Aktobe” LLP.

BCC	Company	Payer	Recipient	Difference
104101	“KazKuper” LLP	14,873	14,884	11
Total		14,873	14,884	11

“KazKuper” LLP as an evidence of payments provided absolute account and payment documents for the property tax:

No	Company	Paid			Refund			Total
		of tax	Penalties	of fine	of tax	penalties	of fine	
1	“KazKuper” LLP	14,302	549	-	-	-	-	14,851
2	“KazKuper” LLP	21	1	-	-	-	-	22
Total		14,323	550	-	-	-	-	14,873

Unidentified discrepancies on “Dala Mining” LLP has occurred because the Payer did not provide the report for verification. Consequently, the discrepancy remained unidentified.

5. Land tax, BCC 104303-104308

KZT thousands **2015**

Report of Payers	3,396,215
Report of Recipients	3,402,048

Difference **5,837**

Discrepancy concerning “Land Tax” between the Payer and Recipient’s data amounts to KZT 5,837 thous.

Information on discrepancy is given below:

No.	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	“Tengizchevroil” LLP Offshore oil company	1,817	1,818	-	1
2	“KazMunayTeniz” JSC Insignificant discrepancy	-	5,833	5,833	-
3	due to rounding	-	-	2	1
Total		1,817	7,651	5,835	2

The obscure discrepancy on “Tengizchevroil” LLP occurred because the Payer showed the amount in the report less, than the Recipient. Explanation from the Payer is not obtained.

“Offshore oil company KazMunayTeniz” JSC provided a written explanation No. 202-09/682 dated May 24, 2016 year on the causes of *all discrepancies* in connection with that “...differences on the EITI for the year 2015 arose in connection with the implementation of a branch of the KMT asset useactivities Tolkyin and Borankol in accordance with fiduciary contracts No. 1-NB-HCS/198-26 and No. 2-NB-HCS/197-26 dated 21.07.2016, concluded between the Ministry of Energy of the Republic of

Kazakhstan (MoE) and KazMunayGas National Company JSC. Taxes and other payments in terms of types of work according to trust deed are performed from specific bank account of the trust deed with the permission of the ME of the RK.

- Account of activities for trust use is kept separately, is reflected in separate financial reports of KMT Branch and isn't consolidated in the financial reporting KMT confirmed with auditors of "Ernest & Young" LLP.

6. Tax on vehicles, BCC 104401

<i>KZT thousands</i>		2015
Report of Payers		554,472
Report of Recipients		554,821
Difference		349

Discrepancy on "Tax on vehicles" between data of Payers and data of the Recipient amounts to KZT 349 thousand.

The discrepancy occurred due to the fact that the payer of "Dala Mining" LLP submitted a reconciliation report and the Recipient showed the information according to the Payer. Consequently, this discrepancy remained unidentified:

No. s/o	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	"Dala Mining" LLP	-	349	-	349
Total		-	349	-	349

7. Value Added Tax to the made goods, the performed works, the rendered services in the territory of RK, BCC 105101-105115

<i>KZT thousands</i>		2015
Report of Payers		(287,771,036)
Report of Recipients		(287,774,316)
Difference		330,345

Discrepancy on "Value Added Tax on manufactured goods, works, services rendered in the territory of the Republic of Kazakhstan" between Payer and Recipient amounts to KZT 330 345 thous.

Information on discrepancy is given below:

No	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	"Tengizchevroil" LLP Offshore oil company	45,790,796	45,784,689	-	6,107
2	"KazMunayTeniz" JSC Karachaganak Petroleum Operating B.V. Kazakh	2,554	36,917	34,363	-
3	Branch.	(13,953,351)	(13,850,637)	102,714	-
4	"Embamunaigas" JSC	(13,791,393)	(13,791,381)	12	-
5	"Shubarkol Komir" JSC	1,026,502	865,822	160,680	-

No	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
6	“Dala Mining” LLP	-	26,443	-	26,443
7	“Jayrem MPC” JSC	(634,918)	(634,943)	25	-
	Insignificant discrepancy				
8	due to rounding	-	-	1	-
Total		18,440,190	18,435,910	297,795	32,550

Unidentified discrepancy on “Tengizshevroil” LLP occurred due to the fact that Payer submitted more amount of sum in the report than Recipient. Explanation from the Payer is not obtained.

According to identified discrepancy, payers provided extracts from a ledger account with the budget balance, payment orders and written explanations.

“Offshore oil company KazMunayTeniz” JSC provided a written explanation No.202-09/682 dated May 24, 2016 on the causes of *all discrepancies* in connection with that “...differences on the EITI for 2015 arose in connection with the implementation of a branch of the KMT asset use activities Tolkyn and Borankol in accordance with fiduciary contracts No. 1-NB-HCS/198-26 and no. 2-NB-HCS/197-26 dated 21.07.2016, concluded between the Ministry of Energy of the Republic of Kazakhstan (ME) and “KazMunayGas” National Company JSC. Taxes and other payments in terms of types of work according to trust deed are performed from specific bank account of the trust deed with the permission of the ME of the RK.

- Account of activities for trust management kept separately is reflected in separate financial reports of KMT Branch and not consolidated in the financial reporting KMT confirmed with auditors of “Ernest & Young” LLP.

KPO “Karachaganak Petroleum Operating B.V” sent reconciliation on customs and tax payments of the SSSV Department of public revenues from 01.01.2015 to 31.12.2015 and pay cheque by BCC 105102 in terms of confirmed documents.

BCC	Company	Payer	Recipient	Difference
	Karachaganak Petroleum Operating B.V			
105102	Kazakhstan Branch .	5,291,664	5,298,345	6,681
Total		5,291,664	5,298,345	6,681

Discrepancy occurred due to the fact that Payer accomplished payment on 31.12.2014 amounting to KZT 6,681 thousand, which Recipient received in 2015.

No. check	Check date	Sum in the thousands of KZT
620239	31.12.2014	2,145
621564	31.12.2014	1,768
622649	31.12.2014	52
624167	31.12.2014	184
625461	31.12.2014	181
626664	31.12.2014	58
628049	31.12.2014	60
629256	31.12.2014	91
630668	31.12.2014	583
632987	31.12.2014	848
634103	31.12.2014	711
Total		6 681

According to BCC 105104, Karachaganak Petroleum Operating B.V Kazakhstan Branch sent as confirming documents payment orders for which other companies paid. The payment orders showed that the Karachaganak Petroleum Operating B.V Kazakhstan Branch had paid. BIN: 981141001567.

BCC	Company	Payer	Recipient	Difference
105104	Karachaganak Petroleum Operating B.V. Kazakhstan Branch	3,652,515	3,748,548	96,033
Total		3,652,515	3,748,548	96,033

No.	Document	Sender of the money		No	Date	Total amount of payment in KZT thous.
		BIN	Companies			
1	o/assignment	120540016236	“KMG Karachaganak” LLP	1072	15.01.2015	13,739
2	o/assignment	120540016236	“KMG Karachaganak” LLP	1084	21.01.2015	26,860
3	o/assignment	980741000518	OC "Agip Karaganchak B.V."	142	10.02.2015	7,465
4	o/assignment	980741000518	OC "Agip Karaganchak B.V."	260	10.03.2015	156
5	o/assignment	980741000518	OC "Agip Karaganchak B.V."	261	10.03.2015	60
6	o/assignment	980741000518	OC "Agip Karaganchak B.V."	262	10.03.2015	1,241
7	o/assignment	980741000518	OC "Agip Karaganchak B.V."	263	10.03.2015	431
8	o/assignment	980741000518	OC "Agip Karaganchak B.V."	264	10.03.2015	1,552
9	o/assignment	980741000518	OC "Agip Karaganchak B.V."	265	10.03.2015	434
10	o/assignment	980741000518	OC "Agip Karaganchak B.V."	266	10.03.2015	1,532
11	o/assignment	980741000518	OC "Agip Karaganchak B.V."	267	10.03.2015	376
12	o/assignment	980741000518	OC "Agip Karaganchak B.V."	268	10.03.2015	1,904
13	o/assignment	980741000518	OC "Agip Karaganchak B.V."	269	10.03.2015	402
14	o/assignment	980741000518	OC "Agip Karaganchak B.V."	270	10.03.2015	9,379
15	o/assignment	980741000518	OC "Agip Karaganchak B.V."	271	10.03.2015	1,660
16	o/assignment	980741000518	OC "Agip Karaganchak B.V."	272	10.03.2015	2,343
17	o/assignment	980741000518	OC "Agip Karaganchak B.V."	273	10.03.2015	485
18	o/assignment	980741000518	OC "Agip	274	10.03.2015	193

			Karaganchak B.V."			
			OC "Agip			
19	o/assignment	980741000518	Karaganchak B.V."	275	10.03.2015	448
			OC "Agip			
20	o/assignment	980741000518	Karaganchak B.V."	276	10.03.2015	67
			OC "Agip			
21	o/assignment	980741000518	Karaganchak B.V."	277	10.03.2015	5
			OC "Agip			
22	o/assignment	120540016236	Karaganchak B.V."	195	20.04.2015	2,316
			OC "Agip			
23	o/assignment	980741000518	Karaganchak B.V."	477	06.05.2015	798
			OC "Agip			
24	o/assignment	980741000518	Karaganchak B.V."	501	13.05.2015	4,885
			OC "Agip			
25	o/assignment	980741000518	Karaganchak B.V."	505	14.05.2015	24
			OC "Agip			
26	o/assignment	980741000518	Karaganchak B.V."		14.05.2015	798
			OC "Agip			
27	o/assignment	980741000518	Karaganchak B.V."	548	25.05.2015	419
			OC "Agip			
28	o/assignment	980741000518	Karaganchak B.V."	549	25.05.2015	14
			OC "Agip			
29	o/assignment	120540016236	Karaganchak B.V."	347	04.06.2015	1,119
			OC "Agip			
30	o/assignment	980741000518	Karaganchak B.V."		30.07.2015	14,525
			OC "Agip			
31	o/assignment	980741000518	Karaganchak B.V."		30.07.2015	34
			OC "Agip			
32	o/assignment	980741000518	Karaganchak B.V."		30.07.2015	356
			OC "Agip			
33	o/assignment	980741000518	Karaganchak B.V."		30.07.2015	13
			Total			96,033

“Embamunaigas” JSC sent the letter and the check, as the supporting documents, confirming that on BCC 105102 this payment was not accomplished, because during the customs clearance of imported goods under Contract No. 1026-118 dated 19.08.2015 on terms DDP (“delivery duty paid” - the “INCOTERMS 2010”), the supplier “Global Transportation and Logitics worldwide” LLP fully paid KZT 12 thous. Since the declarant was specified “Embamunaigas” JSC received the payments in its account.

BCC	Company	Payer	Recipient	Difference
105102	“Embamunaigas” JSC	-	12	12
Total			12	12

“Shubarkol Komir” JSC as evidence, provided the payment order for the full amount of payment:

BCC	Company	Payer	Recipient	Difference
105101	“Shubarkol Komir” JSC	650,070	490,873	159,197
105102	“Shubarkol Komir” JSC	266,006	265,307	699
105104	“Shubarkol Komir” JSC	2,041	2,034	7
105113	“Shubarkol Komir” JSC	271	271	-
105115	“Shubarkol Komir” JSC	108,114	107,337	777
Total		1,026,502	865,822	160,680

The payment order to the difference:

BCC	Company	Payment order No.	Payment order date	Amount In thousands KZT
105101	“Shubarkol Komir” JSC	2986	28.08.2015	2,759
	“Shubarkol Komir” JSC	2830	21.08.2015	156,438
105104	“Shubarkol Komir” JSC	2829	21.08.2015	7
Total				159,204

In the BCC 105101 and BCC 105104 discrepancy occurred due to the fact that “Shubarkol Komir” JSC paid taxes for “Sary-Arka Speckoks” JSC for the 2nd quarter of 2015 in August, 2015. Balances on personal accounts were transferred to “Shubarkol Komir” JSC 20.11.2015. Payment is made in accordance with the Decision on liquidation of “Sary-Arka Speckoks” JSC, BIN 050640000109, by joining of JSC “Shubarkol Komir”, BIN 020740000236, dated 01.08.2015.

According to BCC 105102, discrepancy accrued due to the fact that the payment was made by transfer of money resources on the BCC 105102 previously paid funds for the payment of CPTandF (Customs payments, taxes and fines). The taxpayer has attached a letter from parliamentary friendship group in the Karaganda oblast of the transfer of money and recovery of arrears of penalties on account of the above provision. While transferring funds from the account collateral was not specified BIN of “Shubarkol Komir” JSC, respectively, these amounts were not included for the Recipient.

BCC	Company	Payer	Recipient	Difference
105102	“Shubarkol Komir” JSC	SRC-12-1-4/14755	29.07.2015	699
Total				699

On BCC 105115 “Shubarkol Komir” JSC as evidence provided the payment order for the full amount of payment:

BCC	Company	Payer	According to the Recipient	Difference
105115	“Shubarkol Komir” JSC	108 114	107 337	777
Total				777

Payment order for the difference BCC 105115:

No.	Company	Payment order No.	Payment order date	Sum in KZT thousand
1	“Shubarkol Komir” JSC	2792	19.08.2015	777
Total				777

The discrepancy occurred due to the fact that “Shubarkol Komir” JSC paid taxes for “Sary-Arka Speckoks” JSC for the 2nd quarter of 2015 in August 2015. Balances on personal accounts were transferred to “Shubarkol Komir” JSC 20.11.2015. Payment was made in accordance with the Decision on liquidation of “Sary-Arka Speckoks” JSC, BIN 050640000109, by joining of “Shubarkol Komir” JSC, BIN 020740000236, dated 01.08.2015.

“Jairem mining plant” JSC did not consider the refund in the amount of KZT 25 thous. in its report reflecting the data on BCC 105102 on the basis of the account reconciliation report dated 18.02.2016, which does not reflect the refund. The recipient has provided the data given the return of VAT on goods imported to the territory of RK.

BCC	Company	Payer	Recipient	Difference
105102	“Jairem mining plant” JSC	8 000	7 975	25
Total		8 000	7 975	25

The unexplained variance at “Dala Mining” LLP accrued due to the fact that the Payer did not provide a report for verification. In this regard, this discrepancy remains unclear.

8. Excise, BCC 105229, 105278

<i>KZT thousand</i>	2015
Report of payer	466
Report of recipient	466
Difference	-

There are no discrepancies on Excise taxes between the data provided by Payers and those provided by Recipient.

9. Other tax revenues , BCC 107109, 107110

<i>KZT thousand</i>	2015
Report of payer	507
Report of recipient	13
Difference	494

Discrepancies in “Other tax revenues” between the data of Payer and Recipient data is the sum of KZT 494 thous.

This discrepancy accrued due to the fact that the Payer showed amount more than the Recipient:

No.	Company	Final data		Discrepancy	
		Payer	Recipient	Clarified	Unclarified
1	“Varvinskoye” JSC	458	(36)	494	-
Total		458	(36)	494	-

Payer provided supporting documents in the amount of KZT 494 thous. This amount on BCC 107110 “Payment for placement of outdoor visual advertising in the right of way of the road” was paid to the GD “Akim's Apparatus of Taran rural district” in accordance with the Decree of the Government of the Republic of Kazakhstan dated May 22, 2014 No. 532.

No.	Company	Payment order No.	Payment order date	Amount in KZT thousands
1	“Varvinskoye” JSC	1705	23.06.2015	37
2	“Varvinskoye” JSC	1017	22.04.2015	37
3	“Varvinskoye” JSC	409	23.02.2015	50
4	“Varvinskoye” JSC	156	23.01.2015	49
5	“Varvinskoye” JSC	2057	21.07.2015	37
6	“Varvinskoye” JSC	2373	20.08.2015	37
7	“Varvinskoye” JSC	1327	19.05.2015	37
8	“Varvinskoye” JSC	3392	20.11.2015	37
9	“Varvinskoye” JSC	2709	18.09.2015	43
10	“Varvinskoye” JSC	3054	21.10.2015	40
11	“Varvinskoye” JSC	3782	23.12.2015	40
12	“Varvinskoye” JSC	698	19.03.2015	50
Total				494

4.1.2. Receipts for the use of natural and other resources

<i>KZT thousand</i>	2015
Report of Payer	1,178,278,494
Report of Recipient	1,181,849,117
Difference	3,579,408

Including the result of reconciliation in the context of special payments of subsoil use:

1. The excess profit tax, BCC 105302 and 105322

<i>KZT thousand</i>	2015
Report of Payer	66,875,819
Report of Recipient	68,678,934
Difference	1,803,115

Discrepancies on “Excess profits Tax” between the data of Payer and Recipient data is the sum of KZT 1,803,115 thous.

Information on the discrepancies is shown below:

No.	Company	The final data		Discrepancy	
		Payer	Recipient	Clarified	Unclarified
1	“Offshore oil company KazMunayTeniz” JSC	-	1,803,115	1,803,115	-
Total		-	1,803,115	1,803,115	-

“Offshore oil company KazMunayTeniz” JSC provided a written explanation No. 202-09/682 dated May 24, 2016 about the reasons for all discrepancies in connection with the fact that “...discrepancies in the EITI in 2015 arose in connection with the exercise of a Branch of KMT activities asset usecontract territories Tolkyin and Borankol in accordance with the agreements of trust use No. 1-NB-HCS/198-26 and No. 2-NB-

HCS/197-26 dated 21.07.2016, concluded between Ministry of Energy of the RK (MOE RK) and the National company “KazMunayGas” JSC. Payment of taxes and payments to the budget in the framework of trust use are carried out from the special Bank accounts of trust use with the permission of the Ministry of economy of the RK.

-Accounting of the activities of trust is made separately, is reflected in the separate financial reports of the branch of the KMT and is not consolidated in confirmed by the auditors of the “Ernst & Young” LLP financial reports of KMT.

2. Bonuses, BCC 105305, 105325

<i>KZT thousands</i>	2015
Report of Payers	24,086,879
Report of Recipient	24,086,879
Difference	-

There is no difference between data Contributors and data Recipient on the “Bonuses”.

3. Mineral production tax, BCC 105306, 105326

<i>KZT thousands</i>	2015
Report of Payers	558,656,357
Report of Recipient	559,348,485
Difference	693,942

Discrepancy on “Mineral production tax” between data Payer and data Recipient amounts to KZT 693,942 thous.

Information on discrepancy is shown below:

No. s/o	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	“Offshore oil company "KazMunayTeniz” JSC	-	693,034	693,034	-
2	“Shubarkol Komir” Small discrepancies for other companies due to	3 704	2 797	907	-
3	rounding JSC	-	-	1	-
Total		3 704	695,831	693,942	-

On the found-out discrepancies Payers provided extracts from personal account about a condition of calculations with the budget, payment orders and written explanations.

“Offshore oil company KazMunayTeniz” JSC provided a written explanation No. 202-09/682 dated May 24, 2016 year on the causes of *all discrepancies* in connection with that “...differences on the EITI for the year 2015 arose in connection with the implementation of a branch of the KMT asset use activities Tolkyin and Borankol in accordance with fiduciary contracts no. 1-NB-HCS/198-26 and no. 2-NB-HCS/197-26 dated 21.07.2016, concluded between the Ministry of Energy of the Republic of Kazakhstan (MoE) and “KazMunayGas” National Company JSC. Payments of taxes

and payments in the budget within activities for trust use are performed from the special bank account of trust use with the permission of MoE RK.

- Account of activities for trust use is kept separately, is reflected in separate financial reporting of KMT Branch and not consolidated in the financial reporting KMT confirmed with auditors of "Ernst & Young" LLP.

"Shubarkol Komir" JSC provided as evidence of payment for the full amount of the payment and a written explanation:

BCC	Company	Payer	Recipient	Difference
105306	"Shubarkol Komir" JSC	3 704	2 797	907
Total		3 704	2 797	907

Payment for the difference:

BCC	Company	No. payment order	Date of payment order	Amount in KZT thousands
105306	"Shubarkol Komir" JSC	2822	21.08.2015	680
105306	"Shubarkol Komir" JSC	2990	28.08.2015	227
Total				907

The discrepancy was due to the fact that "Shubarkol Komir" JSC produced paying taxes for "Sary-Arka Speckoks" JSC for 2 quarter of 2015 in August 2015. Balance on accounts was transferred to "Shubarkol Komir" JSC, 20.11.2015. Payment made in accordance with the decision on liquidation of "Sary-Arka Speckoks" JSC, BIN 050640000109, by according to the "Shubarkol Komir" JSC, BIN 020740000236, dated 01.08.2015.

4. Rental export tax, BCC 105307, 105327

KZT thousands	2015
Report of Payers	225,054,885
Report of Recipient	226,088,831
Difference	1,033,946

Discrepancy on "Mineral production tax" between data Payer and data Recipient amounts to KZT 693 942 thous.

Information on discrepancy is shown below:

No.	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	"Offshore oil company KazMunayTeniz" JSC	-	1,033,946	1,033,946	-
Total			1,033,946	1,033,946	

"Offshore oil company KazMunayTeniz" JSC provided a written explanation No. 202-09/682 dated May 24, 2016 year on the causes of *all discrepancies* in connection with that "...differences on the EITI for the year 2015 arose in connection with the implementation of a branch of the KMT asset use activities Tolky and Borankol in accordance with fiduciary contracts no. 1-NB-HCS/198-26 and no. 2-NB-HCS/197-26

dated 21.07.2016, concluded between the Ministry of Energy of the Republic of Kazakhstan (MoE) and “KazMunayGas” National Company JSC. Payments of taxes and payments in the budget within activities for trust use are performed from the special bank account of trust use with the permission of MoE RK.

- Account of activities for trust management kept separately, is reflected in separate financial reporting of KMT Branch and not consolidated in the financial reporting KMT confirmed with auditors of “Ernest & Young” LLP.

5. Production share of the Republic of Kazakhstan, BCC 105308, 105328

<i>KZT thousands</i>	2015
Report of Payers	260 935 433
Report of Recipient	260 935 433
Difference	-

There are no discrepancies on “Share of the Republic of Kazakhstan according to the section of production” between data of Payers and data of the Recipient.

6. Charges for the use of specially protected natural areas of national significance, BCC 105313

<i>KZT thousands</i>	2015
Report of Payers	25,066
Report of Recipient	25,066
Difference	-

There are no discrepancies on “The payment for use of especially protected natural territories republican” between data of Payers and data of the Recipient.

7. Payment for use of the land plots, BCC 105315

<i>KZT thousands</i>	2015
Report of Payers	4,673,918
Report of Recipient	4,677,073
Difference	3 155

Discrepancies on “Payment for use of the land plots” between data of Payers and data of the Recipient amounts to KZT 3,155 thous.

Information on discrepancy is shown below:

No.	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	“Dala Mining” LLP	-	3,155	-	3,155
Total		-	3,155	-	3,155

Unidentified discrepancies on “Dala Mining” LLP accrued because the Payer did not provide the report for verification. In this regard this discrepancy remained obscure.

8. Payment for issue to the environment, BCC 105316

KZT thousands

2015

Report of Payers	28,938,450
Report of Recipient	28,948,325

Difference **16,825**

Discrepancies on “Payment for issue to the environment” between data of Payers and data of the Recipient amounts to KZT 16,825 thous.

Information on discrepancy is shown below:

No. s/o	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	“Offshore oil company KazMunayTeniz” JSC	-	13,328	13,328	-
2	“Shubarkol Komir” JSC	156,057	152,582	3,475	-
3	“Dala Mining” LLP	-	22	-	22
Total		156,057	165,932	16,803	22

On the found-out divergences payers have provided payment orders and written explanations.

“Offshore oil company KazMunayTeniz” JSC provided a written explanation No. 202-09/682 dated May 24, 2016 year on the causes of all discrepancies in connection with that”. *differences* on the EITI for the year 2015 arose in connection with the implementation of a branch of the KMT asset useactivities Tolkyn and Borankol in accordance with fiduciary contracts no. 1 NB-HCS/198-26 and no. 2 NB-HCS/197-26 dated 21.07.2016, concluded between the Ministry of Energy of the Republic of Kazakhstan (MoE) and “KazMunayGas” National Company JSC. Payments of taxes and payments in the budget within activities for trust useare performed from the special bank account of trust usewith the permission of MoE RK.

- Account of activities for trust management kept separately, is reflected in separate financial reporting of KMT Branch and not consolidated in the financial reporting KMT confirmed with auditors of “Ernest & Young” LLP.

“Shubarkol Komir” JSC provided as evidence of payment for the full amount of the payment:

BCC	Company	Payer	Recipient	Difference
105316	“Shubarkol Komir” JSC	156,057	152,582	3,475
Total		156,057	152,582	3,475

Payment for the difference:

BCC	Company	No. payment order	Date of payment order	Amount in KZT thousands
105316	“Shubarkol Komir”JSC	2824	21.08.2015	1,053
105316	“Shubarkol Komir”JSC	2842	21.08.2015	96
105316	“Shubarkol Komir”JSC	2991	28.08.2015	29

105316	“Shubarkol Komir”JSC	2992	28.08.2015	2,297
Total				3,475

The discrepancy was due to the fact that “Shubarkol Komir” JSC produced paying taxes for “Sary-Arka Speckoks” JSC for 2nd quarter of 2015 in August 2015. Balance on accounts was transferred to the “Shubarkol Komir” JSC, 20.11.2015. Payment made in accordance with the decision on liquidation of “Sary-Arka Speckoks” JSC, BIN 050640000109, by acceding to the “Shubarkol Komir” JSC, BIN 020740000236, dated 01.08.2015.

Not found out discrepancy has occurred because “Dala Mining” LLP was provided by the report, and has not contacted, in this regard the discrepancy remained unidentified:

9. Payment under Cost recovery, BCC 105319

<i>KZT thousands</i>		2015
Report of Payers		8 648 823
Report of Recipient		8 677 237
Difference		28 414

Discrepancies on “Payment on cost recovery” between data of Payers and data of the Recipient amounts to KZT 28,414 thous.

Information on discrepancy is shown below:

No. s/o	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	“Dala Mining” LLP	-	28,414	-	28,414
Total			28,414	-	28,414

The discrepancy has occurred because the Payer did not provide the report and contacted. The divergence on “Dala Mining” LLP remained unidentified:

10. Payment for use of radio-frequency spectra, BCC 105309

<i>KZT thousands</i>		2015
Report of Payers		78 921
Report of Recipient		78 911
Difference		10

Discrepancies on “Payment for use of radio-frequency spectra” between data of Payers and data of the Recipient amounts to KZT 10 thous.

Information on discrepancy is shown below:

No. s/o	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	“Shubarkol Komir” JSC	684	674	10	-
Total		684	674	10	-

“Shubarkol Komir” JSC provided as evidence of payment for the full amount of the payment:

BCC	Company	No. payment order	Date of payment order	Amount in thousands of KZT
105309	“Shubarkol Komir” JSC	2823	21.08.2015	10
Total				10

The discrepancy was due to the fact that “Shubarkol Komir” JSC produced paying taxes for “Sary-Arka Speckoks” JSC for 2nd quarter of 2015 in August 2015. Balance on accounts was transferred to “Shubarkol Komir” JSC, 20.11.2015. Payment made in accordance with the decision on liquidation of “Sary-Arka Speckoks” JSC, BIN 050640000109, by acceding to the “Shubarkol Komir” JSC, BIN 020740000236, dated 01.08.2015.

11. Payment for use of navigable waterways, water resources of superficial sources, forest uses, BCC 105310, 105303, 105304

<i>KZT thousands</i>	2015
Report of Payers	303,942
Report of Recipient	303,943
Difference	1

Discrepancies on “Payment for use of navigable waterways, water resources of superficial sources, forest uses” between data of Payers and data of the Recipient are insignificant and amounts to KZT 1 thous.

4.1.3. Other non-tax incomes to the budget

<i>KZT thousands</i>	2015
Report of Payers	27,803,593
Report of Recipient	27,813,697
Difference	27,042

Including result of verification in a section of other obligatory payments:

1. Funds received from resource users for any claims for damages, except for revenues from the oil sector, BCC 204110

<i>KZT thousands</i>	2015
Report of Payers	789,608
Report of Recipient	789,608
Difference	-

There are no discrepancies in “Funds received from users of nature on actions for damages” between the data provided by Payers and those provided by Recipient.

2. The administrative penalties, a penalty fee, sanctions, collecting imposed by the central public authorities, their territorial divisions on organization of oil sector, BCC 204201

<i>KZT thousands</i>	2015
Report of Payers	4,608,153
Report of Recipient	4,614,289
Difference	6,136

Discrepancies on “Administrative penalties, a penalty fee, to sanctions” between data of Payers and data of the Recipient amounts to KZT 6,136 thous.

Information on discrepancy is shown below:

No. s/o	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	“Tengizchevroil” LLP	432,985	439,121	-	6,136
Total		432,985	439,121	-	6,136

The obscure discrepancy occurred because the Payer showed the amount in the report less, than the Recipient. Explanations from the Payer were not received.

3. Other fines, penalties, sanctions, punishments imposed by State institution financed by the Republican budget, to organizing the oil sector, BCC 204202

<i>KZT thousands</i>	2015
Report of Payers	3,110,291
Report of Recipient	3,110,291
Difference	-

There are no discrepancies on “Other penalties, a penalty fee, sanctions to the organization of oil sector” between data of Payers and data of the Recipient.

4. Funds received from resource users for any claims for damages, except for revenues from the oil sector, BCC 204203

<i>KZT thousands</i>	2015
Report of Payers	8,912,032
Report of Recipient	8,912,032
Difference	-

There is no discrepancy on “Funds received from the stakeholders on claims for indemnification by oil sector organisations” between the data provided by Payers and those provided by Recipient.

5. Other non-tax receipts in the republican budget, except for receipts from the organizations of oil sector, including, BCC 206108

<i>KZT thousands</i>	2015
Report of Payers	207,988
Report of Recipient	208,106
Difference	118

Discrepancies on “Other non-tax receipts from the organizations of oil sector” between data of Payers and data of the Recipient amount to KZT 118 thous.

Information on discrepancy is given below:

No. s/o	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	“Shubarkol Komir” JSC	-	66	66	-
2	“RG Gold” LLP	-	6	6	-
3	“Kazzinc” LLP	159	205	46	-
Total		159	278	118	-

On the found-out discrepancies Payers provided extracts from personal account about a condition of calculations with the budget, payment orders and written explanations.

"Shubarkol Komir" JSC provided as evidence of payment for the full amount of the payment:

BCC	Company	Payer	Recipient	Difference
206108	“Shubarkol Komir”JSC	-	66	66
Total		-	66	66

Payment orders on a difference on BCC 206108:

No. s/o	Company	No. payment order	Date of payment order	Amount in KZT thousands
1	“Shubarkol Komir” JSC	4552	11.12.2015	33
2	“Shubarkol Komir” JSC	4052	18.11.2015	33
Total				66

Discrepancy has occurred because a payment is made on account of repayment of debt of the worker on PPC 991 "Receipts on obligations in the budget from physical citizens", BCC 206108. The payer did not reflect this payment on BCC 206108 in the report on EITI as this payment isn't payment of the Company.

"RG Gold" LLP explains the difference from the Recipient in such a way that "RG Gold" LLP accounting staff held back the employee's salary on 31.10.2015 according to the bailiff decree dated 21.08.2015 for the recovery of the employee's salary for the services of legal aid in the state revenue and refund in to the public budget amounting to KZT 6 532 on BCC 206108 in accordance with the order No. 2928 dated 10.11.2015. The Payer has not reflected this payment on BCC 206108 in the reporting EITI as this payment is not payment of the Company.

BCC	Company	Payer	Recipient	Difference
206 108	"RG Gold" LLP	-	6	6
Total		-	6	6

"Kazzinc" LLP specified the actual transfer of payments on BCC 206108. As a confirming document, it has provided copies of payment orders. Besides, on this the BCC made payment of 46 thousand KZT withheld from the salary of the employee of "Kazzinc" LLP according to the Resolution of the bailiff.

The payer did not reflect this payment on BCC 206108 in the reporting EITI as this payment was not payment of the Company.

BCC	Company	Payer	Recipient	Difference
206 108	"Kazzinc" LLP	159	205	46
Total		159	205	46

Payment orders to a difference on BCC 206108:

No. s/o	Company	No. payment order	Date of payment order	Amount in thousands of KZT
1	"Kazzinc" LLP	95978	15.09.2015	79
2	"Kazzinc" LLP	96442	23.09.2015	80
Total				159

6. Other non-tax receipts in the local budget, other non-tax receipts from the organizations of oil sector, BCC 206109, 206111

<i>KZT thousands</i>	2015
Report of Payers	978,153
Report of Recipient	978,654
Difference	501

Discrepancy on "Other non-tax receipts in the local budget" between data of Payers and data of the Recipient amounts to KZT 501 thous.

Information on discrepancy is shown below:

No. s/o	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	"Kazzinc" LLP	-	501	501	-
Total		-	501	501	-

For BCC 206109 on "Kazzinc" LLP transferred the amounts of a penalty and compensation of the damage caused to the state, withheld from the salary of employees of "Kazzinc" LLP according to court orders have been transferred. As a confirming document, "Kazzinc" LLP provided copies of payment orders. The Payer did not reflect this payment on BCC 206109 in the reporting EITI as this payment was not payment of the Company.

BCC	Company	Payer	Recipient	Difference
206109	"Kazzinc" LLP	-	501	501
Total		-	501	501

- Payment orders on a difference on BCC 206109:

No. s/o	Company	No. payment order	Date of payment order	Amount in KZT thousands
1	"Kazzinc" LLP	81637	14.01.2015	46
2	"Kazzinc" LLP	83282	12.02.2015	45
3	"Kazzinc" LLP	84814	12.03.2015	3
4	"Kazzinc" LLP	86549	14.04.2015	26
5	"Kazzinc" LLP	88201	14.05.2015	23
6	"Kazzinc" LLP	88163	14.05.2015	2
7	"Kazzinc" LLP	90166	15.06.2015	1
8	"Kazzinc" LLP	90208	15.06.2015	27
9	"Kazzinc" LLP	90186	15.06.2015	11
10	"Kazzinc" LLP	90191	15.06.2015	14
11	"Kazzinc" LLP	92065	15.07.2015	38
12	"Kazzinc" LLP	92046	15.07.2015	22
13	"Kazzinc" LLP	92048	15.07.2015	24
14	"Kazzinc" LLP	94045	14.08.2015	48
15	"Kazzinc" LLP	94004	14.08.2015	10
16	"Kazzinc" LLP	94010	14.08.2015	14
17	"Kazzinc" LLP	93997	14.08.2015	6
18	"Kazzinc" LLP	93991	14.08.2015	0
19	"Kazzinc" LLP	95819	14.09.2015	13
20	"Kazzinc" LLP	95835	14.09.2015	24
21	"Kazzinc" LLP	97640	14.10.2015	12
22	"Kazzinc" LLP	97620	14.10.2015	23
23	"Kazzinc" LLP	99501	12.11.2015	24
24	"Kazzinc" LLP	99483	12.11.2015	11
25	"Kazzinc" LLP	101365	14.12.2015	23
26	"Kazzinc" LLP	101341	14.12.2015	11
Total				501

7. Subsoil users' contribution to the social and economic development of the oblast and development of its infrastructure, BCC 206114

<i>KZT thousands</i>		2015
Report of Payers		9 197 369
Report of Recipient		9 200 718
Difference		20 287

Discrepancy on “Subsoil users’ contribution to the social and economic development of the oblast and development of its infrastructure” between data of the Payers and the Recipient amounts to KZT 20,287 thousand.

Information on discrepancy is given below:

No. s/o	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	“Aluminium of Kazakhstan” b-ch. KBRU JSC	8,469	-	8,469	-
2	“Dala Mining” LLP	-	11,818	-	11,818
Total		8,469	11,818	8,469	11,818

“Aluminium Kazakhstan” KBRU branch JSC reflected the sum of KZT 8,469 thous.in the report of EITI on BCC 206114, the Recipient had no payments of the Payer.

BCC	Company	Payer	Recipient	Difference
206114	“Aluminium of Kazakhstan” KBRU branch JSC	8,469	-	8,469
Total		8,469	-	8,469

The payer provided supporting documents (payment orders) on the sum of KZT 8 469 thous.

No. s/o	Company	No. payment order	Date of payment order	Amount in KZT thousands
1	“Aluminium of Kazakhstan” KBRU branch JSC	5708	30.12.2015	2,546
2	“Aluminium of Kazakhstan” KBRU branch JSC	unnumb.	30.12.2015	1,702
3	“Aluminium of Kazakhstan” KBRU branch JSC	15681	30.12.2015	4,221
Total				8,469

Unidentified discrepancy has occurred because the Payer of “Dala Mining” LLP provided the report and contacted, in this regard the discrepancy remained unidentified.

4.1.4 Customs Payments

<i>KZT thousands</i>	2015
Report of payers	655,995,967
Report of Recipients	657,312,267
Difference	2,100,765

Including the result of reconciliation in terms of customs duties:

1. Import custom tariff, including that BCC 106101

<i>KZT thousands</i>	2015
Report of payers	7,221,190
Report of Recipients	7,213,637
Difference	9,976

The discrepancy according to “Import custom tariffs” between data of Payers and the Recipient constitutes the amount of KZT 9,976 thous.

Information on discrepancy is shown below:

No. s/o	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	“Tengizchevroil” LLP Subsidiary Agip Karachaganak	2,671	3,577	-	906
2	B.V. (Netherlands)	37	20	17	-
3	“Embamunaigas” JSC	-	305	305	-
5	“Shubarkol Komir” JSC	275,919	268,310	7,609	-
6	“Kostanai minerals” JSC	1,139	-	1,139	-
Total		279,766	272,212	9,070	906

The obscure discrepancy on “Tengizchevroil” LLP occurred because the Payer showed the amount in the report less, than the Recipient. Explanation from the Payer was not obtained.

On the discrepancies identified, Payers provided the statements of personal accounts to confirm the status of settlements with the budget, payment orders, receipts on payment cards for customs payments, reconciliation statement with the DGD (Customs Committee), written explanation.

The “Agip Karachaganak B.V.” branch as confirming documents sent the payment order No. 1726 dated 11.09.2015 to the amount of KZT 17,0 thous., about payment of an import duty on imported goods which paid for the agreement by EAT LLP.

BCC	Company	Payer	Recipient	Difference
106101	Subsidiary Agip Karachaganak B.V. (Netherlands)	37	20	17
Total		37	20	17

“Embamunaygaz” JSC as confirming documents sent the letter and the check that payment on BCC 106101 was not made as in case of registration of customs procedures of imported goods according to the Agreement No. 1026-118 dated 19.08.2015 on the terms of DDP (“delivery with payment of fees” - the INCOTERMS 2010 mode) the supplier, “Global Transportation And Logistics Worldwide” LLP completely paid KZT 305 thous. As it was indicated by the declarant “Embamunaygaz” JSC payments credited to its account.

BCC	Company	Payer	Recipient	Difference
106101	“Embamunaigas” JSC	-	305	305
Total		-	305	305

“Shubarkol Komir” JSC explains a discrepancy on BCC to 106101 those that payment was made by money transfer on BCC 106101 with earlier paid to the account of ensuring payment CPTaPF (Customs payments, taxes and a penalty fee).

	Company	Payer	Recipient	Difference
106101	“Shubarkol Komir” JSC	275,919	268,310	7,609
Total		275,919	268,310	7,609

The Payer attached the letter from DGD across the Karaganda oblast and the reconciliation statement of offsets with DGD across the Karaganda oblast that payment is offset:

BCC	Company	No. letter	Date of letter	Amount in KZT thousands
106101	“Shubarkol Komir” JSC	DGD 12-1-24/14755	29.07.2015	7,609
Total				7,609

“Zhairem MPP” JSC (hereinafter-the Payer) in the report did not take into account the return on the amount of KZT 18 thous., the Recipient of same heeded it.

BCC	Company	Payer	Recipient	Difference
106101	“Zhairem MPP” JSC	1,500	1,482	18
Total		1,500	1,482	18

The Payer provided the Reconciliation statement according to customs duties, taxes, customs fees and a penalty fee from 01.01.2015 for 31.12.2015 of 18.02.2016 where the Payer's amount in the amount of KZT 1,500 thous. proven to be true, and according to the Recipient dated 22.09.2015 return in the amount of KZT 18 thous. was made.

Provided to “Kostanay minerals” JSC on the below-stated difference supporting documents in the form of acts of reconciliations with customs committee and the written explanation. The recipient considered payment in DGD Almaty, amounting to KZT 1 139 thous.:

BCC	Company	Payer	Recipient	Difference
106101	“Kostanai minerals” JSC	1,139	-	1,139
Total		1,139	-	1,139

No. s/o	State Revenues Committee of MoF RK	No. Registration Act of reconciliation at a customs body	Date of issuance of an act of reconciliation	The sum of customs payment in KZT thous.
1	DGD by Almaty city	319	07.04.2016	1,139
Total				1,139

2. Customs duties on exported goods, BCC 106102

KZT thousands **2015**

Report of payers	(17,204)
Report of Recipients	(17,206)

Difference **2**

Discrepancies on “The customs duties on exported goods” between data of Payers and data the Recipient KZT 2 thous. make the amount.

Information on discrepancy is shown below:

No. s/o	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	“Tengizchevroil” LLP	2	-	-	2
Total		2	-	-	2

The obscure discrepancy on “Tengizchevroil” LLP accrued because the Payer showed the amount in the report more, than the Recipient. Explanation from the Payer was not obtained.

3. Export duties on crude oil, BCC 106110

In thousands KZT **2015**

Report of payers	641 384 362
Report of Recipients	642 697 162

Difference **2 066 619**

Discrepancies on ‘The export customs duties on crude oil’ between data of Payers and data the Recipient KZT 2,066,619 thous. make the amount.

Information on discrepancy is given below:

No. s/o	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	“Zhaikmunai” LLP Offshore oil company	2,916,715	2,713,033	203,682	-
2	“KazMunayTeniz” JSC	-	1,689,710	1,689,710	-
3	“ANACO” LLP	1,486,294	1,313,067	173,227	-
Total		4,403,009	5,715,810	2,066,619	-

On the found-out discrepancies payers provided statements from a personal account about a condition of calculations with the budget, payment orders, checks for payment from cards on customs payments, acts of reconciliations with customs committee (SRC MoF of the RK) and written explanations.

“Zhaikmunai” LLP as confirming documents sent a cheque (REF. No. 536503220487, Auth. Code 611017) of “Halyk Bank of Kazakhstan” JSC dated 31.12.2015 at KZT 203 682 thous., which did not reflect the recipient.

BCC	Company	Payer	Recipient	Difference
106110	“Zhaikmunai” LLP	2,916,715	2,713,033	203,682
Total		2,916,715	2,713,033	203,682

“Offshore oil company KazMunayTeniz” JSC provided a written explanation No. 202-09/682 dated May 24, 2016 on the causes of all discrepancies in connection with that"... *differences* on the EITI for the year 2015 had arisen in connection with the implementation of a branch of the KMT asset useactivities Tolkyn and Borankol in accordance with fiduciary contracts no. 1-NB-HCS/198-26 and no. 2-NB-HCS/197-26 dated 21.07.2016, concluded between the Ministry of Energy of the Republic of Kazakhstan (MoE) and “KazMunayGas” National Company JSC. Payments of taxes and payments in the budget within activities for trust use were performed from the special bank account of trust usewith the permission of MoE RK.

- Account of activities for trust use is kept separately, is reflected in separate financial reports of KMT Branch and not consolidated in the financial reporting KMT confirmed with auditors of “Ernest & Young” LLP.

“ANACO” LLP as confirming documents sent for payment Act No. 181 of 31.12.2015 year customs post “SM Akzhayik” on 173 227 thous. and a check of “Halyk Bank of Kazakhstan” JSC (Terminal No. 14920193) dated 31.12.2015 on payment. As payment was made on 31.12.2015, to the Recipient arrived in 2016 with respect to this, payment was not reflected in the report of the Recipient.

BCC	Company	Payer	Recipient	Difference
106110	“ANACO” LLP	1,486,294	1,313,067	173,227
Total		1,486,294	1,313,067	173,227

4. The export customs duties on the goods developed from oil, BCC 106111

<i>KZT thousands</i>	2015
Report of Payers	97,852
Report of Recipients	97,852
Difference	-

Discrepancies on “Export customs duties on the goods developed from oil” between the data provided by Payers and those provided by Recipient.

5. The customs duties on imported goods and (or) import customs duties which obligation on payment arose before entry into force of the Agreement on establishment and application in the Customs Union of an order of transfer and distribution of import customs duties, BCC 106112

<i>KZT thousands</i>	2015
Report of Payers	3,418,737
Report of Recipients	3,426,101
Difference	11,882

The discrepancy according to “Import customs duties” between data of Payers and data the Recipient constitutes the amount of KZT 11 882 thous.

Information on discrepancy is shown below:

No. s/o	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	“Tengizchevroil” LLP Kazakhstan branch Karachaganak Petroleum	170,328	178,354	-	8,026
2	Opereyting B. V.	2,799,631	2,801,228	1,597	-
3	“Shubarkol Komir” JSC	2,259	-	2,259	-
Total		2,972,218	2,979,582	3,856	8,026

The obscure discrepancy on “Tengizchevroil” LLP accrued because the Payer showed the amount in the report more, than the Recipient. Explanation from the Payer was not obtained.

On the found-out discrepancies payers provided statements from a personal account about a condition of calculations with the budget, payment orders, check for payment from cards on customs payments, acts of reconciliations with Customs committee, written explanations.

The Karachaganak Petroleum Operating B. V. Kazakhstan branch on a below-mentioned difference provided supporting documents in the form of the reconciliation statement with DGD WKO:

BCC	Company	Payer	Recipient	Difference
106112	Kazakhstan branch Karachaganak Petroleum Operating B. V.	2,799,631	2,801,228	1,597
Total		2,799,631	2,801,228	1,597

No	Company	Paid			Returned from budget			Total
		tax	penalties	fine	tax	penalties	fine	
1	Kazakhstan branch Karachaganak Petroleum Opereyting B. V.	1,234,632	-	-	(81)	-	-	1,234,551
		1,565,080	-	-	-	-	-	1,565,080
	Total	2,799,712	-	-	(81)	-	-	2,799,631

The difference on “Shubarkol Komir” JSC was formed as a result at the Recipient receipt of customs duties is not reflected.

BCC	Company	Payer	Recipient	Difference
106112	“Shubarkol Komir” JSC	2,259	-	2,259
	Total	2,259	-	2,259

“Shubarkol Komir” JSC as confirmation provided “The reconciliation statement according to customs duties, taxes, customs fees and a penalty fee” dated 01.07.2015 to 30.09.2015.

No. s/o	Company	Paid			Returned from budget			Total
		tax	penalties	fine	tax	penalties	fine	
1	“Shubarkol Komir” JSC	2,259	-	-	-	-	-	2,259
	Total	2,259	-	-	-	-	-	2,259

5. Receipts from implementation of customs control and customs procedures, BCC 106201

KZT thousands **2015**

Report of Payers	3,664,151
Report of Recipients	3,667,842

Difference	12,286
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Discrepancies on “Receipts from implementation of customs control and customs procedures” between data of Payers and data of the Recipient constitutes the amount of KZT 12,286 thous.

Information on discrepancy is given below:

No. s/o	Company	Total data		Discrepancy	
		Of Payer	Of Recipient	Identified	Unidentified
1	“Tengizchevroil” LLP Kazakhstan branch Karachaganak Petroleum	42,165	42,774	-	609
2	Operating B. V. Subsidiary “Agip Karachaganak B.V”	1,633,977	1,640,732	6,755	-
3	(Netherlands)	97	43	54	-
4	“Zhaikmunai” LLP Offshore oil company	226,510	224,560	1,950	-
5	“KazMunayTeniz” JSC	-	456	456	-
6	“ANACO” LLP	489	467	22	-
7	“Kazkhrom” TNC JSC “ArselorMittal Temirtau”	26,641	25,381	1,260	-
8	JSC	166,870	166,857	13	-
9	“Khorasan – U” JSC “KRK JV Zarechnoye”	-	90	90	-
10	CJSC	295	270	25	-
11	“Appak” LLP	126	-	126	-
12	“Zhairem MPP” JSC “Aluminium of Kazakhstan” KBRU	500	514	14	-
13	Branch JSC	818	-	818	-
14	“Kostanai minerals” JSC	4,147	4,117	30	-
15	“Dala Mining” LLP	-	13	-	13
16	“Altynalmas AK” JSC “Kazakhmys Corporation”	6,003	6,010	7	-
17	LLP	8,825	8,844	19	-
18	“NMC Kazgeologiya” JSC	100	125	25	-
Total		2,117,563	2,121,254	11,664	622

The obscure discrepancy on “Tengizchevroil” LLP occurred because the Payer showed the amount in the report more, than the Recipient. Explanation from the Payer is not obtained.

On the found-out discrepancies payers provided statements from a personal account about a condition of calculations with the budget, payment orders, check for payment from cards on customs payments, acts of reconciliations with Customs committee, written explanations.

The difference on the Karachaganak Petroleum Opereyting B. V. Kazakhstan branch arose as a result the Payer did not consider payments by fiscal checks for the amount of KZT 6 755 thous. In the EITI report on BCC 106201, the Payer reported the payments reflected in the reconciliation from DGD by WKO.

BCC	Company	Payer	Recipient	Difference
106201	Kazakhstan branch Karachaganak Petroleum Operating B. V.	1,633,977	1,640,732	6,755
Total		1,633,977	1,640,732	6,755

Karachaganak Petroleum Operating B. V. Kazakhstan branch as confirming documents sent the reconciliation statement with customs committee from 01.01.2015 to 31.12.2015 on Department of state revenues of the WKO.

No so	Company	Paid			Returned from budget			Total
		tax	penalties	fine	tax	penalties	fine	
1	Kazakhstan branch Karachaganak Petroleum	711,119	-	-	-	-	-	711,119
2	Operating B. V.	922,858	-	-	-	-	-	922,858
Total		1,633,977	-	-	-	-	-	1,633,977

The “Agip Karachaganak B. V.” branch company as confirming documents sent the payment order No. 1725 of 11.09.2015 to the amount of KZT 54,0 thous. that customs duty for registration was paid, EAT LLP acted as the Payer.

BCC	Company	Payer	Recipient	Difference	
106201	Subsidiary “Agip Karachaganak B.V” (Netherlands)		97	43	54
Total			97	43	54

“JV Zhaikmunai” LLP as confirming documents sent the check of People’s Bank JSC of Kazakhstan No. 24277 of 31.12.2015 about payment of payment to the amount for KZT 1, 950 thous.

BCC	Company	Payer	Recipient	Difference
106201	“Zhaikmunai” LLP	226,510	224,560	1 950
Total		226,510	224,560	1 950

“ANACO” LLP as confirming documents sent payment order No. 181 dated 31.12.2015 on customs post “Akjayik” CCS amounting to KZT 22 thous. and a payment check from “National Bank of Kazakhstan” (Terminal No. 14920193) dated 31.12.2015. As the payment was accomplished on 31.12.2015 the payment arrived to the Recipient in 2016.

BCC	Company	Payer	Recipient	Difference
106201	“ANACO” LLP	489	467	22
Total		489	467	22

“Kazkhrom” TNC JSC provided the following supporting documents to the amount of KZT 1 260 000:

- Letter No. 14/2-141 dated 02.11.2015 in the state revenue Department on

Aktobe oblast about transfer of this amount from the Deposit to a personal account at BCC 106201;

- Letter No. DOD -1-14/20726 dated 11.11.2015 of reconciliation statement from the Recipient confirming the presence of this amount on the Deposit;

- Response from Recipient No. 1-14 DOD/20740 dated 12.11.2015. that funds will be credited to your account at BCC 106201 in the amount of KZT 1,260,000 after receipt of the supporting documents with SI “Treasury Committee MoF of the RK”.

-Payment orders:

No. s/o	Company	No. payment order	Date of payment order	Amount in KZT thousands
1	“Kazkhrom” TNC JSC	10007860	23.09.2014	420
2	“Kazkhrom” TNC JSC	10008506	06.10.2014	300
3	“Kazkhrom” TNC JSC	10007597	18.09.2014	340
4	“Kazkhrom” TNC JSC	10007968	24.09.2014	200
Total				1 260

“ArselorMittal Temirtau” JSC on BCC 106201 provided the sum of KZT 166,870 thous. the Recipient reflects the sum of KZT 166,857 thous. This discrepancy was formed as a result a money of the Payer from the deposit account which was opened for providing customs payments in case of cargo placement in warehouses of consignees Department of State Revenues across the Karaganda oblast was enlisted on BCC 106101, but in accounts for payment, the provided “SI Department of treasury across the Karaganda oblast by KK MoF RK” on money transfer from the deposit in the budget, the BIN 951140000042 “ArselorMittal Temirtau” JSC was not specified, respectively, these amounts weren't reflected at the Recipient.

BCC	Company	Payer	Recipient	Difference
106201	“ArselorMittal Temirtau” JSC	166,870	166,857	13
Total		166,870	166,857	13

The account register for payment shown below reflects the amounts drawn from account by “ArselorMittal Temirtau” JSC of DGD across the Karaganda oblast:

No. s/o	Company	No. Payment order	Date of invoice	Amount in KZT thousands
1	“ArselorMittal Temirtau” JSC	2170192/15-1515	23.06.2015	13
2	“ArselorMittal Temirtau” JSC	2170192/15-1516	23.06.2015	0.44
Total				13

At “JV Khorasan-U” LLP there was formed the difference of KZT 90 thous. for cash payments for customs procedures, which was paid in TP Kyzylorda city and Ust-Kamenogorsk city. This amount was not reflected in the report because the tax base of the taxpayer with respect to the named code the movement on the account was not reflected.

BCC	Company	Payer	Recipient	Difference
106201	JV “Khorasan – U” LLP	-	90	90
Total		-	90	90

“KRK JV Zarechnoye” JSC provided supporting documents on effected payments on BCC 106201 on the amount of KZT 295 thous.

BCC	Company	Payer	Recipient	Difference
106201	“KRK JV Zarechnoye” JSC	295	270	25
Total		295	270	25

No. s/o	Company	No. of fiscal check	Fiscal check date	Amount in KZT thousands
1	“KRK JV Zarechnoye” JSC	25804	20.01.2015	11
2	“KRK JV Zarechnoye” JSC	25805	20.01.2015	13
3	“KRK JV Zarechnoye” JSC	27740	17.02.2015	13
4	“KRK JV Zarechnoye” JSC	27765	17.02.2015	13
5	“KRK JV Zarechnoye” JSC	28783	03.03.2015	13
6	“KRK JV Zarechnoye” JSC	28769	03.03.2015	13
7	“KRK JV Zarechnoye” JSC	126	03.03.2015	12
8	“KRK JV Zarechnoye” JSC	29663	17.03.2015	12
9	“KRK JV Zarechnoye” JSC	30258	27.03.2015	12
10	“KRK JV Zarechnoye” JSC	042	06.04.2015	12
11	“KRK JV Zarechnoye” JSC	044	06.04.2015	12
12	“KRK JV Zarechnoye” JSC	31308	08.04.2015	12
13	“KRK JV Zarechnoye” JSC	32292	21.04.2015	12
14	“KRK JV Zarechnoye” JSC	33420	05.05.2015	12
15	“KRK JV Zarechnoye” JSC	34134	14.05.2015	12
16	“KRK JV Zarechnoye” JSC	35110	27.05.2015	12
17	“KRK JV Zarechnoye” JSC	187	08.06.2015	13
18	“KRK JV Zarechnoye” JSC	36581	15.06.2015	13
19	“KRK JV Zarechnoye” JSC	010	24.06.2015	13
20	“KRK JV Zarechnoye” JSC	016	08.07.2015	12
21	“KRK JV Zarechnoye” JSC	045	17.07.2015	12
22	“KRK JV Zarechnoye” JSC	040	29.07.2015	12
23	“KRK JV Zarechnoye” JSC	182	05.08.2015	12
24	“KRK JV Zarechnoye” JSC	101	11.08.2015	12
Total				295

“APPAK” LLP provided supporting documents (fiscal checks) for the sum of KZT 126 thous.:

No. s/o	Company	No. of fiscal check	Fiscal check date	Amount in KZT thousands
1	“APPAK” LLP	unnumb.	14.08.2015	13
2	“APPAK” LLP	011	17.08.2015	0
3	“APPAK” LLP	unnumb.	21.08.2015	17
4	“APPAK” LLP	1/1	21.03.2015	12
5	“APPAK” LLP	057	18.05.2015	13
6	“APPAK” LLP	220	13.06.2015	12
7	“APPAK” LLP	002	12.12.2015	15
8	“APPAK” LLP	003	12.12.2015	5
9	“APPAK” LLP	11	17.09.2015	19
10	“APPAK” LLP	000001	20.11.2015	20
Total				126

“Zhairem MPP” JSC provided the reconciliation statement on customs duties, taxes, customs levies and fines for the period from 01.01.2015 to 31.12.2015 dated 18.02.2016, which confirms the amount of the Payer.

BCC	Company	Payer	Recipient	Difference
106201	“Zhairem MPP” JSC	500	514	14
Total		500	514	14

No so	Company	Paid			Returned from budget			Total
		tax	penalties	fine	tax	penalties	fine	
1	“Zhairem MPP” JSC	500	-	-	-	-	-	500
Total		500	-	-	-	-	-	500

“Aluminium of Kazakhstan” “KBRU” branch JSC on a difference provided payment orders on payments on BCC 106201 on the amount of KZT 818 thous.:

BCC	Company	Payer	Recipient	Difference
106201	“Aluminium of Kazakhstan” “KBRU” branch JSC	818	-	818
Total		818	-	818

No. s/o	Company	No. payment order	Date of payment order	Amount in thousands of KZT
1	“Aluminium of Kazakhstan” “KBRU” branch JSC	6294	18.06.2015	100
2	“Aluminium of Kazakhstan” “KBRU” branch JSC	068	18.06.2015	18
3	“Aluminium of Kazakhstan” “KBRU” branch JSC	013	22.06.2015	-
4	“Aluminium of Kazakhstan” “KBRU” branch JSC	9964	11.09.2015	200
5	“Aluminium of Kazakhstan” “KBRU” branch JSC	12483	04.11.2015	200
6	“Aluminium of Kazakhstan” “KBRU” branch JSC	15415	28.12.2015	200
7	“Aluminium of Kazakhstan” “KBRU” branch JSC	8334	07.08.2015	100
Total				818

“Kostanay minerals” JSC provided “Acts of reconciliations according to customs duties, taxes to customs fees and penalty fee” for the period on January 01 – on December 31, 2015. Recipient discounted the payment performed in the DPR in Almaty amounting to KZT 29,781.

BCC	Company	Payer	Recipient	Difference
106201	“Kostanay minerals” JSC	4,147	4,147	30
Total		4,147	4,147	30

No so	State Revenues Committee of MoF RK	No. Registration Act of reconciliation at a customs body	Date of issuance of an act of reconciliation	The sum of customs payment in thous. KZT
1	DGD by Almaty city	319	07.04.2016	30
Total				30

“AK Altynalmas EITI” JSC report provides a total of 6,003 thous. KZT, the Recipient also provides KZT 6,010 thous. The difference left because on two payments for the total amount of KZT 7 thous., on the oblast 0904 (Iliysky district) the Payer of payment were not made. The payer provided supporting documents on payments on BCC 106201 on the amount of KZT 6,003 thous.:

BCC	Company	Payer	Recipient	Difference
106201	“AK Altynalmas EITI” JSC	6,003	6,010	7
Total		6,003	6,010	7

On a written explanation of “Kazakhmys Corporation” LLP the discrepancy on BCC 106201 arose communications that the Company did not reflect payment on the amount of KZT 19,0 thous. in connection with loss of the document.

BCC	Company	Payer	Recipient	Difference
106201	“Kazakhmys Corporation” LLP	8,825	8,844	19
Total		8,825	8,844	19

“NGK Kazgeologiya” JSC as confirming documents sent the letter and receipt that on the BCC 105102 they payment was not made, because during the customs clearance of the equipment supplied under the Contract No. 2406/1-z-24/06/2015 on terms DDP (“delivery duty paid” mode “INCOTERMS 2010”) provider, “Dando Drilling International LTD” LLC has fully paid KZT 26 thous. As was indicated by the declarant “NGK Kazgeologiya” JSC payments credited to its account.

BCC	Company	Payer	Recipient	Difference
106201	“NGK Kazgeologiya” JSC	99	125	26
Total		99	125	26

4.2. Payments in foreign currency (USA Dollars)

	2015 USDthousands	2015 KZTthousands
Report of Payers	5 289 894	1 081 829 822
Report of Recipients	5,240,153	1,081,829,822
Difference	49,741	10,197,364

Including the result of reconciliation in terms of taxes paid in foreign currency:

Corporate income tax, BCC 101105-101110

	2015	2015
	<i>USD thousands</i>	<i>KZT thousands</i>
Report of Payers	2,663,767	534,057,350
Report of Recipients	2,663,767	534,057,350
Difference	-	-

2. Individual income tax, BCC 101201-101205

	2015	2015
	<i>USD thousands</i>	<i>KZT thousands</i>
Report of Payers	49,943	39,283
Report of Recipients	202	39,283
Difference	49,741	-

This discrepancy is explained by the fact that the “Tengizchevroil” LLP on BCC 101204 showed in the Attachment 1 report Form on tax payments filled by Payers/Recipients in dollars, more than indicated in Attachment 1-1 Form of payments performed in foreign currency.

According to the oral explanation of the payer, this discrepancy can be explained by the fact that “... Company “Chevron” directly pays income tax for their employees attached to “Tengizchevroil” LLP on the BCC, but we do not specify the payments in the report as Chevron accomplishes payments to the tax authorities instead of “Tengizchevroil” LLP. (see. Attachment 1-3)

3. Property tax, BCC 104101

	2015	2015
	<i>USD thousands</i>	<i>KZT thousands</i>
Report of payers	26,906	6,266,387
Report of Recipients	26,906	6,266,387
Difference	-	-

4. VAT, BCC 105101-105115

	2015	2015
	<i>USD thousands</i>	<i>KZT thousands</i>
Report of payers	203,963	44,452,613
Report of Recipients	203,963	44,452,613
Difference	-	-

5. Tax on mining, BCC 105326

	2015 <i>USD thousands</i>	2015 <i>KZT thousands</i>
Report of Payers	1,153,723	244,843,865
Report of Recipients	1,153,723	244,843,865
Difference	-	-

6. Production share of the Republic of Kazakhstan, BCC and 105308 105328

	2015 <i>USD thousands</i>	2015 <i>KZT thousands</i>
Report of Payers	1,191,592	252,170,324
Report of Recipients	1,191,592	252,170,324
Difference	-	-

Seven contributors which agree with subsoil use contracts, payment of taxes and other obligatory payments to the budget pay in foreign currencies (US dollars), presented in USD Report.

During the Report reconciliation of each company there was recalculation transferring from foreign currency into KZT at the date of crediting of payments in the budget.

4.3. Total taxes and other obligatory payments to the budget

<i>KZT thousands</i>	2015
Report of payers	2,592,708,533
Report of Recipients	2,613,435,975
Difference	21,891,950

Including:

4.3.1. Tax payments to the budget from Payers of the oil and gas sector

<i>KZT thousands</i>	2015
Report of payers	2,359,555,412
Report of Recipients	2 380 370 750
Difference	21 585 464

The discrepancy according to the sum total “tax payments into the budget from oil and gas companies” between the payer and the recipient amounts to KZT 21,585,464 thous.

4.3.2. Tax payments into the budget from Payers of the mining sector

<i>KZT thousands</i>	2015
Report of payers	233,153,121
Report of Recipients	233,065,225
Difference	306,486

The discrepancy according to the sum total of “tax payments into the budget from mining sector Taxpayers” between the payer and the recipient amounts to KZT 306,486 thous.

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

The National Fund

<i>KZT thousands</i>	2015
Report of Payers	1,602,673,067
Report of Recipients	1,611,304,110
Difference	8,631,043

Tax payments to the Republican budget

<i>KZT thousands</i>	2015
Report of Payers	749,689,737
Report of Recipients	751,030,260
Difference	2,460,677

Tax payments to the local budget

<i>KZT thousands</i>	2015
Report of Payers	240,345,728
Report of Recipients	251,101,605
Difference	10,800,230

In 2015, Payers and the recipient did not give data in their reports about payments to budget in kind, therefore it was not reflected in this report.

4.5. Level and the percentage of unidentified discrepancies

We clarified the level and the percentage of unidentified differences and results as presented below:

No. s/o	Types of payments in the budget	BCC	Company data	The Data Of The Ministry Of Finance	Unidenti fied discrepa ncy	% unidenti fied differen ces
1	2	3	4	5	6	7
I. Tax revenues						
1.	Corporate income tax, including	101110-101105	821,841,427	826,936,124	1	
1.1	Corporate income tax from legal persons, except for revenues from the oil sector organization	101110 (101101-101104)	261,580,348	261,580,235	1	0.000%
1.2	Corporate income tax from legal persons in the oil sector organizations	101105 (101105-101107)	560,261,080	565,355,890		0,000%
2.	Individual income tax, including	101201-101205	63,571,254	74,073,238	10,220,209	13.798%
2.1	Individual income tax from incomes taxable at the source of payment	101201 (101201, 101204)	63,570,332	74,072,316	10,220,209	13.798%
2.2	Individual income tax from incomes which are not taxable at the source of payment	101202	-5,300	-5,300		0.000%
2.3	Individual income tax from foreigners' incomes which are not taxable at the source of payment	101,205	6,222	6,222		0.000%
3.	Social tax	103101	73,072,191	73,309,002	15,153	0.021%
4.	Property tax for legal persons and individual entrepreneurs	104,101	55,964,984	55,959,498	286	0.001%
5.	Land tax	104309 (104303, 104308)	3,396,215	3,402,048	2	0.000%
6.	Vehicle tax from legal entities	104,401	554,472	554,821	349	0.063%
7.	Value added tax, including	105101, 105102, 105104, 105113, 105114, 105115	-287,771,036	-287,774,316	32,550	0.221%
7.1	Value added tax on manufactured goods,	105101	-353,319,871	-353,449,444		0.000%

No. s/o	Types of payments in the budget	BCC	Company data	The Data Of The Ministry Of Finance	Unidentified discrepancy	% unidentified differences
1	2	3	4	5	6	7
	performed works, rendered services in the territory of the RK					
7.2 .	Value added tax on goods imported into the territory of the Republic of Kazakhstan, except for the value added tax on goods imported from the territory of the Russian Federation and the Republic of Belarus	105102	26,674,876	26,674,738	6,107	0.023%
7.3 .	Value added tax for non-residents	105104	13,259,220	13,385,085	26,443	0.198%
7.4 .	Value added tax on goods produces and imported from the territory of the Russian Federation and the Republic of Belarus to establish a unified customs territory of the Customs Union	105113 (105105, 105108)	623	623		0.000%
7.5 .	Value added tax on goods imported from the territory of the Member States of the EAEU	105115 (105109, 105110)	23,747,985	23,748,550		0.000%
7.6 .	Enumeration (return) to taxpayers excess the value added tax previously returned from the budget and which was not a confirmed to return during the tax inspection, money transfer penalties	105114 (105111, 105112)	1,866,132	1,866,132		0.000%
8.	Excise taxes on crude oil and gas condensate produced on the territory of the RK	105229	0	0		0.000%
8.1 .	Other excisable goods, imported to the territory of the	105278 (105240, 105273)	466	466		0.000%

No. s/o	Types of payments in the budget	BCC	Company data	The Data Of The Ministry Of Finance	Unidenti fied discrepa ncy	% unidenti fied differen ces
1	2	3	4	5	6	7
	Republic of Kazakhstan from the territory of the Member States of the Customs Union					
9.	Other tax revenues, including		507	13	0	
9.1	Other tax revenues into the Republican budget (arrears of cancelled taxes previously submitted in the republican budget)	107109	-			
9.2	Other tax revenues to the local budget (arrears of cancelled taxes previously submitted into the local budget)	107110	507	13		0.000%
	Subtotal (I)		730,630,479	746,460,894	10,268,550	1.376%
II. Revenues for the use of natural and other resources						
10.	Excess-profit tax, except for revenues from the oil sector	105302	3,153,909	3,153,909		0.000%
11.	Excess-profit tax from the oil sector	105322	63,721,910	65,525,025		0.000%
12.	Bonuses, except for revenues from the oil sector organizations	105305	3,321,047	3,321,047		0.000%
13.	Bonuses from oil sector organizations	105325	20,765,832	20,765,832		0.000%
14.	Commercial minerals tax, except for revenues from the oil sector organizations	105306	101,544,253	101,543,346		0.000%
15.	Commercial minerals tax in oil sector	105326	457,112,104	457,805,139		0.000%
16.	Rent export tax, except for revenues from oil sector organizations	105307	1,810,436	1,810,436		0.000%
17.	Rent export tax from oil sector organizations	105327	223,244,449	224,278,395		0.000%
18.	The production share of the Republic of Kazakhstan according to contracts, except for revenues from the	105308	0	0		0.000%

No. s/o	Types of payments in the budget	BCC	Company data	The Data Of The Ministry Of Finance	Unidentified discrepancy	% unidentified differences
1	2	3	4	5	6	7
	oil sector organizations					
19.	The production share of the Republic of Kazakhstan according to contracts from the oil sector	105328	260,935,433	260,935,433		0.000%
20.	An additional payment of subsoil users, operating on a production-sharing contract from the oil sector	105329	0	0		0.000%
21.	Charges for the use of specially protected natural areas of national significance	105313	25,066	25,066		0.000%
22.	Charges for the use of specially protected natural territories of local significance	105314	0	0		0.000%
23.	Charges for the use of land plots	105315	4,673,918	4,677,073	3,155	0.067%
24.	Environmental emission charges	105316	28,938,450	28,948,325	22	0.000%
25.	Payment for historical cost refund	105319	8,648,823	8,677,237	28,414	0.327%
26.	Payments for the use of radio frequency spectrum	105309	78,921	78,911		0.000%
27.	Payments for the use of navigable waterways	105,310	153	153		0.000%
28.	Payments for the use of water resources of surface water sources	105,303	302,624	302,624		0.000%
29.	Payments for forest use	105,304	1,165	1,166		0.000%
	Subtotal II		1,178,278,494	1,181,849,117	31,591	0.003%
III. Other non-tax revenues to budget						
30.	Funds received from resource users for any claims for damages, except for revenues from the oil sector	204110	789,608	789,608		0.000%
31.	Administrative penalties, fines, penalties imposed by Central Government authorities, by their	204201	4,608,153	4,614,289	6,136	0.133%

No. s/o	Types of payments in the budget	BCC	Company data	The Data Of The Ministry Of Finance	Unidentified discrepancy	% unidentified differences
1	2	3	4	5	6	7
	territorial subdivisions to the oil sector organizations					
32.	Other fines, penalties, sanctions, punishments imposed by public institutions financed by the national budget, to organizing the oil sector	204,202	3,110,291	3,110,291		0.000%
33.	Funds received from resource users for any claims for damages, except for revenues from the oil sector	204,203	8,912,032	8,912,032		0.000%
34.	Other non-tax revenues into the republican budget, except for revenues from the oil sector	206108	207,988	208,106		0.000%
35.	Other non-tax revenues to local budget	206109	976,369	976,870		0.000%
36.	Other non-tax revenues from the oil sector	206111	1,784	1,784		0.000%
37.	Payments of subsoil users on socio-economic development of the oblast and the development of its infrastructure	206114	9,197,369	9,200,718	11,818	0.128%
	Subtotal III		27,803,593	27,813,697	17,954	0.065%
IV. Customs payments						
38.	Import customs tariffs (customs tariffs, taxes and other levies having an equivalent effect), paid in accordance with the agreement on the establishment and application of the Customs Union, the order of enrollment and distribution of customs tariffs (other duties, taxes and	106101	7,221,190	7,213,637	906	0.013%

No. s/o	Types of payments in the budget	BCC	Company data	The Data Of The Ministry Of Finance	Unidentified discrepancy	% unidentified differences
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
	charges having an equivalent effect)					
39.	Customs tariffs on exported goods	106102	-17,204	-17,206	2	-0.012%
40.	Total customs payment on imported goods	106105	0	0		0.000%
41.	Export customs tariffs on crude oil	106110	641,384,362	642,697,162		0.000%
42.	4. The export customs tariffs on the goods developed from oil	106111	97,852	97,852		0.000%
43.	5. The customs tariffs on imported goods and (or) import customs duties for which obligation on payment arose before coming into effect of the Agreement on establishment and application in the Customs Union of import customs duties transfer and distribution order (other duties, taxes which have an equivalent effect)	106112	3,418,737	3,426,101	8,026	0.234%
44.	5. Revenues from customs control implementation and customs procedures	106201	3,664,151	3,667,842	622	0.017%
45.	Special protective, anti-dumping and compensational duties	106202	226,878	226,878		0.000%
	Subtotal IV		655,995,967	657,312,267	9,556	0.001%
	TOTAL: (Parts I-IV)		2,592,708,533	2,613,435,975	10,327,651	0.395%

As we can see, the percentage of unidentified differences amounted to 0.395% and resulted mainly due to differences of IIT (13.798%) for “Tengizchevroil” LLP payer who gave an oral explanation in this regard (see 4.2 payments in foreign currency and attachments 1-3). Unidentified discrepancy does not exceed 1% from the budget revenues, which is irrelevant.

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

A summary report on expenditures on the social development of the oblasts and the local infrastructure, except for items listed on the BCC 206114 in 2015 (see. Attachment 3-2) is based on reports of subsoil users and akimats areas.

Expense report on the social development and local infrastructure in the framework of concrete obligations (LCC) with the exception of items listed on the BCC 206114, filled by Payers of gas and mining sector according to attachment 3 TT. Payments to the social development, local infrastructure, social and significant targets can exceed the amount stipulated in the framework of the implementation of contractual obligations, as the company may fund further according to its discretion above-mentioned activities under the agreements, memoranda, contracts, social partnership with local administrations (Akimats).

Expenditure form on social development and local infrastructure for 2015 filled by Akimats attachment 3-1 TT.

In the summary report on social development and local infrastructure, except for the payments, aimed at development of social sphere and local infrastructure (see. Attachment 3-2) is made the reconciliation on the basis of Attachments 3-1 and 3.

Attachment No. 11 describes the details of essence of differences, as well as Payers and recipients explained these differences and what approval documents provided by them.

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

"Summary report on Payments/Revenues for shares of property owned by the State in 2014, which was paid/received in 2015 (see. Attachments 2-3) filled by Payers who accomplished payments on property shares owned by the state and Recipients authorized by the State to receive these payments.

Summary report on Payments/Revenues for the State shares of Taxpayers property which is based on the reports of payers enlisted as Payers/Payees of dividends who provided reports. Report of payers have been drawn up in accordance with the regulations and reflect the amounts actually incurred during the payments review period. Responsibility for the quality and reliability of information is held by the first head or an authorized representative of the payer/payee.

All provided information was confirmed by the audit, which was reported in the accompanying letter signed by chief executive officers of the companies.

V. RECOMMENDATIONS

According to the result of the reconciliation, we recommend:

1. Payers, representing “report on significant tax and non-tax Payments/Receipts of payers of the oil and gas and mining sectors of the Republic of Kazakhstan” for reconciliation, to improve the quality of reporting in compliance with the instructions for completing the report.

2. In order to reduce the difference in the Attachment 3-2 “consolidated expense report on social development and local infrastructure, except for items listed on the BCC 206114 it is necessary for the akimat to enter adds in the headline in the form of 3-1 "with the exception of items listed on the BCC 206114” which caused misunderstanding of the performers. Many administrations have sent incorrectly-filled reports related to BCC for checking. Before filling the report form 3-2 “consolidated expense report on social development and local infrastructure, except for items listed on the BCC 206114” it is necessary to carry out an explanation on how to complete the form.

3. We recommend to bring it into conformity with the technical specifications data IMS system Payers USSUMS re-costing the exchange rate and calculate the difference in IMS USSUMS holding on mathematical module. Detailed information is set in files " Auditors Commentary 1-6" and "1-6 reconciliation with data from USSUMS 2015».

4. To include in TT instructions for completing reports, Taxpayers with subsoil asset uses should include the EITI report payments of taxes and payments within the framework of the activities of asset management.

5. Come up with the instruction on filling Payers' accountability form in accordance with updated Technical Specification, particularly, by filling data on currency payments and payments accomplished by the third parties while carrying out Payers reorganization procedure.

6. To include in the work plan in 2016 holding NSSR for responsible officials of companies training seminar-trainings on compliance with instructions on how to complete the reporting forms in compiling the report.

Unsolved issues for the effective implementation of the initiatives and possible corrective measures for consideration by the NSSR

7. Taking into account the expected validation, prepared by the US National Report for 2015, it takes into account all requirements of the standard and covers issues that are not required in the technical specifications. Thus, we have executed work volume exceeding the requirements of the technical specifications. Moreover, taking into account the structure of this validation, the national report completely meets the requirements of Validation reports. In this case, we recommend *to prepare the following Technical Specifications for the construction of the national EITI report in accordance with the specification requirements for independent Administrator: [https://eiti.org/guidance-notes-and-stdandard-tems-reference#ToRIA](https://eiti.org/guidance-notes-and-standard-terms-reference#ToRIA)* and in accordance with requirements of the Standard.

8. The EITI Standard in section 2.2 requires disclosure of information about the rules and practices governing transfers between State Enterprise (SE) and the State retained earnings reinvestment and financing from third parties. Standard requirement 3 .6B on “disclosure of their SE quasi-fiscal costs such as payments for social services, public infrastructure, fuel subsidies and public debt servicing. There are no rules and practices

governing transfers between State Enterprise (SE) and the State retained earnings, reinvestment and financing from third parties. Information about transactions and quasi-fiscal fuel subsidies will not be published. **In this case, we recommend “for NSSR to develop the reporting process with a view to achieving transparency, commensurate with the transparency of payments and other income streams, and it must include the subsidiaries and joint ventures of the SE”.** These questions should be addressed to the Ministry of Finance of the NSSR for discussions with the Government and the decision to publish the data, such as public enterprises (4.2 with the 2013 Standard): **“The NSSR should ensure that the process of reporting exhaustively examined the role of State-owned enterprises, including substantial payments from the oil, gas and mining companies and transfers between SE and other public organizations”.**

9. The EITI Standards include provisions to encourage the Government to generate contracts (3.12). Kazakhstan does not publish contracts and this issue should be addressed to NSSR to the Government and to Parliament for debate and decision.

10. Furthermore, in the preparation of the technical specifications we recommend to pay attention to our recommendations in the national EITI report. Every year, we recommend not to put Attachment 8 (former Attachment 7) which duplicates the body of the report:

- Extractive industries size in absolute terms and as a percentage of GDP;
- Total government revenue generated by the extractive industries (including taxes, royalties, bonuses, commissions and other payments) in absolute and as a percentage of aggregate income of the Government;
- Export volumes from extractive industries in absolute and as a percentage of the total export.

**General Director,
Auditor:**
Certificate of competence No. 0318
dated May 2, 1997



T.Ye. Nurgaziyev

Project Manager:



M.Sh. Ilyasov

Chief Specialist:



S.A. Seitmagzimova

Жұмыс «UHY SAPA Consulting» ЖШС компаниясымен Қазақстан Республикасының геология және қойнауын пайдалану Комитетінің «Казгеоинформ» Республикалық геологиялық ақпараттар орталығымен жасалған 2016 жылдың 24 наурыздағы айындағы №24 шарт негізінде.

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