
ASSIGNMENT AND NOVATION AGREEMENT

BETWEEN

TALISMAN (BLOCK K9) B.V.

COLWYN INVESTMENTS LIMITED

AND

THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ

(BARANAN BLOCK)

ASSIGNMENT AND NOVATION AGREEMENT

This agreement is between:

- (1) **TALISMAN (BLOCK K9) B.V.**, a limited liability company (*Besloten Vennootschap met beperkte aansprakelijkheid*) established and existing under the laws of The Netherlands, whose registered office is at Atrium Building, Strawinskylaan 3159 1077, ZX Amsterdam, The Netherlands ("**Talisman**");
- (2) **COLWYN INVESTMENTS LIMITED**, an international business company with limited liability established and existing under the laws of the British Virgin Islands, whose registered office is at Palm Grove House, P.O. Box 438, Road Town, British Virgin Islands ("**Colwyn**"); and
- (3) **THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ** (the "**Government**")

(each a "**Party**" and collectively the "**Parties**").

RECITALS

- A. The Government, Talisman, and Colwyn are parties to a Production Sharing Contract dated 15 June 2009 in respect of the Baranan block in the Kurdistan Region of Iraq (the "**Contract**").
- B. In consideration for the releases of Colwyn as provided herein, Colwyn wishes to assign and novate its entire participating interest under the Contract to Talisman, Talisman wishes to accept such assignment and novation, and the Government is willing to consent to such assignment and novation.
- C. This agreement sets forth the terms and conditions of the assignment and novation of Colwyn's participating interest in the Contract to Talisman and the Government's consent in respect thereof.

1. DEFINITIONS AND INTERPRETATION

- 1.1 Unless otherwise defined herein (including the recitals), capitalised terms have the meanings ascribed to them in the Contract. As used in this agreement:

"**Agreement Date**" is defined in clause 6.9.

"**Colwyn**" is defined in the preamble.

"**Colwyn Interest**" is defined in clause 3.1.

"**Contract**" is defined in Recital A.

"**Government**" is defined in the preamble.

"**Loss or Expense**" is defined in clause 5.3.

"Party" and "Parties" is defined in the preamble.

"Talisman" is defined in the preamble.

- 1.2 Descriptive headings in this Agreement are for convenience only.
- 1.3 A reference to a "clause" is a reference to a clause of this Agreement.
- 1.4 A reference to a "participating interest" means an undivided interest in the Petroleum Operations in respect of the entire Contract Area.

3. ASSIGNMENT AND NOVATION; RELEASES

In consideration for the releases set forth herein:

- 3.1 Colwyn hereby assigns and novates its entire participating interest in the Contract (the "Colwyn Interest") to Talisman.
 - 3.1.1 Talisman accepts such assignment and novation of the Colwyn Interest.
 - 3.1.2 The Government consents to such assignment and novation of the Colwyn Interest.
- 3.2 As a consequence of this agreement:
 - 3.2.1 Talisman is the only Contractor Entity and has a 60% participating interest.
 - 3.2.2 Colwyn has no participating interest, is not a Contractor Entity, is not a party to the Contract, and has no further rights or obligations under the Contract.
 - 3.2.3 Talisman assumes, and shall perform and discharge, all past, present and future liabilities, duties and obligations of Colwyn arising under the Contract.
 - 3.2.4 Talisman is entitled to all of the benefit of the Contract in respect of the Colwyn Interest in place of Colwyn.
 - 3.2.5 Talisman shall perform all of its obligations under the Contract as the only Contractor Entity, whether such obligations arose or arise on, before, or after the Agreement Date, as if Talisman had been the only Contractor Entity on and from the Effective Date.
- 3.3 Colwyn releases the Government and Talisman from all obligations, claims, demands, liabilities, duties whatsoever arising under or related to the Contract, whether known or unknown and whether arising prior to after the Agreement Date.
- 3.4 Talisman releases Colwyn from all obligations, claims, demands, liabilities, duties whatsoever arising under the Contract, whether known or unknown and whether arising prior to or after the Agreement Date.
- 3.5 The Government releases Colwyn from all obligations, claims, demands, liabilities, and duties whatsoever arising under the Contract, whether known or unknown and whether arising prior to or after the Agreement Date.

- 3.6 The Contract continues in full force and effect, the terms of the Contract having only changed to the extent of the assignment and novation of the Colwyn Interest to Talisman as set forth in this agreement.

4. REPRESENTATIONS; INDEMNITY

- 4.1 To the extent any of the following statements are incorrect or false and the Government suffers a Loss or Expense (as defined in clause 5.3) as a result, Talisman acknowledges that the indemnity described in clause 5.1 shall apply.
- 4.1.1 Colwyn's entry into and performance of this agreement have been authorised by all necessary action, whether corporate or otherwise.
- 4.1.2 This agreement constitutes a valid, legal, and binding agreement of Colwyn.
- 4.1.3 Colwyn has received all authorisations and consents required under the law under which it is organised that are or will be necessary for the entry into and performance by it, and the validity and enforceability against it, of this agreement.
- 4.1.4 Except as provided in clause 4.3, there is no law or agreement to which Colwyn is a party that conflicts with, prevents entry into, delivery, and performance by it, or the validity, legality and enforceability against it, of this agreement.
- 4.1.5 Colwyn is not a party to any administrative or judicial proceeding, litigation, or arbitration that could affect the validity or enforceability of this agreement as to it.
- 4.1.6 Colwyn is the sole legal and beneficial owner of the Colwyn Interest, free and clear of all encumbrances.
- 4.1.7 Except for this agreement and any other agreements between Colwyn and Talisman, Colwyn is not a party to or bound by any contract to sell, transfer, pledge, or encumber the Colwyn Interest and the Colwyn Interest is free of all and any claims of any Person.
- 4.2 Talisman makes the representations and warranties to the Government as set forth in the Letter of Representations and Warranties dated on or about the date hereof and as set forth in clause 4.3.
- 4.3 Talisman represents and warrants to the Government that Talisman has all necessary power and authority to sign and deliver this agreement on behalf of Colwyn.
- 4.4 Neither Colwyn nor Talisman makes any representations under clause 4.1.4 in respect of the laws of the Kurdistan Region or of Iraq.

5. INDEMNITY BY TALISMAN

- 5.1 Talisman shall indemnify the Government from any Loss or Expense (as defined in clause 5.3) that may in any way arise from or is related to any claim of Colwyn (including any successors and assigns of Colwyn) arising out of or related to this agreement or any term or representation in it, including any claim arising out of or related to the power and authority of Talisman to sign and deliver this agreement on behalf of Colwyn.
- 5.2 The Government will retain control over the defence of, and any resolution or settlement relating to, such Loss or Expense, utilizing legal counsel selected by the Government, with the prior approval of Talisman, not to be unreasonably withheld. Talisman shall cooperate with the Government and provide reasonable assistance in defending any claims against the Government. Nothing in this agreement impairs the right of Talisman from asserting and conducting its own defence as to any such claim for Loss or Expense. The Government shall not make any settlement of or compromise any claim for which it seeks indemnity hereunder without the prior written consent of Talisman, such consent not to be unreasonably withheld.
- 5.3 "Loss or Expense" means any liability, loss, claim, settlement payment, cost and expense, interest, award, judgement, damages (including punitive damages), diminution in value, fees or other charge and, to the extent permitted by applicable law, any court filing fee, court cost, arbitration fee or cost, witness fee, and each other fee and cost of investigating and defending or asserting a claim for indemnification, including attorneys' fees, other professionals' fees, and disbursements.
- 5.4 A claim set forth in a notice from the Government to Talisman will be conclusively deemed a Loss or Expense if Talisman fails to dispute Talisman's liability within 45 calendar days following the date the notice from the Government is sent. If Talisman fails to dispute its liability within such 45-day period, Talisman shall pay the deemed Loss or Expense on receipt of written demand therefor.

6. GENERAL PROVISIONS

- 6.1 This agreement does not create any right under the Contracts (Rights of Third Parties) Act 1999 that is enforceable by any Person who is not a Party. The Parties may rescind or vary the terms of this agreement without notice to or the consent of any Person that is not a Party.
- 6.2 Each Party shall timely exercise all reasonable endeavours to take, or cause to be taken, all actions necessary or desirable to consummate and make effective the transactions this agreement contemplates.

- 6.3** The Parties may amend this agreement only by an agreement of the Parties that identifies itself as an amendment to this agreement. The Parties may waive any provision in this agreement only by a writing executed by the Party against whom the waiver is sought to be enforced. Any amendment, waiver, or consent signed by the Minister of Natural Resources is binding on the Government. No failure or delay in exercising any right or remedy, or in requiring the satisfaction of any condition, under this agreement by a Party, and no act, omission or course of dealing between any of the Parties, will operate as a waiver or estoppel of any right, remedy, or condition. A waiver made in writing on one occasion will be effective only in that instance and only for the purpose stated. A waiver once given is not to be construed as a waiver on any future occasion. No waiver or amendment in respect of this agreement will constitute a waiver or amendment of any other agreement between the Parties.
- 6.4** Any notice, demand, or other communication in respect of this agreement shall be given in accordance with the Contract.
- 6.5** The Parties shall exclusively refer any Dispute arising out of or in connection with this agreement (including a dispute, claim or controversy relating to any non-contractual obligations arising out of or in connection with this agreement) to and to be finally resolved by arbitration in accordance with Article 42 of the Contract.
- 6.6** The Parties may execute this agreement in counterparts, each of which constitutes an original, and all of which, collectively, constitute only one agreement. The signatures of all of the Parties need not appear on the same counterpart, and delivery of an executed counterpart signature page by facsimile or email is as effective as executing and delivering this agreement in the presence of the other Parties. This agreement is effective upon delivery of one executed counterpart from each Party to each of the other Parties. In proving this agreement, a Party must produce or account only for the executed counterpart of the Party to be charged.
- 6.7** This agreement constitutes the final, complete and exclusive expression of the Parties' agreement on the matters contained in this agreement. All prior and contemporaneous negotiations and agreements between the Parties on the matters contained in this agreement are expressly merged into and superseded by this agreement. The provisions of this agreement may not be explained, supplemented or qualified through evidence of trade usage or a prior course of dealings. In entering into this agreement, neither Party has relied upon any statement, representation, warranty or agreement of the other party except for those expressly contained in this agreement. There is no condition precedent to the effectiveness of this agreement, and there are no representations or warranties, in each case other than those expressly stated in this agreement.

- 6.8 This agreement and any non-contractual obligations arising out of or in connection with it is governed by English law.
- 6.9 This agreement is effective as of the date set forth on the following signature page (the "Agreement Date").

[Signature page follows.]

Agreement Date: 26 July 2011

COLWYN INVESTMENTS LIMITED

By: _____

Talisman (Block K9) B.V.,
duly authorized on behalf of
Colwyn Investments Limited
and acting by its Director, DR R. P. KUYPER

TALISMAN (BLOCK K9) B.V

By: _____

Name: DR R. P. KUYPER
Its: DIRECTOR

For and on behalf of the **Government of the Kurdistan Region of Iraq**

By: _____

Barham Salih
Prime Minister
Kurdistan Regional Government
On behalf of the Regional Council
for the Oil and Gas Affairs of the Kurdistan Region - Iraq

By: _____

Ashti Hawrami
Minister of Natural Resources
Kurdistan Regional Government
On behalf of the Ministry of Natural Resources in the
Kurdistan Region

[Signature page to Assignment and Navation Agreement - Baranan]

Agreement Date: 26 July 2011

COLWYN INVESTMENTS LIMITED

By:.....
Talisman (Block K9) B.V.,
duly authorized on behalf of
Colwyn Investments Limited
and acting by its Director,

TALISMAN (BLOCK K9) B.V

By:.....
Name:.....
Its:.....

For and on behalf of the **Government of the Kurdistan Region of Iraq**

By: .....
Barham Salih
Prime Minister
Kurdistan Regional Government
**On behalf of the Regional Council
for the Oil and Gas Affairs of the Kurdistan Region - Iraq**

By: .....
Ashti Hawrami
Minister of Natural Resources
Kurdistan Regional Government
**On behalf of the Ministry of Natural Resources in the
Kurdistan Region**

[Signature page to Assignment and Novation Agreement - Baranan]