

TPI ASSIGNMENT, NOVATION AND FIRST AMENDMENT AGREEMENT

(Garmian)

between

GAZPROM NEFT MIDDLE EAST B.V.,

WESTERNZAGROS LIMITED,

and

THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ

TABLE OF CONTENTS

RECITALS	1
1. DEFINITIONS; INTERPRETATION.....	2
2 EFFECTIVE CLAUSES; COMPLETION; TERMINATION	3
3 NOMINATION, ASSIGNMENT AND NOVATION; WAIVERS AND RELEASES BY WESTERNZAGROS AND THE GOVERNMENT	4
4. PAYMENTS.....	5
5 DESIGNATION OF NEW OPERATOR; JOINT OPERATING AGREEMENT	6
6 AMENDMENTS TO THE CONTRACT	6
7 REPRESENTATIONS	27
8 REMEDIES.....	28
9 NO THIRD PARTY RIGHTS	28
10 NOTICES	28
11 CHOICE OF LAW; SOVEREIGN IMMUNITY.....	29
12 ARBITRATION	29
13 AMENDMENT; WAIVER	30
14 SEVERABILITY	31
15 COSTS.....	31
16 MERGER	31
17 BINDING AGREEMENT; NO ASSIGNMENT	31
18 FURTHER ASSURANCES	31
19 COUNTERPARTS.....	32

Annex 1 Contact Details

Annex 2 Early Production Authorisation

**TPI ASSIGNMENT, NOVATION AND FIRST AMENDMENT AGREEMENT
(GARMIAN)**

This agreement (the “**agreement**”) is entered into as of 31 July 2012 (the “**Agreement Date**”) by:

- (1) The Kurdistan Regional Government of Iraq (the “**Government**”);
- (2) Gazprom Neft Middle East B.V., a company established and existing under the laws of the Netherlands, whose registered office is at Jan Luijkenstraat 12, 1071 CM Amsterdam, the Netherlands (“**GNME**”); and
- (3) WesternZagros Limited, a company established and existing under the laws of the Republic of Cyprus, whose office is Suite 600, 440 Second Avenue SW, Calgary, Alberta, Canada (“**WesternZagros**”).

(the Government, WesternZagros, and GNME each a “**Party**” and collectively, the “**Parties**”).

RECITALS

- A. The Government and WesternZagros are parties to a Production Sharing Contract dated 25 July 2011 in respect of the Garmian Block in the Kurdistan Region of Iraq (the “**Contract**”). As of the Agreement Date, the Contractor is in the Second Sub-Period of the Exploration Period. The Second Sub-Period began on 1 January 2012.
- B. As at the Agreement Date, WesternZagros holds a Participating Interest of 40%, and the Government holds both the Government Interest of 20% and the Third Party Interest of 40%.
- C. Pursuant to Article 4.20 of the Contract, the Government wishes to assign the Third Party Interest of 40% through the exercise of the Government’s Option of Third Party Participation (the “**Assignment**”). The Government and WesternZagros wish to waive the application of Article 4 of the Contract to permit the exercise of the Option of Third Party Participation by the Government and the Assignment after the TPI Conversion Date as contemplated by this agreement, and agree to the Assignment.
- D. GNME has provided the Government with a letter of representations and warranties dated on or about the date hereof. GNME wishes to accept the Assignment. JSC Gazprom Neft has provided a Guarantee to the Government dated on or about the date of this Agreement in connection with the payment obligations of the Contractor under Article 10.3(c) of the Contract.
- E. GNME is willing to pay to WesternZagros, in accordance with Article 4.24(c)(ii) of the Contract, an aggregate amount equivalent to (a) the proportion of Petroleum Costs (including Stipulated Sunk Block Costs) incurred by WesternZagros prior to the Spud Date that is attributable to the Third Party Interest to be acquired by GNME, and (b) any unpaid amounts owed to WesternZagros by the Government in respect of the assigned Third Party Interest and allocable to the Third Party Interest, subject to the terms of this agreement.
- F. The Parties wish that, within 90 days of the Completion Date, WesternZagros and GNME will enter into a Joint Operating Agreement that is acceptable to the Government, and that upon the first day of the Development Period, GNME becomes the Operator.

- G. The Parties wish to amend the Contract to confirm GNME as a Contractor Entity with a 40% Participating Interest.
- H. The Parties wish to amend the Contract to provide for the Participating Interest held by GNME to be a Charged Interest, and for GNME to be a Charged Interest Holder bearing all obligations in relation to the Charged Interest as provided in the Contract (as amended by this agreement).
- I. The Parties wish to amend the Contract to better support the Government's policies and goals in respect of Natural Gas.
- J. The Parties wish to provide for cost recovery by the Contractor, and to provide for the sharing of production by the Government and the Contractor, of early well-test production from the Contract Area (prior to First Production).
- K. The Parties affirm their ongoing commitment and adherence to the Principles and Criteria of the Extractive Industries Transparency Initiative (EITI).
- L. This agreement sets forth the terms and conditions of the Assignment to GNME and consequential amendments to the Contract.

1. DEFINITIONS; INTERPRETATION

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

As used in this agreement:

“**agreement**” is defined in the preamble.

“**Agreement Date**” is defined in the preamble.

“**Assignment**” is defined in Recital C.

“**Banking Day**” means a day upon which banks are generally open for business in Erbil, New York, Moscow and Calgary.

“**Completion Date**” means the date upon which GNME has completed making the payments to the Government and WesternZagros pursuant to clauses 4.1 and 4.2 (*Payments*).

“**Contract**” is defined in Recital A.

“**Early Production**” is defined in Annex 2.

“**Early Production Authorisation**” is defined in Annex 2.

“**GNME**” is defined in the preamble.

“**Government**” is defined in the preamble.

“**JSC Gazprom Neft**” means the company established and existing under the laws of the Russian Federation, whose registered office is at Russian Federation 190000, Saint-Petersburg, Galernaya Street, # 5 lit. A.

“**LCIA**” is defined in clause 12.1 (*Arbitration*).

“**notice**” is defined in clause 10.1 (*Notices*).

“**Participating Interest**” means, in respect of each Contractor Entity, its undivided share, expressed as a percentage, of its participation in the rights and obligations of the Contractor under the Contract, where such rights or obligations are not joint with the other Contractor Entities.

“**Party**” and “**Parties**” are defined in the preamble.

“**TPI 50% Estimated Petroleum Costs**” is defined in clause 4.2 (*Payments*).

“**TPI Past Costs**” is defined in clause 4.2 (*Payments*).

“**WesternZagros**” is defined in the preamble.

- 1.2 Descriptive headings in this agreement are for convenience only, do not constitute a part of this agreement, and do not affect the construction or interpretation of this agreement.
- 1.3 A reference to a “**clause**” is a reference to a clause of this agreement, and reference to an “**annex**” is to an annex of this agreement. A reference to an “**Article**” is to an article of the Contract.
- 1.4 A reference to “**including**” means “including, but not limited to”.
- 1.5 Reference to a “**person**” means an individual or other entity (legal or otherwise), including a corporation, joint stock company, limited liability company, partnership or joint venture.
- 1.6 Reference to a “**third party**” is to a person that is not a Party.
- 1.7 Reference to an “**affiliate**” means, in relation to any person (the “first person”), another person (the “second person”) that is:
- (a) the ultimate holding company of the first person and any subsidiary (other than the first person) of such ultimate holding company; or
 - (b) if the first person is not a subsidiary of another company, any subsidiary of the first person; and
- with respect to the foregoing, “holding company” and “subsidiary” have the meanings given to those expressions in Section 1159 of the Companies Act 2006 (England).
- 1.8 To the extent the procedures for assignment and novation under the Contract, including continuing obligations of the Parties or any other terms of the Contract, are in variance with this agreement, the Parties waive such procedures and rights under the Contract and agree that this agreement shall prevail.

2 EFFECTIVE CLAUSES; COMPLETION; TERMINATION

- 2.1 The following clauses are effective on the Agreement Date: the Recitals, clause 1 (*Definitions; Interpretation*), this clause 2, clause 4 (*Payments*), clauses 7 through 19, annex 1 (*Contact Details*) and annex 2 (*Early Production Authorisation*).
- 2.2 The following clauses shall only be effective on and after the Completion Date: clause 3 (*Nomination, Assignment and Novation; Waivers and Releases by WesternZagros and the Government*); clause 5 (*Designation of New Operator; Joint Operating Agreement*), and clause 6 (*Amendments to the Contract*).
- 2.3 If GNME does not pay the amounts due to the Government and to WesternZagros in accordance with clauses 4.1 and 4.2 this agreement shall automatically terminate at 12:01am, Erbil time, on the sixth Banking Day following the Agreement Date.

3 NOMINATION, ASSIGNMENT AND NOVATION; WAIVERS AND RELEASES BY WESTERNZAGROS AND THE GOVERNMENT

- 3.1** The Government, WesternZagros and GNME agree and acknowledge that: (a) the Government has nominated GNME as the sole Third Party Interest Holder under the Government’s Option of Third Party Participation in the amount of 40%; (b) GNME has accepted such nomination; (c) the requirement to provide the Notice of Intended TPI Assignment by the Government, according to Article 4.21(a), and the requirement to provide the TPI Assignment Confirmation Notice by GNME, according to Article 4.21(b), have been fulfilled or waived; (d) the interest of GNME is a Charged Interest in accordance with the definition of “Charged Interest” as amended by this agreement; and (e) GNME is the sole Third Party Interest Holder and is the sole Charged Interest Holder under the Contract, with a Participating Interest of 40%.
- 3.2** WesternZagros and the Government fully and irrevocably waive the application of Article 4, including the application of the “Government TPI Conversion” and the “Charged Interest Conversion” provisions, to the extent necessary in order to (i) permit the exercise of the Option of Third Party Participation in accordance with this agreement; and (ii) permit GNME to acquire the Third Party Interest in accordance with this agreement.
- 3.3** WesternZagros fully and irrevocably waives, relinquishes, settles, and discharges, all rights or claims against the Government and GNME and shall indemnify the Government and GNME in respect of losses, expenses, and entitlements that it may have incurred or have against the Government or GNME arising from or related to Article 4 or the assignment of the Third Party Interest to GNME:
- (a) whether past or present, actual, prospective or contingent;
 - (b) whether or not it was aware, or should have been aware, of such rights, claims or entitlements at the Agreement Date, the Completion Date, or any other time; and
 - (c) whether arising in contract (including the Contract), tort, equity, under statute, or otherwise.
- 3.4** In accordance with the Government’s nomination of GNME as Third Party Interest Holder, with effect on and from the Completion Date, the Government hereby assigns and transfers to GNME the Third Party Interest and all the rights, duties, obligations and liabilities arising in connection with the Third Party Interest, and GNME accepts the Third Party Interest and all the rights, duties, obligations, and liabilities in respect of the Third Party Interest. This agreement is the binding and enforceable instrument of assignment and novation that the Government requires, and GNME and WesternZagros consent, to be executed pursuant to Article 4.25.
- 3.5** As a consequence of the nomination of GNME as the Third Party Interest Holder and the assignment of the Third Party Interest to GNME any and all rights of the Government to assign a Third Party Interest under the Contract are fully exercised and extinguished.
- 3.6** GNME shall perform all of its obligations and enjoy all of its benefits under the Contract, as amended by this agreement, in respect of the Third Party Interest as a Contractor Entity with a 40% Participating Interest, whether such obligations and benefits arose or arise on, before, or after the Completion Date, as if GNME had been a Contractor Entity with a 40% Participating Interest on and from the Effective Date.

- 3.7 The Contract shall continue in full force and effect and its terms will have only changed to the extent amended or waived by this agreement.
- 3.8 WesternZagros (for itself and on behalf of its affiliates) hereby (i) warrants to GNME that it has not at any time held the Third Party Interest assigned to GNME pursuant to this agreement; and (ii) confirms that it has no interest or claim to the Third Party Interest assigned to GNME pursuant to this agreement. This clause shall survive termination of this agreement.

4. **PAYMENTS**

- 4.1 GNME shall pay no later than five Banking Days following the Agreement Date [REDACTED] to the Government by way of cleared funds, without any offset or deduction in accordance with the Government's wire instructions for such payment. GNME acknowledges receipt of the Government's wire instructions for such payment. The [REDACTED] amount is a capacity building bonus of [REDACTED] less the [REDACTED] of Profit Crude Oil allocable to the Third Party Interest in respect of Early Production (net of the [REDACTED] Capacity Building Payment payable by GNME). [amounts payable by GNME to the Government have been redacted here]
- 4.2 GNME shall pay no later than five Banking Days following the Agreement Date, US\$82,856,303 (the "**TPI Past Costs**") to WesternZagros by way of cleared funds, without any offset or deduction in accordance with the wire instructions of WesternZagros for such payment. Gazprom acknowledges receipt of the WesternZagros' wire instructions for such payment. The TPI Past Costs comprise: (a) US\$40,000,000, being 50% of the Stipulated Sunk Block Costs; and (b) US\$42,856,303, being an estimate of 50% of the Petroleum Costs incurred by WesternZagros up to 31 May 2012 (such estimate, the "**TPI 50% Estimated Petroleum Costs**").
- 4.2.1 GNME agrees and acknowledges that after the Completion Date it shall be responsible for 50% of the Petroleum Costs incurred after 31 May 2012 (subject to its auditing rights provided under the Contract) in accordance with the terms of the Contract.
- 4.3 WesternZagros agrees and acknowledges that the payment of amounts pursuant to Clause 4.2 from GNME to WesternZagros constitutes the full satisfaction and discharge by GNME of GNME's obligations under Article 4.24(c)(ii) (*Third Party Interest*), and WesternZagros fully and irrevocably waives, relinquishes, settles, and discharges all rights or claims against GNME which it may have thereunder.
- 4.4 The Government agrees that no amount whatsoever is due to it from GNME pursuant to Article 4.24(c)(i) (*Third Party Interest*).
- 4.5 GNME shall have the right to be reimbursed on demand by WesternZagros for any costs which have been paid by GNME to WesternZagros as part of the TPI 50% Estimated Petroleum Costs under clause 4.2 and which are subsequently determined not to be cost recoverable pursuant to Article 15 (*Accounting and Audits*).

5 DESIGNATION OF NEW OPERATOR; JOINT OPERATING AGREEMENT

- 5.1 In accordance with Article 5.1.2 (*Operator*), the Government hereby nominates GNME as Operator, with GNME to assume the rights and obligations of Operator under the Contract from WesternZagros on the earlier of:
- (1) the first day of the Development Period; and
 - (2) the date which is 30 days after the day on which the Government notifies the Contractor in writing that there has been an Act of Insolvency in respect of WesternZagros.
- 5.2 In accordance with Article 5.1.2 (*Operator*), WesternZagros designates GNME as the new Operator in the same terms as those of the Government's nomination set forth in clause 5.1.
- 5.3 No later than 60 days after the Completion Date, GNME and WesternZagros shall agree upon the terms of the Joint Operating Agreement acceptable to the Government for approval in accordance with Article 4.35 (*Joint Operating Agreement*).
- 5.4 If GNME and WesternZagros have not agreed a Joint Operating Agreement, including relevant terms in respect of the transfer of the operatorship and interim operations, by the 60th day following the Completion Date, GNME and WesternZagros shall submit the issues on which there is disagreement to the Government for final and binding resolution by the Government.

6 AMENDMENTS TO THE CONTRACT

- 6.1 As of the Completion Date, the Contract is amended as provided in this Clause 6.
- 6.2 The preamble is deleted and restated in its entirety:
- “BETWEEN
- THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ (the “**GOVERNMENT**”);
- AND
- Gazprom Neft Middle East B.V., a company established and existing under the laws of the Netherlands, whose registered office is at Jan Luijkenstraat 12, 1071 CM Amsterdam, the Netherlands (“**GNME**”).”
- AND
- WESTERNZAGROS LIMITED a company established and existing under the laws of the Republic of Cyprus, whose office is Suite 600, 440 Second Avenue SW, Calgary, Alberta, Canada (“**WesternZagros Limited**”)”
- 6.3 The recitals are amended:
- (a) by deleting the existing paragraph (D) and by adding a new paragraph (D):
 - “(D) The Contract Area consists of an area formerly part of the Kalar-Bawanoor Contract (as defined in this Contract), but divided from the Kalar-Bawanoor Contract so as to permit GNME and WesternZagros Limited (but not Talisman (Block K44) B.V.) to perform continued Petroleum Operations on the Contract Area pursuant to this Contract, as amended by the Assignment, Novation and First Amendment Agreement dated

July 31, 2012 (the "**First Assignment Agreement**"), and the Parties have agreed that certain petroleum costs solely incurred by WesternZagros Limited under the Kalar-Bawanoor Contract in the Contract Area are recoverable as Stipulated Sunk Block Costs under this Contract.”;

(b) by deleting paragraph (F) and restating it as follows:

“(F) Each **CONTRACTOR** Entity has:

(i) in a letter of representations and warranties to the **GOVERNMENT** (each such letter, a “**Letter of Representations**”), warranted that it has the financial capability, and the technical knowledge and technical ability, to carry out Petroleum Operations in the Contract Area under the terms of this Contract;

and

(ii) a willingness to cooperate with the **GOVERNMENT** by entering into this Contract, thereby assisting the **GOVERNMENT** to develop the Kurdistan Region petroleum industry, thereby promoting the economic development of the Kurdistan Region and Iraq and the social welfare of its people.”

(c) by deleting paragraph (G) and restating it as follows:

“(G) Each **CONTRACTOR** Entity provided a Letter of Representations as an inducement for the **GOVERNMENT** to enter into the First Assignment Agreement. Concurrently with signing the First Assignment Agreement, each **CONTRACTOR** Entity has delivered a guarantee in favour of the **GOVERNMENT**, in reliance upon which the **GOVERNMENT** entered into the First Assignment Agreement.”; and

(d) by adding a new recital (H):

“(H) It is the policy of the **GOVERNMENT** to: (1) ensure that Petroleum produced from the Kurdistan Region is first made available to satisfy the consumption requirements and needs of the people of Iraq; (2) determine and control all exports of Natural Gas produced in the Kurdistan Region; and (3) act, directly or indirectly through a designated affiliate of the **GOVERNMENT** or other designee of the **GOVERNMENT**, as the aggregator of all Natural Gas produced in the Kurdistan Region for export.”

6.4 In Article 1.1, the definitions of “**Agreed Terms**”, “**Available Associated Natural Gas**”, “**Available Non-Associated Natural Gas**”, “**Capacity Building Payment Installment**”, “**Gas Development**”, “**Gas Marketing Work Program and Budget**”, and “**Proposed Contract**” are deleted, and the definitions of “**Capacity Building Payment**”, “**Capacity Building Payment Installment**”, “**Capacity Building Value**”, “**CONTRACTOR**”, “**CONTRACTOR Entity**”, “**Charged Interest**”, “**Charged Interest Holder**”, and “**Gas Marketing Operations**” are deleted in their entirety and restated as follows:

“**Capacity Building Payment** means during any period, an amount in Dollars equal to the Capacity Building Value attributed to the applicable **CONTRACTOR Entity** for such period, which such **CONTRACTOR Entity** is obligated to pay to the Government pursuant to this Contract.

Capacity Building Value means during any period, a quantity of Petroleum equal to a percentage of Profit Crude Oil or Profit Natural Gas, as applicable, and calculated as follows:

(1) for Crude Oil:

R Factor	Percentage of Profit Crude Oil:
----------	---------------------------------

[REDACTED]	[REDACTED]
------------	------------

and

(2) for Natural Gas:

R Factor	Percentage of Profit Natural Gas:
----------	-----------------------------------

[REDACTED]	[REDACTED]
------------	------------

where, in each case:

R = the R Factor as defined in, and determined in accordance with, Article 26.4.

Charged Interest means all or any part of the participation interest in the Contract of GNME and its permitted successors and assigns, and in no event shall include the Government Interest.

Charged Interest Holder means the holder or holders of a Charged Interest; and any permitted successor or assignee of a holder or holders of a Charged Interest pursuant to Article 39. GNME is the Charged Interest Holder as of the effective date of assignment of the 40% Participating Interest in the Contract to GNME.

CONTRACTOR means, individually and jointly, each Contractor Entity.

CONTRACTOR Entity means, as at any time of determination, a Party to this Contract other than the **GOVERNMENT**. A holder of the Government Interest is never a **CONTRACTOR Entity**. At any time when there is only one entity constituting the **CONTRACTOR**, any reference to “the entities constituting the **CONTRACTOR**” or the “**CONTRACTOR Entities**” or similar reference, shall be construed as “the entity constituting the **CONTRACTOR**”. As of the Effective Date, Gazprom Neft Middle East B.V. and WesternZagros Limited are the only **CONTRACTOR Entities** and each owns an undivided interest in the Petroleum Operations in respect of the entire Contract Area in the following percentages:

Gazprom Neft Middle East B.V.	40%
WesternZagros Limited	40%

The balance of the interest in Petroleum Operations in respect of the entire Contract Area is the Government Interest of twenty per cent (20%) as defined in Article 4.1.

Gas Marketing Operations means any activity relating to the evaluation of markets or projects for the potential delivery, sale, processing, compression, and transportation of Natural Gas, including evaluations of potential markets and projects, the quantities of Natural Gas that could be sold, delivery specifications

and requirements, production costs, transportation arrangements, and all other activities generally relevant to the identification of a sale or other disposition of Natural Gas from the Contract Area, and includes such activities as they may relate to Natural Gas from other Natural Gas producers in the Kurdistan Region. “Gas Marketing Operations” does not include the actual entry into any contract or contracts for the sale, dedication, designation, commitment, or other disposal of Natural Gas from the Contract Area.”

- 6.5 In the definition of “**Corrupt Practices Laws**” in Article 1.1, the words “the Corruption of Foreign Public Officials Act of Canada” are deleted, and replaced with “the principles of the Laws of the place of incorporation of each Contractor Entity and of each place of incorporation of its ultimate parent company in respect of bribery, kickbacks, and corrupt business practices”.
- 6.6 New definitions are added in Article 1.1 in the appropriate alphabetical order as follows:
- “**Appraisal and Appraisal Operations** means appraisal work (being part of Exploration) and a program carried out following a Discovery for the purpose of delineating the Reservoir to which that Discovery relates in terms of measurement of thickness and lateral extent and estimating the quantity of recoverable Petroleum therein, and includes geological, geophysical, aerial and other surveys, stratigraphic tests, the drilling of shot holes, core holes, Appraisal Wells and other related holes and Wells, and the purchase or acquisition of Assets and Materials therefor.
- Approval and Approved** means (a) approval of, or approved by, the Management Committee, or (b) approval of, or approved by, the Management Committee and the **GOVERNMENT**, where required by this Contract.
- Approved Appraisal Work Program and Budget** means a Work Program with respect to Appraisal Operations which is Approved.
- Approved Domestic Gas Marketing Work Program and Budget** is a Work Program for Domestic Gas Marketing Operations and associated Budget that is approved by the Management Committee and the Government.
- Approved Gas Commercialisation Plan** means a Gas Commercialisation Plan that is approved by the Management Committee and the **GOVERNMENT**.
- Approved Work Program and Budget** means a Work Program that is Approved.
- Available Natural Gas** is defined in Article 25.1.
- Development and Development Operations** means, in respect of a Production Area, all operations or works conducted in accordance up to the Delivery Point with a view to developing such Production Area.
- Domestic Gas Plan** means a plan for the sale or other disposition of Natural Gas to the Domestic Market.
- Domestic Gas Marketing Operations** means Gas Marketing Operations solely in respect of the Domestic Market for Natural Gas, in all events carried out pursuant to and in accordance with an Approved Domestic Gas Marketing Work Program and Budget.
- Domestic Market** means sales or other gas projects within the Kurdistan Region where the entirety of the Natural Gas is intended for consumption within Iraq.
- Export Gas Marketing Operations** means all Gas Marketing Operations in respect of an Export Market for Natural Gas.

Export Market means sales of Natural Gas, including for transportation outside of the borders of Iraq, whether the deliveries or point of sale occur inside or outside the borders of Iraq where the ultimate destination of the volumes sold is outside of Iraq. A sale to the **GOVERNMENT** (whether directly or indirectly through a Public Company or other Affiliate of the **GOVERNMENT** designated by the **GOVERNMENT**) meeting the foregoing criteria will be within this definition.

First Assignment Agreement is defined in recital (D).

Gas Commercialisation Plan means a Gas Export Plan or a Domestic Gas Plan, or both.

Gas Export Plan means a plan for the sale or other disposition of Natural Gas to an Export Market, including a sale of Natural Gas to the **GOVERNMENT**, a Public Company, or otherwise, in accordance with gas sales and purchase agreement with the Contractor Entities, as proposed by the **GOVERNMENT**.

Gas Export Plan Evaluation Period is defined in Article 14.22.

Gas Field means an area in the Contract Area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same individual geological structural feature, stratigraphic conditions, or both, which either:

- (a) is a Discovery of Non-Associated Natural Gas; or
- (b) is a Discovery of Crude Oil with Associated Natural Gas that cannot be a Commercial Discovery without a plan for the economic disposition (excluding flaring or re-injection) of the Associated Natural Gas, and notwithstanding that liquids and condensates are included in the definition of Crude Oil (i.e., a condensate reservoir is a Gas Field).

Holding Period is defined in Article 14.9.

Holding Period Application is defined in Article 14.7.

Holding Period Authorisation is defined in Article 14.9.

Letter of Representations is defined in recital (F).

Oil Field means an area within the Contract Area consisting of a single Reservoir or multiple Reservoirs all grouped on, or related to, the same individual geological structural features, stratigraphic conditions, or both, and that (a) may become part of a single Production Area for Crude Oil and (b) is not a Gas Field.

Surplus Gas is defined in Article 14.28.”

6.7 In Article 2, a new Article 2.10 is added following Article 2.9:

“2.10 In reviewing a proposed Development Plan, Work Program, or Budget, the **GOVERNMENT**'s overall aim is: (a) to maximise the economic recovery from Petroleum resources in accordance with best practices (including good Reservoir management, avoidance of waste, and environmental impact) at an economically reasonable cost using best appropriate techniques and methods; (b) to ensure timely Development; (c) to establish the capacity and resources of the **CONTRACTOR** to timely accomplish a proposed Development Plan or Work Program; (d) to ensure the efficient allocation and use of available infrastructure and markets; and (e) to ensure the security of Petroleum supplies to the Kurdistan Region and the people of Iraq.”

6.8 In Article 4, new Articles 4.12.1, 4.12.2, and 4.12.3 are added following Article 4.12 as follows:

- “4.12.1 The **GOVERNMENT** controls and determines the interests of each holder of the Government Interest in respect of the sale, dedication, designation, commitment, or other disposal or shipment of Natural Gas. A holder of the Government Interest shall not commit, or otherwise dispose or ship its entitlement to Natural Gas (and no holder of Government Interest is authorised to sell, dedicate, designate, commit, or otherwise dispose of or ship its entitlement to Natural Gas), except on a jointly-dedicated basis together with the **GOVERNMENT**. Each holder of Government Interest will be bound by the decision of the Management Committee with respect to a proposed Gas Commercialisation Plan.
- 4.12.2 The **GOVERNMENT** will incur no liability whatsoever to any holder of Government Interest, if the **GOVERNMENT** does not provide or agree a Gas Commercialisation Plan that is acceptable to such holder Government Interest or any other Party.
- 4.12.3 A holder of a Government Interest, if that is its only capacity under this Contract, has no right to evaluate, consider, or otherwise approve or be provided any information in respect of a Gas Commercialisation Plan or to participate in Gas Marketing Operations, and each holder of a Government Interest will be bound by the decision of the **GOVERNMENT** and the **CONTRACTOR** with respect thereto. Any gas sales agreement and related agreements signed by the **GOVERNMENT** will be binding on the holder of a Government Interest.”
- 6.9 Article 5.1.1 is deleted and in its entirety and restated as follows:
“The **CONTRACTOR** hereby designates, and the **GOVERNMENT** approves, WesternZagros Limited to act as the Operator on behalf of the **CONTRACTOR** for the execution of the Petroleum Operations until the earlier of:
(a) the first day of the Development Period;
and
(b) the date which is thirty (30) days after the day on which the **GOVERNMENT** notifies the **CONTRACTOR** in writing that there has been an Act of Insolvency in respect of WesternZagros Limited,
(such date the “**Operatorship Exclusivity End Date**”), and following such Operatorship Exclusivity End Date, GNME shall be the Operator until the Government designates another Operator pursuant to this Contract.”
- 6.10 Article 5.1.2 is amended by deleting “WesternZagros Limited” and inserting “GNME” instead.
- 6.11 Article 5.1.3 is deleted in its entirety.
- 6.12 Article 6.5(b) is amended by deleting “or 14.5(a)” and “and/or Gas Marketing Operations” and adding at the end “or”.
- 6.13 In Article 6.5, a new Article 6.5(c) is added as follows:
“(c) to completing Gas Marketing Operations and preparing a Gas Commercialisation Plan for submission, or having a Gas Commercialisation Plan submitted by a Party in accordance with Article 14 (*Natural Gas*) Approved, in case there is no Holding Period and the

Management Committee has made a determination pursuant to Article 12.7(c) (*Declaration of Commercial Discovery*) in respect of a Discovery of a Gas Field that such Discovery could be commercially developed with an Approved Gas Commercialisation Plan.”

6.14 Article 6.6 is deleted in its entirety and restated as follows:

“6.6 The **CONTRACTOR** will be entitled to an extension of the Second Sub-Period as provided in this Article 6.6. If the **CONTRACTOR** is granted an extension pursuant to this Article 6.6, then an extension pursuant to Article 6.5 shall no longer be available to the **CONTRACTOR**. If no extension is approved by the **GOVERNMENT** pursuant to this Article 6.6, and the **CONTRACTOR** has fulfilled its Minimum Exploration Obligations for the Sub-Period, the **CONTRACTOR** is entitled to an extension of the Sub-Period in accordance with Article 6.5.

6.6.1 The **CONTRACTOR** will be entitled to a single extension of the Second Sub-Period up to 31 December 2014, if:

- (a) by 30 October 2012 the **CONTRACTOR** submits to the **GOVERNMENT** the Contractor’s proposed Exploration Work Program and Budget in respect of the drilling of an additional three Exploration Wells (for a total of four Exploration Wells in the Second Sub-Period);
- (b) the **CONTRACTOR** has, or by 31 December 2013 will have, fully performed all of its existing Minimum Exploration Obligations for the Second Sub-Period and is not otherwise in breach of this Contract; and
- (c) the **GOVERNMENT** approves the **CONTRACTOR**’s proposed Exploration Work Program and Budget for the extension.”

6.15 Article 6.9 is deleted in its entirety and restated as follows:

“Development Period

6.9 The Development Period will start on the date of the earlier of:

- (a) the first declaration by the Management Committee pursuant to Article 12.7(a) (*Declaration of Commercial Discovery*) of a Commercial Discovery of an Oil Field, provided the foregoing occurs before the earlier of the end of the Exploration Period and 31 December 2014; and
- (b) if there is a Holding Period Authorisation, then on the first to occur of (a), above, or 1 January 2015.”

6.16 Article 6.10 and Article 6.11 are deleted in their entirety and restated as follows:

“6.10 If the Management Committee determines that a Discovery of an Oil Field is a Commercial Discovery, as provided in Article 12.7(a) (*Declaration of Commercial Discovery*), the **CONTRACTOR** shall have the exclusive right to develop and produce such Commercial Discovery, pursuant to the terms of this Contract. Unless the Development Period has already started pursuant to Article 6.11, the Development Period for the Contract Area shall be twenty (20) years commencing on the date of such determination of a Commercial Discovery of Crude Oil in

accordance with Article 12.7(a), with an automatic right to a five (5) year extension.

6.11 If the Management Committee determines that a Discovery of a Gas Field could be a Commercial Discovery, as provided in Article 12.7(c) (*Declaration of Commercial Discovery*), the **CONTRACTOR** shall have the exclusive right to develop and produce such Commercial Discovery, pursuant to the terms of this Contract. Unless the Development Period has already started as provided in Article 6.10, and if there is a Holding Period Authorisation, the Development Period shall be twenty (20) years for the Contract Area, commencing on 1 January 2015 with an automatic right to a five (5) year extension less, if the Holding Period has been extended pursuant to Article 14.11 (*Holding Period*), the period of such extension.”

6.17 In Article 6, new Articles 6.14 and 6.15 are added following Article 6.13 as follows:

“6.14 Termination of the Development Period and this Contract will not relieve a **CONTRACTOR** Entity of any continuing obligations under this Contract or any liabilities or obligations under a gas sales and purchase agreement with the **GOVERNMENT** (or any Public Company or other Affiliate of the **GOVERNMENT**, or otherwise, as designated by the **GOVERNMENT**) in respect of any Approved Gas Commercialisation Plan, except as otherwise provided in the relevant agreements entered into pursuant to such Approved Gas Commercialisation Plan.

6.15 The Development Period is subject to early termination as provided in Article 14 (*Natural Gas*).”

6.18 Article 7.1(c) is deleted in its entirety and restated as follows:

“at the end of the Exploration Period (including all extensions thereof), all of the remaining area that is not in a Production Area and is not the subject of a Holding Period Authorisation.”

6.19 A new Article 7.7 is added as follows:

“7.7 **The CONTRACTOR** shall relinquish an Appraisal Area within 90 days of the date of an Appraisal Report and declaration delivered pursuant to Article 12.6 (*Declaration of Commercial Discovery*), if, in the Appraisal Report and declaration, the Contractor has either stated:

- (a) pursuant to Article 12.6(b) that a Discovery is not a Commercial Discovery;
- (b) pursuant to Article 12.6(d)(2) that **CONTRACTOR** does not intend to develop the Gas Field; or
- (c) that the **CONTRACTOR** will not develop the Discovery.”

6.20 Article 8.2 is amended by renumbering paragraph (h) as paragraph (i) and adding the new paragraph (h) as follows:

“(h) in the case of a Discovery of a Gas Field, a determination: (1) as to whether additional Appraisal is required; and (2) either that: (A) the Gas Field is not likely to be commercially developed; or (B) may be commercially developed depending upon successful Gas Marketing Operations and an Approved Gas Commercialisation Plan.”

- 6.21 Article 8.5 is amended by deleting “and” at the end of paragraph (j), deleting period at the end of paragraph (k), and adding the following at the end:
- “ and;
- (l) approval of any Gas Commercialisation Plan.”
- 6.22 A new Article 9.4 and its sub-heading are added as follows:
- “Gas Plan Guarantees**
- 9.4 Each **CONTRACTOR** Entity shall deliver, or cause the delivery of, such guarantees or other forms of credit enhancement as are required in respect of any Approved Gas Commercialisation Plan.”
- 6.23 Article 12.6 is amended by deleting paragraphs (c) and (d) in their entirety and restating them as follows:
- “(c) the Contractor has determined a Discovery of an Oil Field may become a Commercial Discovery, subject to additional Exploration or Appraisal within or outside of the Appraisal Area; or
- (d) the Contractor has determined regarding a Discovery of a Gas Field that either:
- (1) the Gas Field could be considered a Commercial Discovery with successful Gas Marketing Operations and an Approved Gas Commercialisation Plan, and the **CONTRACTOR** would like to engage in additional Appraisal; or
- (2) the **CONTRACTOR** does not intend to develop the Gas Field and will relinquish the Appraisal Area.”
- 6.24 Article 12.7 is deleted in its entirety and restated as follows:
- “12.7 Following the **CONTRACTOR**’s submissions pursuant to Article 12.6, the Management Committee may make the following determinations:
- (a) the Discovery is a Commercial Discovery of an Oil Field, and unless the **CONTRACTOR** has terminated the Contract or exercised its rights to voluntarily relinquish the Appraisal Area, the Management Committee shall: (a) declare a Commercial Discovery of the Oil Field; (b) confirm the start of the Development Period; and (c) instruct the **CONTRACTOR** to submit a proposed Development Plan in accordance with Article 12.8 (*Development Plan*); or
- (b) the Discovery may become a Commercial Discovery of an Oil Field subject to additional Exploration or Appraisal within or outside of the Contract Area, and the **CONTRACTOR** shall submit its proposed Work Program and Budget to the Management Committee within 30 days together with (if applicable) the **CONTRACTOR**’s proposal for coordination with any adjoining block contractor; or
- (c) the Discovery is a Discovery of a Gas Field which may only be developed with successful Gas Marketing Operations and an Approved Gas Commercialisation Plan or which may further benefit from additional Appraisal with respect thereto, and the **CONTRACTOR** shall undertake timely decisions in respect of whether to: (1) request appropriate extensions of the

Exploration Period, (2) submit a Holding Period Application in accordance with Articles 14.7 through 14.8 (*Holding Period Application*); or (3) relinquish the Appraisal Area in accordance with Article 7 (*Relinquishments*), as applicable.”

- 6.25 Article 12.8 is amended by deleting its first sentence in its entirety and restating it as follows:

“If the Discovery has been determined to be a Commercial Discovery by the Management Committee pursuant to Article 12.7(a), or a Gas Commercialisation Plan was Approved pursuant to Article 14.23 (*Gas Field Development Plan; Work Programs and Budgets*), the **CONTRACTOR** shall submit a proposed Development Plan to the Management Committee within one hundred eighty (180) days following such determination or Approval.”

- 6.26 Article 14 is deleted in its entirety and replaced by the following text:

“ARTICLE 14 – NATURAL GAS

General

- 14.1 This Article 14 applies to all Natural Gas in or produced from the Contract Area.
- 14.2 Each **CONTRACTOR** Entity acknowledges that it is in its interest to sell, dedicate, designate, commit, or otherwise dispose of their respective entitlements to Natural Gas produced from the Contract Area on a jointly-dedicated basis together with the **GOVERNMENT**.
- 14.2.1 Notwithstanding the lifting entitlements of a **CONTRACTOR** Entity under this Contract, a **CONTRACTOR** Entity shall not (and is not authorised to sell, dedicate, designate, commit, or otherwise dispose or ship its entitlement to Natural Gas, except on a jointly-dedicated basis together with the **GOVERNMENT**.
- 14.2.2 A **CONTRACTOR** Entity shall not (and is not authorised to sell, dedicate, designate, commit, or otherwise dispose of or ship the **GOVERNMENT**’s entitlement to Natural Gas.
- 14.2.3 Neither the **GOVERNMENT**, nor a holder of the **GOVERNMENT**’s Interest has any right to sell, dedicate, designate, commit, or otherwise dispose of or ship a **CONTRACTOR**’s Entity’s entitlement to Natural Gas, except: (a) in the case of Surplus Gas, as provided in Articles 14.28 through 14.30 (*Surplus Natural Gas*); (b) as provided in Article 32.6.6 (*Breach; Indemnity*); and (c) pursuant to Article 16.15 (*Kurdistan Region Consumption Requirements*).
- 14.2.4 Except as provided in Article 32.6.6 (*Breach; Indemnity*) and Articles 14.28 through 14.30 (*Surplus Natural Gas*), no **CONTRACTOR** Entity is obligated to sell, dedicate, designate, commit, or otherwise dispose of or ship its entitlement of Natural Gas to the **GOVERNMENT** or any other Person, except on such terms as are acceptable to the **CONTRACTOR** Entity.

14.2.5 Subject to Article 16.15 (*Kurdistan Region Consumption Requirements*), the **GOVERNMENT** will not sell, dedicate, designate, commit, or otherwise dispose of or ship its entitlement to Natural Gas lifted by the **GOVERNMENT** pursuant to the exercise of the **GOVERNMENT**'s rights under Article 32.6.6 (*Breach; Indemnity*), except on a jointly-dedicated basis together with the **CONTRACTOR** Entities.

Export Markets

14.3 In respect of Export Markets:

- (a) the **GOVERNMENT** has the exclusive right to conduct all Export Gas Marketing Operations and to submit a Gas Export Plan to the Management Committee for approval; and
- (b) the **CONTRACTOR** shall not (and each **CONTRACTOR** Entity shall not and is not authorised to):
 - (1) conduct any Export Gas Marketing Operations without the prior written consent of the **GOVERNMENT**; or
 - (2) enter into any agreements for the sale, designation, dedication, commitment, or other disposal of Natural Gas to Export Markets.

14.4 The **GOVERNMENT** has no obligation to find an Export Market for all or any Natural Gas produced from the Contract Area. If the **GOVERNMENT** does not provide a Gas Export Plan that is approved by the Management Committee, the **GOVERNMENT** will incur no liability whatsoever to the **CONTRACTOR** or to any **CONTRACTOR** Entity or to a holder of the Government Interest.

14.5 After there is an Approved Gas Commercialisation Plan, the **CONTRACTOR** shall reimburse the **GOVERNMENT** for all expenses incurred by the **GOVERNMENT** in its conduct of Export Gas Marketing Operations within 30 days after the **CONTRACTOR** has received an invoice for such expenses from the **GOVERNMENT**. Payments made by the **CONTRACTOR** to the **GOVERNMENT** pursuant to this Article 14.5 will be Cost Recoverable.

14.6 The **CONTRACTOR** shall provide all assistance reasonably requested by the Government with respect to the **GOVERNMENT**'s Export Gas Marketing Operations.

14.6.1 Upon receiving notice from the **GOVERNMENT** requesting assistance under Article 14.6, the **CONTRACTOR** shall prepare and submit a proposed Work Program and Budget for such assistance for approval by the Management Committee.

14.6.2 Expenses incurred by the **CONTRACTOR** in providing assistance to the **GOVERNMENT** in accordance with Article 14.6 will only be Cost Recoverable if such expenses are included in an Approved Work Program and Budget with respect to the **CONTRACTOR**'s obligations under Article 14.6.

Holding Period Application

- 14.7 If the Management Committee has made a decision as set forth in Article 12.7(c) (*Declaration of Commercial Discovery*) in respect of a Discovery of a Gas Field, the **CONTRACTOR** may submit a written application (such written application, a “**Holding Period Application**”) for a Holding Period.
- 14.7.1 The **CONTRACTOR** is not entitled to submit a Holding Period Application after the 90th day preceding the end of the Exploration Period.
- 14.8 The **CONTRACTOR** must include in a Holding Period Application:
- (a) the proposed delineation of the Reservoir and related surface area of the Gas Field;
 - (b) the estimated reserves in the Gas Field; and
 - (c) if the **CONTRACTOR** believes that further Appraisal is reasonably required, a proposed Appraisal Work Program and Budget, provided that all such Appraisal is to be completed before the start of the Development Period.

Holding Period

- 14.9 As of the date of the **GOVERNMENT**’s written approval of a Holding Period Application and additional submissions in accordance with Article 14.8 (*Holding Period Application*) (such written approval, the “**Holding Period Authorisation**”), the **CONTRACTOR** will be entitled to hold the Gas Field subject to such Holding Period Authorisation for a period as set forth in the Holding Period Authorisation (such period, as it may be shortened or extended in accordance with this Contract, the “**Holding Period**”).
- 14.9.1 The **GOVERNMENT** has discretion as to whether to approve the **CONTRACTOR**’s Holding Period Application and in setting the term and conditions of the Holding Period.
- 14.9.2 The **GOVERNMENT** may deny a Holding Period Application if the Government reasonably determines that a Holding Period Authorisation would conflict with the Government’s policies and goals in respect of Natural Gas.
- 14.10 The Gas Field Holding Period shall be considered to: (a) start on the date set forth in the Holding Period Authorisation; and (b) terminate on the earlier of:
- (a) the date of an Approved Development Plan; and
 - (b) the second anniversary of the Holding Period Authorisation.
- 14.11 Upon receipt of a request from the **CONTRACTOR**, the Government may provide such extensions (in writing) of the Holding Period as the Government determines in its sole discretion. The Government has no obligation to provide any extensions, except as provided in Article 14.22.2 (*Gas Export Plan Evaluation*).
- 14.12 If the Management Committee makes a determination in respect of subsequent Discoveries of Gas Fields as provided in Article 12.7(c) (*Declaration of Commercial Discovery*), such Gas Fields shall automatically be included in the Holding Period.

- 14.12.1 The **CONTRACTOR** is not entitled to separate Holding Periods for each Gas Field, and is entitled to only one Holding Period for all Gas Fields.
- 14.13 The Development Period shall be considered to start as provided in Articles 6.9 through 6.11 (*Development Period*).
- 14.14 If there is no Approved Gas Commercialisation Plan as of the last day of the Holding Period (as it may be extended pursuant to Article 14.22.2):
- (a) this Contract shall terminate unless the Management Committee has, before the start of the Development Period, determined that there is a Commercial Discovery of an Oil Field; or
 - (b) if this Contract does not terminate as provided the foregoing clause (a), the **CONTRACTOR** shall relinquish that part of the Contract Area that is subject to the Holding Period Authorisation.

Domestic Gas Marketing Operations

- 14.15 The **CONTRACTOR** and the **GOVERNMENT**:
- (a) are each entitled to conduct Domestic Gas Marketing Operations;
 - (b) shall cooperate and coordinate with each other in their Domestic Gas Marketing Operations; and
 - (c) are each entitled to submit a Domestic Gas Plan to the Management Committee for approval.
- 14.16 Costs incurred by the **CONTRACTOR** in its conduct of Domestic Gas Marketing Operations will be Cost Recoverable.
- 14.17 The **CONTRACTOR** is not obligated to reimburse or otherwise responsible to the **GOVERNMENT** for any costs incurred by the **GOVERNMENT** in the **GOVERNMENT**'s conduct of any Domestic Gas Marketing Operations.
- 14.18 Neither the **GOVERNMENT**, nor the **CONTRACTOR**:
- (a) has any obligation to find a Domestic Market for Natural Gas produced from the Contract Area; or
 - (b) will incur any liability whatsoever to any Party, if such Party does not provide a Domestic Gas Plan that results in an Approved Gas Commercialisation Plan.

Consideration of Gas Commercialisation Plans

- 14.19 Neither the **CONTRACTOR**, nor the **GOVERNMENT** has any obligation to agree (or to cause its representative on the Management Committee to vote to approve) any Gas Commercialisation Plan.
- 14.20 The **GOVERNMENT** has no obligation to consider any Domestic Gas Plan proposed by the **CONTRACTOR**.

Gas Export Plan Evaluation

- 14.21 The **GOVERNMENT** must provide a proposed gas sale and purchase agreement as part of the **GOVERNMENT**'s proposed Gas Export Plan.
- 14.22 The **CONTRACTOR** will have not less than 90 days from the date that the **GOVERNMENT** first provides a Gas Export Plan to the **CONTRACTOR** (such 90-day period, as it may be extended by the **GOVERNMENT** pursuant to Article 14.22.2, the "**Gas Export Plan Evaluation Period**") to evaluate the Gas Export Plan, make any recommendations with respect thereto, and consider the requirements of a Development Plan that would be necessary to enable the **CONTRACTOR** to determine whether the proposed Gas Export Plan renders a Gas Field economic for the **CONTRACTOR** to develop.
- 14.22.1 The **GOVERNMENT** in its absolute discretion may agree to extend the Gas Export Plan Evaluation Period for such period as the **GOVERNMENT** sets forth in a notice to the **CONTRACTOR**, but is not obligated to provide any extension.
- 14.22.2 If there is a Holding Period and the Gas Export Plan Evaluation Period extends beyond the last day of the Holding Period, the Holding Period will be automatically extended for such excess days.

Gas Field Development Plan; Work Programs and Budgets

- 14.23 Within 90 days of the date of an Approved Gas Commercialisation Plan, the **CONTRACTOR** shall prepare and deliver a Development Plan for the Development of the Gas Fields in the Contract Area, including the sequencing and timing of the development of the Gas Fields, the expected First Production corresponding to the required delivery requirements under the Approved Gas Commercialisation Plan.
- 14.24 If there is no Approved Development Plan within 90 days following the date of an Approved Gas Commercialisation Plan, the **GOVERNMENT** may send notice to the **CONTRACTOR** warning that either the Development Period will terminate or that the **CONTRACTOR** must relinquish that part of the Contract Area that is subject to the Holding Period Authorisation unless, in whichever case, within 30 days of such notice there is an Approved Development Plan for the Gas Fields. If there is no Approved Development Plan within 30 days of the date the **CONTRACTOR** receives such notice, then either of the following will apply, as applicable:
- (a) if the Management Committee has determined that there is a Commercial Discovery of an Oil Field before 31 December 2014 and the Development Period has started as a consequence thereof, then the **CONTRACTOR** shall relinquish that part of the Contract Area that is subject to the Holding Period Authorisation and which is not included in a Development Plan for an the Oil Field; or
- (b) if the foregoing clause (a) is not applicable and within 30 days of such notice there is no Approved Gas Commercialisation Plan, then this Contract shall terminate as of the 30th day following the date of such notice.

- 14.25 Within 90 days following the date of an Approved Development Plan, the **CONTRACTOR** shall prepare and submit to the Management Committee the **CONTRACTOR**'s proposed Development Work Program and Budget to be carried out for the expected duration of the Development Operations. The **CONTRACTOR** shall separately submit proposed Development Work Programs and Budgets for each Gas Field.
- 14.26 The **CONTRACTOR** shall submit its first proposed Production Work Program and Budget for each Gas Field by no later than 1 October of the Calendar Year preceding the estimated start date for First Production from such Gas Field as set forth in the applicable Approved Development Plan. Such proposed Production Work Program shall include the projected date for First Production in addition to the general requirements as set forth in Article 13.6 (*Approval of Annual Production Work Program and Budget*).
- 14.26.1 Thereafter, the **CONTRACTOR** shall prepare and submit to the Management Committee a proposed Production Work Program for each following Calendar Year for each Production Area by no later than 1 October in each Calendar Year.
- 14.27 If the **CONTRACTOR** does not develop a Gas Field within the periods as set forth in Approved Development Plan and in accordance with applicable Approved Development Work Plans and Budgets and Article 40 (*Force Majeure*) is not applicable, the **GOVERNMENT** may send the **CONTRACTOR** a notice setting forth a date, which must not be less than 180 days from the date of such notice, that either this Contract will be considered as terminated, or the date on which the Gas Field shall be relinquished. If the **GOVERNMENT** sends such a notice to the **CONTRACTOR**, then one of the following will apply:
- (a) the **CONTRACTOR** shall relinquish that part of the Contract Area that is subject to the Holding Period Authorisation and which is not included in the Development Plan for an Oil Field, if:
- (1) the Management Committee has determined that there is a Commercial Discovery of an Oil Field before 31 December 2014 and the Development Period has started as a consequence thereof; and
- (2) as of the date set forth in such notice in accordance with this Article 14.27, the **CONTRACTOR** has failed to bring Development Operations back into accord with the Approved Development Plan and applicable Approved Work Program and Budget; or
- (b) if the foregoing clause (a) is not applicable, and the **GOVERNMENT** determines that the **CONTRACTOR** has failed to bring Development Operations back into accord with the Approved Development Plan and applicable Approved Work Program and Budget, then this Contract shall terminate effective as of the date set forth in such notice.

Surplus Natural Gas

- 14.28 The **CONTRACTOR** shall, at the request of the **GOVERNMENT** on not less than 90 days' prior notice, deliver to the **GOVERNMENT** all Associated Natural Gas produced that is not: (a) used in the Petroleum Operations, (b) re-injected, (c) permitted to be flared in accordance with Articles 14.33 through 14.36 (*Flaring*), or (d) sold in accordance with an Approved Gas Commercialisation Plan (such Associated Natural Gas, "**Surplus Gas**").
- 14.28.1 Subject to Article 14.28.2, the **CONTRACTOR** shall separate, gather, compress, and deliver such Surplus Gas to the Government at a delivery point at the boundary of the Contract Area or gas processing plant as agreed between the **GOVERNMENT** and the **CONTRACTOR**, in any case free of charge to the **GOVERNMENT**.
- 14.28.2 If at any time there is a main gas pipeline in the Kurdistan Region, the **CONTRACTOR** shall transport and deliver the Surplus Gas to such tie-in point as is determined by the **GOVERNMENT**, meeting pipeline specifications, unless it is fundamentally uneconomic for the **CONTRACTOR**.
- 14.28.3 All reasonable expenditures incurred by the **CONTRACTOR** up to such agreed delivery point (as set forth in Articles 14.28.1 or 14.28.2, as applicable), including pipeline construction and operation, compression, treatment, and processing, will be Cost Recoverable.
- 14.29 The **GOVERNMENT** will be solely (a) responsible for collecting, treating, compressing, and transporting all Surplus Gas delivered to the **GOVERNMENT** pursuant to Article 14.28 after the agreed delivery point (as set forth in Articles 14.28.1 or 14.28.2, as applicable); and (b) liable for all costs, expenses, and liabilities in respect of such Associated Natural Gas after the agreed delivery point (as set forth in Articles 14.28.1 or 14.28.2, as applicable).
- 14.30 The **GOVERNMENT** has no obligation to take Surplus Gas and will incur no liability to any other Party for not taking all or any Surplus Gas.

Gas Pipelines; Processing

- 14.31 The **CONTRACTOR** is not authorised to design, engineer, construct, or operate (or participate in any of the foregoing) any pipelines for the transportation of Natural Gas to the Export Market or the Domestic Market (including any processing facility), except in accordance with an Approved Gas Commercialisation Plan, an Approved pipeline Development Plan, and Approved pipeline Work Programs and Budgets.
- 14.32 The **CONTRACTOR** is not authorised to design, engineer, construct, or operate (or participate in any of the foregoing) any Natural Gas processing facility, except in accordance with an Approved Gas Commercialisation Plan, an Approved pipeline Development Plan, and Approved Pipeline Work Programs and Budgets.

Flaring

- 14.33 Flaring of Natural Gas is prohibited, except in:
- (a) accordance with an Approved Work Program and applicable Permits; or
 - (b) an emergency, but only for the duration of the emergency.
- 14.34 The **CONTRACTOR** shall timely submit any request for a Permit for flaring of Natural Gas to the **GOVERNMENT**.
- 14.35 The **CONTRACTOR** must include in a request for a Permit and any proposed Work Program that includes flaring:
- (a) an evaluation of reasonable alternatives to flaring that have been considered by the **CONTRACTOR**, together with information on the expected amount and quality of Natural Gas to be flared and the proposed duration of the flaring;
 - (b) its consideration and plans for taking all commercially reasonable measures to ensure the extraction of natural gasoline and other liquids from Natural Gas to be flared; and
 - (c) any other information requested by the **GOVERNMENT** or required by Applicable Law.
- 14.36 In the interest of protecting the environment and the people of the Kurdistan Region, the **GOVERNMENT** has:
- (a) absolute discretion in deciding whether to approve or refuse to grant a Permit for flaring of Natural Gas or to approve or reject a proposed Work Program that includes flaring, including in circumstances where the **CONTRACTOR**'s request reasonably shows that flaring would be in the economic interest of any Party, is necessary for the production of Petroleum, or otherwise commercially reasonable; and
 - (b) no implied duty to provide any Permit for flaring of Natural Gas, to approve a Work Program that includes flaring, or to instruct its representatives on the Management Committee to approve a Development Plan or Work Program that includes flaring."
- 6.27 Article 16.4 is deleted in its entirety and restated as follows:
- "Except if specified otherwise, the **CONTRACTOR** may freely use Petroleum produced from within the Contract Area for the **CONTRACTOR**'s Petroleum Operations under this Contract in accordance with an Approved Work Program and Budget, subject to Articles 14.33 through 14.36 (*Flaring*)."
- 6.28 The first sentence of Article 16.14 is deleted and restated as follows:
- "The **GOVERNMENT** and, subject to Articles 14 (*Natural Gas*) and Articles 32.6.6(a) and (b) (*Breach; Indemnity*), each **CONTRACTOR** Entity, shall have the right and the obligation to take in kind and separately sell or otherwise dispose of their respective shares of Petroleum in accordance with Articles 25, 26 and 27."

- 6.29 In Article 24.7, sub-clause (b) and sub-clause (d) are deleted and restated as follows:
- “(b) any Export Non-Associated Natural Gas shall be valued at the actual price obtained at the point of sale under an approved contract, as provided in Article 27.3;”
- and
- “(d) the **CONTRACTOR** Entities shall be entitled to export freely the volume of Export Petroleum corresponding to the Royalty determined in accordance with Article 24.4 for the purpose of paying the Royalty in cash, provided that the disposition of Natural Gas is governed by Article 14 (*Natural Gas*).”
- 6.30 Article 25.1 is amended by adding the following to the last paragraph of Article 25.1:
- “**“Available Natural Gas”** means Available Associated Natural Gas and Available Non-Associated Natural Gas.”
- 6.31 In Article 25.2, sub-clause (b) is deleted and restated as follows:
- “(b) any Available Natural Gas shall be valued at the actual price obtained at the point of sale under an approved contract, as provided in Article 27.3.”
- 6.32 Articles 25.6, 45.9(c), 45.10(c) are amended by deleting reference to Article 14.10.
- 6.33 Article 25.9 is amended by adding deleting the first sentence and restating it as follows:
- “Subject to Article 14 (*Natural Gas*), each **CONTRACTOR** Entity shall be entitled to receive, take in kind and to export freely all Available Petroleum to which it is entitled for recovery of its Petroleum Costs in accordance with the provisions of this Contract and to retain Abroad any proceeds from the sale of all such Available Petroleum.”
- 6.34 Article 26.2 is deleted in its entirety and restated as follows:
- “26.2 Subject to Article 14 (*Natural Gas*), from First Production and as and when Petroleum is being produced, the **CONTRACTOR** shall be entitled to take a percentage share of Profit Crude Oil and/or Profit Natural Gas, in consideration for its investment in the Petroleum Operations, which percentage share shall be determined in accordance with Article 26.5. The **GOVERNMENT** or any other holder of all or any part of the Government Interest is entitled to be attributed and allocated a percentage share of Profit Petroleum in accordance with the participating interest of the Government Interest.”
- 6.35 Article 27.3 is deleted in its entirety and restated as follows:
- “27.3 The **CONTRACTOR** shall determine the value of Natural Gas at the end of each Month and each Quarter based at the actual prices obtained at the point of sale in accordance with gas sales contracts under an Approved Gas Commercialisation Plan. The “point of sale” will be such point as identified by the Parties in relevant gas sales contracts under the Approved Gas Commercialisation Plan.”

- 6.36 Article 30.3 is amended by inserting in the beginning the following: “Subject, in the case of Natural Gas, to Article 14 (*Natural Gas*).”
- 6.37 Article 32.6 (first paragraph) is deleted in its entirety and replaced by the following text: “Reserved.”
- 6.38 In Articles 32.6.2 and 26.9 and in the definition of “**Rights Sale**” the terms “Capacity Building Payment Installment” and “Capacity Building Payment Installments” are deleted and replaced with the terms “Capacity Building Payment” and “Capacity Building Payments”, as the context may require.
- 6.39 In Articles 32.6.2(d) and 32.6.2(e) the term “Capacity Building Value” is deleted and replaced with the term “Capacity Building Payment”.
- 6.40 After Article 33.3, new Articles 33.3.1, 33.3.2, and 33.3.3 are added as follows:
- “33.3.1 The **CONTRACTOR** has no right and is not authorised under this Contract to construct Natural Gas pipelines or to ship Natural Gas, including to a Natural Gas or condensate processing plant, except in accordance with an Approved Gas Commercialisation, an Approved Pipeline Development Plan, and Approved Work Plans and Budgets.
- 33.3.2 The **CONTRACTOR** shall submit a proposed pipeline Development Plan for the approval of the Management Committee. In respect of any Gas Field, such proposed Pipeline Development Plan must be submitted together with the proposed Development Plan for the Gas Field.
- 33.3.3 The **GOVERNMENT** has absolute discretion in the interests of the Kurdistan Region in considering whether to instruct its designee on the Management Committee to vote to approve or reject a proposed pipeline project.”
- 6.41 Article 44 is deleted in its entirety and restated as follows:
- “44.1 A Party giving any notice or making any request, demand, or other communication to another Party (each a “**notice**”) shall do so in writing, express the notice in English, address such notice as provided in Article 44.3, and use one of the following methods to deliver such notice, each of which, for the purposes of this Contract is a writing:
- (a) personal delivery;
- (b) email; and
- (c) internationally recognised air courier, with all fees prepaid, and, in the case of any notice to the Government, with a reputable international air courier company with an establishment in Erbil in the Kurdistan Region.
- 44.2 Any notice or communication not provided in English is not valid unless acknowledged and accepted by the recipient.
- 44.3 Each Party shall address notices in respect of this Contract:
- To the Government:**
- Government of the Kurdistan Region of Iraq

Attention: [REDACTED]
Address: [REDACTED]
[REDACTED]
Email: [REDACTED]

To GNME:
Gazprom Neft Middle East B.V.
Attention: [REDACTED]
Address: [REDACTED]
Email: [REDACTED]

To WesternZagros:
Attention: [REDACTED]
Address: [REDACTED]
Email: [REDACTED]

with a copy to WesternZagros Resources Ltd:
Attention: [REDACTED]
Address: Suite 600
440 Second Avenue
Calgary, Alberta
Canada T2P 5E9
Email: [REDACTED]

- 44.4** A notice is effective only if the Party giving or making the notice has complied with this Article 44 and if the addressee has received the notice.
 - 44.4.1** If a notice is delivered to the recipient in person, the notice will be considered received by the addressee by the date set forth in the signed receipt.
 - 44.4.2** If a Party sends a notice by an internationally recognised air courier in accordance with this Article 44, the notice will be considered received by the addressee by the date set forth in the signed receipt.
 - 44.4.3** If a Party sends a notice by email and the email transmission is followed by delivery of the Notice by air courier in accordance with this Article 44 or is acknowledged by the recipient, the notice will be considered to have been delivered to the

addressee when the email departed the gateway of the sender.

44.5 A Party may change its address by a prior notice to the other Party in accordance with this Article 44.

6.42 Article 45.3 is deleted in its entirety and restated as follows:

“45.3 On not less than 30 days’ prior notice to the **CONTRACTOR**, the **GOVERNMENT** may terminate this Contract, or the interests of an individual **CONTRACTOR** Entity under this Contract, if a competent authority has reasonably determined (in a proceeding applying due process):

- (a) that this Contract has been obtained by the **CONTRACTOR**, a **CONTRACTOR** Entity, or any Person acting on behalf of the **CONTRACTOR**, in violation of Corrupt Practices Laws;
- (b) that a permit, authorisation, approval, consent, extension, or waiver in connection with this Contract or Petroleum Operations has been obtained by the **CONTRACTOR**, a **CONTRACTOR** Entity, or any Person acting on behalf of the **CONTRACTOR**, in violation of Corrupt Practices Laws;
- (c) that the **CONTRACTOR**, a **CONTRACTOR** Entity or any affiliate of a **CONTRACTOR** Entity has, in the clauses of any agreement or letter of representations provided by it to the **GOVERNMENT** related to bribery, corrupt practices, intermediaries, and the holding of interests under the Contract for the benefit of a third party, made an untrue statement of material fact or has omitted to state a material fact; or
- (d) that any part of any participating interest held by the **CONTRACTOR**, a **CONTRACTOR** Entity or any affiliate of a **CONTRACTOR** Entity under (including any profits derived in respect of) the Contract is held or payable to, directly or indirectly, to or for the benefit (directly or indirectly) of any third party (other than for an affiliate of that **CONTRACTOR** Entity), except only where the specific arrangement and parties benefiting from the arrangement have been disclosed in writing to the **GOVERNMENT** prior to the date of the First Assignment Agreement; including the holding or paying of such interest or profits in breach of Article 55 of the Kurdistan Region Oil and Gas Law or other Corrupt Practices Laws.

45.3.1 Any final (not subject to further appeal) determination, judgment, sanction, or conviction, including under a consent order in which there is a finding or admission of the factual circumstances described in Article 45.3(a) or (b) (or both), of a judicial or regulatory authority in the United States of America, England, or a legal jurisdiction where a **CONTRACTOR** Entity or its ultimate parent company is incorporated, with jurisdiction over a **CONTRACTOR** Entity or an affiliate of such **CONTRACTOR** Entity, will be a reasonable determination for the purposes of Article 45.3 (*Corrupt Practices Laws*) and will be conclusively determinative.

45.3.2 Unless the **GOVERNMENT** has cancelled a notice of termination this Contract will be terminated as of the end of the 30-day notice period referred to in Article 45.3.”

7 REPRESENTATIONS

- 7.1** GNME and WesternZagros, each for itself and on an individual basis only, makes each of the following representations as of the Agreement Date and the Completion Date:
- 7.1.1** Its entry into and performance of this agreement by it have been authorised by all necessary corporate action.
 - 7.1.2** This agreement constitutes a valid, legal, and binding agreement of it, and is enforceable against it in accordance with its terms.
 - 7.1.3** It has received all authorisations and consents required under the law under which it is organised and its organisational agreements that are or will be necessary for the entry into and performance by it, and the validity and enforceability against it, of this agreement.
 - 7.1.4** Except as provided in the next sentence, there is no law or agreement to which it is a party that conflicts with, or prevents entry into, delivery, and performance by it of, or calls into question the validity, legality and enforceability against it of, this agreement. No representation is made in respect of the laws of the Kurdistan Region or Iraq.
 - 7.1.5** It is not a party to any administrative or judicial proceeding or arbitration that could affect the validity or enforceability of this agreement as to it.
 - 7.1.6** Neither it nor any of its affiliates has made, offered, or authorised (and has not agreed to make and does not expect will be made), with respect to the matters which are the subject of this agreement any payment, gift, promise or other advantage, whether directly or through any other person, to or for the use or benefit of any public official (*i.e.*, any person holding a legislative, administrative or judicial office, including any person employed by or acting on behalf of the Government) or any political party or political party official or candidate for office, where such payment, gift, promise or advantage violates: (a) the laws of the Kurdistan Region or of Iraq; (b) the laws of the place of its incorporation or its principal place of business; (c) the laws of the place of incorporation or principal place of business of any of its affiliates; or (d) the principles described in the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris on 17 December 1997, which entered into force on 15 February 1999, and the Convention’s Commentaries.
 - 7.1.7** No part of its Participating Interest under (including any profits it may have derived in respect of) the Contract is held or payable to, directly or indirectly, to or for the benefit (directly or indirectly) of any third party (other than to its affiliate).

- 7.1.8 Neither it nor any of its affiliates is a party to any agreement, howsoever characterised, or committed to enter into any such agreement, for the services of any broker, finder or facilitator or other intermediary in respect of the Contract or this agreement.
 - 7.1.9 Neither it, nor any of its affiliates and current shareholders, officers, directors, agents, and employees and assigns has any claims against the Government, and the Government (to the best knowledge of the representing Party) is not in default of any obligation to the representing Party, whether arising under or related to the Contract or otherwise.
 - 7.1.10 It has no claims or potential claims against the Government.
- 7.2 GNME and WesternZagros, as applicable, severally and without any joint liability, shall indemnify the Government for any damages, loss, or expense of the Government arising out of, or related to, any of its representations set forth in clause 7.1 being untrue, including attorneys' fees and expenses.

8 REMEDIES

- 8.1 Any enumeration of rights and remedies is not intended to be exhaustive.
- 8.2 The exercise of a right or remedy by a Party will not preclude the exercise of any other right or remedy by such Party, whether pursuant to this agreement, any other agreement between the Parties, or by law.
- 8.3 The failure of a Party to exercise, or a Party's delay in exercising, a right or remedy provided by this agreement or by law will not constitute a waiver of that right or remedy or a waiver of other rights or remedies.
- 8.4 No single or partial exercise of a right or remedy by a Party prevents a further exercise of that right or remedy or the exercise of another right or remedy by such Party.
- 8.5 If arbitration or other proceedings are required to enforce any provision of this agreement or to enforce an award, the prevailing Party shall be entitled to an award of reasonable costs and expenses of such proceedings, including reasonable attorneys' fees.

9 NO THIRD PARTY RIGHTS

This agreement does not create any right under the Contracts (Rights of Third Parties) Act 1999 (England) that is enforceable by any third party. The Parties may rescind or vary the terms of this agreement without notice to or the consent of any third party.

10 NOTICES

- 10.1 A Party giving any notice or making any request, demand, or other communication to another Party (each a "notice") shall do so in writing, express the notice in English, address such notice as provided in clause 10.3, and use one of the following methods to deliver such notice, each of which, for the purposes of this Contract is a writing:
 - (a) personal delivery;
 - (b) email; and

(c) internationally recognised air courier, with all fees prepaid, and, in the case of any notice to the Government, with a reputable international air courier company with an establishment in Erbil in the Kurdistan Region.

10.2 Any notice or communication not provided in English is not valid unless acknowledged and accepted by the recipient.

10.3 Each Party shall address notices in respect of this agreement in accordance with the details set forth in annex 1 (*Contact Details*).

10.4 A notice is effective only if the Party giving or making the notice has complied with this clause 10 and if the addressee has received the notice.

10.4.1 If a notice is delivered to the recipient in person, the notice will be considered received by the addressee by the date set forth in the signed receipt therefor.

10.4.2 If a Party sends a notice by an internationally recognised air courier in accordance with this clause 10, such notice will be considered received by the addressee by the date set forth in the signed receipt therefor.

10.4.3 If a Party sends a notice by email and the email transmission is followed by delivery of the notice by air courier in accordance with this clause 10 or is acknowledged by the recipient, such notice will be considered to have been delivered to the addressee when the email departed the gateway of the sender.

10.5 A Party may change its address by a prior notice to the other Parties in accordance with this clause 10.

11 CHOICE OF LAW; SOVEREIGN IMMUNITY

11.1 This agreement (and any non-contractual obligations arising out of or in connection with it) is governed by English law.

11.2 Each Party hereby fully and irrevocably waives any claim to immunity for itself or any of its assets. This waiver includes any claim to immunity from:

(a) any arbitration proceedings commenced pursuant to clause 12;

(b) any judicial, administrative or other proceedings to aid the arbitration proceedings commenced pursuant to clause 12; and

(c) any effort to confirm, enforce or execute any decision, settlement, award, judgment, service of process, execution order, or attachment (but not any pre-judgment attachment) that results from an arbitration or any judicial, administrative, or other proceedings commenced pursuant to this agreement.

12 ARBITRATION

12.1 The Parties shall exclusively refer any dispute, claim, or controversy 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 under the rules of the London Court of International Arbitration (“**LCIA**”), which rules are incorporated by reference into this clause.

- 12.2** The language of the arbitration will be English and any award will be written in the English language. The seat, or legal place, of the arbitration will be London, England.
- 12.3** The arbitral tribunal will comprise three arbitrators.
- 12.3.1** If the Government is a party, the Government shall appoint one arbitrator, and the other parties shall together appoint one arbitrator.
- 12.3.2** If the Government is not a party and GNME and WesternZagros are parties, GNME shall appoint one arbitrator, and WesternZagros shall appoint one arbitrator.
- 12.3.3** The two arbitrators so appointed pursuant to clause 12.3.1 or 12.3.2, as applicable, shall use reasonable efforts to agree on the appointment of third arbitrator, who will chair the arbitral tribunal.
- 12.3.4** In the case of a failure to appoint an arbitrator or of the appointed arbitrators to agree on the appointment of the third arbitrator, the rules of the LCIA will apply.
- 12.4** The arbitral award may be enforced by any court of competent jurisdiction.
- 12.5** Any award must be expressed in United States dollars.
- 12.6** The arbitral award will be final and not subject to any appeal.
- 12.7** A Party may seek enforcement of an arbitral award by any court of competent jurisdiction.
- 12.8** If any question of law arises during the arbitral proceedings or arises out of an award, a Party shall not make an application or bring an appeal to the High Court of England and Wales on a question of law, and each Party expressly waives its rights to make an application or bring an appeal under Articles 45 or 69 of the English Arbitration Act 1996 (England).

13 AMENDMENT; WAIVER

- 13.1** The Parties may amend this agreement only by an agreement of the Parties that identifies itself as an amendment to this agreement.
- 13.2** 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.
- 13.3** Any amendment, waiver, or consent signed by the Minister is binding on the Government.
- 13.4** 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.
- 13.5** 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.

13.6 No waiver or amendment in respect of this agreement will constitute a waiver or amendment of any other agreement between the Parties.

14 SEVERABILITY

If any provision of this agreement is held to be illegal, invalid, or unenforceable, in whole or in part:

- (a) such provision, or part, will to that extent be deemed not to form part of this agreement; and
- (b) the legality, validity, and enforceability of the remainder of this agreement shall not be affected.

15 COSTS

15.1 Each Party shall bear sole responsibility for any costs or expenses, including attorneys' fees, it incurs in connection with preparation and performance of this agreement.

15.2 No Party has or will have any obligation, and no Party has agreed to any liability, to reimburse any other Party in respect of any costs or expenses incurred by that Party in connection with the negotiation and documentation of this agreement.

16 MERGER

16.1 This agreement constitutes the final, complete and exclusive expression of the Parties' agreement on the matters contained in this agreement.

16.2 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.

16.3 The provisions of this agreement may not be explained, supplemented or qualified through evidence of trade usage or a prior course of dealings.

16.4 In entering into this agreement, no Party has relied upon any statement, representation, warranty, or agreement of the other Party except for those expressly contained in this agreement.

16.5 There are no conditions precedent to the effectiveness of this agreement, or any provision hereof, other than those expressly stated in this agreement.

17 BINDING AGREEMENT; NO ASSIGNMENT

Neither WesternZagros nor GNME may assign all or any of its rights or obligations under this agreement. Any purported assignment will be void and the assignor shall remain jointly and severally liable together with the purported assignee. Without limiting the foregoing, this agreement binds and inures to the benefit of the Parties and their respective successors and assigns.

18 FURTHER ASSURANCES

Each Party shall timely exercise all commercially reasonable endeavours to take, or cause to be taken, all actions necessary or desirable to consummate and make effective the transactions this agreement contemplates, including in respect of the actions required to be taken or procured by it in order for a Party to determine that the requirements for

completion are timely accomplished so that events triggering mandatory termination as set forth in clause 2.3 do not occur.

19 COUNTERPARTS

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 electronic scan 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 the other Parties. In proving this agreement, a Party must produce or account only for the executed counterpart of the Party to be charged.

[Signature page follows.]

For and on behalf of:

Gazprom Neft Middle East B.V.

Signature... "Vladislav V. Baryshnikov"

Vladislav V. Baryshnikov

Attorney

WesternZagros Limited

Signature... "M. Simon Hatfield"

Title:.....Director.....

Name:.....M. Simon Hatfield..

The Kurdistan Regional Government of Iraq

By:... "Barham Salih"

.....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"

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, Novation and First Amendment Agreement between the Government,
GNME and WesternZagros - Garmian]

Annex 1
Contact Details

To the Government:

Attention: [REDACTED]
Address: [REDACTED]
Email: [REDACTED]

To GNME:

Attention: [REDACTED]
Address: [REDACTED]
Email: [REDACTED]

To WesternZagros:

Attention: [REDACTED]
Address: [REDACTED]
Email: [REDACTED]

with a copy to WesternZagros Resources Ltd:

Attention: [REDACTED]
Address: Suite 600
440 Second Avenue
Calgary, Alberta
Canada T2P 5E9
Email: [REDACTED]

Annex 2
Early Production Authorisation

1 AUTHORISATION

- 1.1 The Government authorised the production of Crude Oil by the Contractor from the Sarqala-1 well: after the Contractor provided the Government with a notice of Discovery, a Discovery Report and Appraisal Work Program and Budget in accordance with Articles 12.1 and 12.2 of the Contract; prior to the submission by the Contractor to the Management Committee of an Appraisal Report in accordance with Article 12.4 of the Contract; and prior to submission and approval of a Development Plan in accordance with Articles 12.8 and 12.9 of the Contract (such production “**Early Production**”).
- 1.2 The purpose of the authorisation of Early Production (the “**Early Production Authorisation**”) was to allow the Contractor to perform an extended early well test before First Production under an approved Development Plan, to dispose of the well test petroleum in an efficient manner, and to provide for the temporary recovery of Petroleum Costs and sharing of petroleum from Early Production.
- 1.3 The Early Production Authorisation was effective from 23 October 2011 and terminated on 31 May 2012.

2 APPLICATION OF CONTRACT TERMS

- 2.1 The Parties agree that the fiscal terms of Articles 24 (*Royalty*), 25 (*Recovery of Petroleum Costs*), 26 (*Sharing of Profit Petroleum*), and 27 (*Valuation and Metering of Crude Oil and Natural Gas*) of the Contract apply to Early Production as if Early Production took place in accordance with a Development Plan after First Production.
- 2.1.1 The sales of Early Production were Arm's Length Sales that have been approved by the Government in accordance with Article 27.

3 CUMULATIVE PRODUCTION

- 3.1 As at the termination of the Early Production Authorisation, cumulative Early Production was 951,489 barrels of Crude Oil. This volume will, after First Production, be taken into account in calculating any Production Bonus owing to the Government.
- 3.2 As of the Agreement Date, no amount pursuant to Article 32.3(a)(1) (*Production Bonuses*) in respect of Early Production is due to the Government.

4 PAST COST RECOVERY AND PROFIT CRUDE OIL; GOVERNMENT PAYMENTS

- 4.1 In accordance with clause 2.1 of this annex 2, as of the Agreement Date:
- (a) WesternZagros has received US\$55,223,194.00 from the sale of the Contractor's share, and the Government's share, of Early Production Crude Oil;
- (b) the amount of Petroleum Costs incurred by the Contractor in accordance with the Early Production Authorisation is US\$188,078,000;
- (c) of such amount, WesternZagros has recovered US\$22,365,393.57, and has not recovered US\$165,712,606.43;

- (d) WesternZagros has received, in accordance with the Early Production Authorisation, US\$3,712,158.32 in Profit Crude Oil; and
- (e) the Government has taken US\$2,712,069 of Profit Crude Oil in kind.

4.2 Within 30 days of the Agreement Date, WesternZagros shall pay the Government:

- (a) US\$5,522,319 as Royalty for Early Production; and
- (b) US\$23,623,323 in Profit Crude Oil from Early Production, which amount comprises:
 - (1) US\$17,768,063 allocable to the Government in accordance with Article 26.5 (net of any Profit Crude Oil allocable to the Government Interest and the Third Party Interest);
 - (2) US\$114,809 allocable to the Government in accordance with Article 26.9(b);
 - (3) US\$1,913,484 allocable to the Government Interest; and
 - (4) US\$3,826,967 allocable to the 40% Third Party Interest;

and against which amount WesternZagros may set off US\$2,712,069, being the value of Early Production Profit Crude Oil taken by the Government in kind, with a balance of US\$20,911,254 payable to the Government.

5 WAIVER

- 5.1** Subject to clause 5.2 and 5.3, below, and only to the extent necessary to permit Early Production (including cost recovery and profit petroleum sharing for Early Production in accordance with this Annex 2), the Government and WesternZagros have fully and irrevocably waived: (a) Articles 2.6 (*Scope of the Contract*), 12.6, 12.8 and 12.9 (*Discovery and Development*), 25.3 and 25.4 (*Recovery of Petroleum Costs*), and 26.2 and 26.5 (*Sharing of Profit Petroleum*); and (b) any other provisions of the Contract (as amended by this agreement) that are at variance with the provisions of this annex 2 related to Early Production.
- 5.2** The Government has waived no provision relating to the term of the Exploration Period, the term of the Development Period, and the obligations of the Contractor as at the Agreement Date in accordance with Article 12 of the Contract (*Discovery and Development*).
- 5.3** The Early Production Authorisation does not constitute a waiver by the Government of any provision of the Contract (as amended by this agreement) to any greater extent than as set forth in this annex 2.
- 5.4** WesternZagros shall hold harmless and indemnify GNME in respect of claims losses, expenses and entitlements that it may have or have incurred arising from or related to this Annex 2 and Early Production: (i) whether past or present, actual, prospective or contingent; (ii) whether or not it was aware, or should have been aware of such rights, losses, expenses, claims or entitlements at the Agreement Date, the Completion Date, or any other time; and (iii) whether arising in contract (including the Contract), tort, equity, under statute or otherwise.

6 Merger

There are no other understandings, agreements, or representations (whether written or otherwise communicated) in respect of Early Production except as set forth in this annex 2 and the Contract (as amended by this agreement).