

AMENDMENT AGREEMENT

relating to

the amendments to the Production Sharing Contract relating to the Kalar-Bawanoor Block

among

THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ

and

WESTERNZAGROS LIMITED

and

TALISMAN (BLOCK K44) B.V.

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AMENDMENT AGREEMENT

This agreement (the “**Agreement**”) is entered into on 25 July 2011 and effective 31 December, 2010 (the “**Agreement Date**”) among:

- (1) **THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ** (the “**Government**”);
- (2) **WESTERNZAGROS LIMITED**, a company established and existing under the laws of the Republic of Cyprus, whose office is at Suite 600, 440 Second Avenue SW, Calgary, Alberta, Canada (“**WesternZagros Limited**”); and
- (3) **TALISMAN (BLOCK K44) 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**”)

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

RECITALS

- (A) The Government, WesternZagros Limited and Talisman are parties to a Production Sharing Contract dated 28 February 2008 in respect of the Kalar-Bawanoor Block in the Kurdistan Region of Iraq (the “**Contract**”), and a Completion Agreement dated 19 June 2008 whereby the Government transferred the Third Party Interest to Talisman (the “**Completion Agreement**”).
- (B) In connection with the Completion Agreement, the Government and Talisman entered into a Third Party Participation Agreement dated 19 June 2008 (the “**Participation Agreement**”) concerning the payment by Talisman of certain sums to the Government for the purpose of providing financial support to infrastructure and capacity building projects for the benefit of the people of Kurdistan.
- (C) The Parties wish, effective from the Completion Date, to (i) divide the Contract Area existing prior to the Agreement Date into two separate contract areas, one governed by the Contract and the remaining area governed by a new Production Sharing Contract to be entered into between the Government and WesternZagros Limited; and (ii) as a consequence of such division, change the name of the Contract Area from “Kalar-Bawanoor” to “Kurdamir”.
- (D) The Parties are willing, effective from the Completion Date, to agree to amendments to the Contract to effect a reduction of the Contract Area and to facilitate entry into the new Production Sharing Contract.

- (E) The Parties further wish to confirm that a Public Company, as holder of the Government Interest, has the rights, duties, obligations and liabilities of the Contractor (save as provided in and subject to Article 4 of the Contract) under the Contract in respect of the Contract Area of twenty per cent (20%), but that the Public Company is not a Contractor Entity. The Parties are willing to agree to amendments to the Contract, effective from the Completion Date, to effect this purpose.
- (F) WesternZagros Limited wishes (i) to confirm that the Consulting Agreements (as defined in this Agreement) have been terminated, and (ii) prior to the Completion Date, to terminate the interests in the production sharing contracts acquired under the Consulting Agreements.
- (G) The Parties wish to make such further amendments to the Contract as may be appropriate.
- (H) In connection with entering into this Agreement, the Government and Talisman are entering into a First Amendment Agreement dated concurrently herewith relating to the Participation Agreement (the “**First Amendment Agreement**”).
- (I) Concurrently with the Agreement Date and effective as of the Agreement Date and the Completion Date, WesternZagros Limited, Talisman, WesternZagros Resources Ltd. and Talisman Energy Inc. (as defined in this Agreement) have delivered letters of representations and warranties to the Government (the “**Letters of Representations and Warranties**”).
- (J) The Parties affirm their ongoing commitment and adherence to the Principles and Criteria of the Extractive Industries Transparency Initiative (EITI).

1. STATUS OF AGREEMENT; COMPLETION

- 1.1** This Clause 1 (*Status of Agreement; Completion*), Clause 2 (*Definitions and Interpretation*), Clause 4 (*Representations*), Clause 5 (*Release*), and Clause 6 (*General Provisions*) come into effect on the Agreement Date.
- 1.2** The Clauses of this Agreement other than those listed in Clause 1.1 come into effect on the Completion Date, as defined in Clause 1.3.
- 1.3** The requirements for completion are set forth in Annex 3. The **Completion Date** means and will be the date set forth in a certificate of completion signed by the Minister of Natural Resources, Talisman and WesternZagros Limited in the form and content as set forth in Annex 4.
- 1.4** If the Completion Date has not occurred by 31 July 2011, or such later date as the Government may set, then this Agreement shall terminate automatically and, except as provided in Clause 1.5, the Parties shall treat this Agreement as void *ab initio*.
- 1.5** On termination under Clause 1.4, each Party will be discharged from any further obligations or liabilities under this Agreement without prejudice to any liabilities that have accrued up to the date of termination of this Agreement.

2. DEFINITIONS AND INTERPRETATION

2.1 Unless otherwise defined herein (including the recitals) capitalised terms have the meanings ascribed to them in the Contract (before amendment by this Agreement). As used in this Agreement:

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

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

“**Consulting Agreements**” means those agreements identified in Annex 1 of the Letter of Representations and Warranties delivered by WesternZagros Limited and WesternZagros Resources Ltd.

“**Contract**” is defined in Recital (A) and shall be construed to include all amendments thereto.

“**First Amendment Agreement**” is defined in Recital (H).

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

“**Participation Agreement**” is defined in Recital (B).

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

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

“**Talisman Energy Inc.**” means a corporation incorporated under the federal laws of Canada.

“**Third Party**” is defined in Clause 6.2.

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

“**WesternZagros Resources Ltd.**” means a company established and existing under the laws of the province of Alberta, Canada.

2.2 The 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. A reference to a “Clause” is a reference to a clause of this Agreement.

3. AMENDMENTS TO CONTRACT

3.1 The Contract is amended as provided in this Clause 3.

Recitals

3.2 The portion of the first paragraph of the Contract, following the word “between” setting out the parties shall be deleted and restated as follows:

“AND AMONG

The **KURDISTAN REGIONAL GOVERNMENT OF IRAQ** (the “**GOVERNMENT**”);

AND

WESTERNZAGROS LIMITED, a company established and existing under the laws of Cyprus, whose office is at Suite 600, 440 Second Avenue SW, Calgary, Alberta, Canada;

AND

TALISMAN (BLOCK K44) 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.

(hereafter individually referred to as a “**Party**” and collectively as the “**Parties**”).”

3.3 The recitals are amended:

(a) by adding a new paragraph (C):

“(C) The Parties affirm their ongoing commitment and adherence to the Principles and Criteria of the Extractive Industries Transparency Initiative (EITI);”;

(b) by renumbering the existing paragraph (C), “(D)”; the existing paragraph (D), “(E)”; the existing paragraph (E), “(F)”; and the existing paragraph (F), “(G)”;

(c) by deleting the existing paragraph (G) and by adding a new paragraph (H):

“(H) Following such review in relation to the Original Contract, the **GOVERNMENT** and WesternZagros Limited amended and restated the Original Contract on 28 February 2008;”;

(d) by renumbering: the existing paragraph (H), “(I)”;

- (e) by adding a new paragraph (J):
- “(J) The Contract was amended by the Amendment Agreement among the Parties dated 25 July 2011, and effective 31 December, 2010;”;
- (f) by renumbering the existing paragraph (I), “(K)” and in that paragraph (K), replacing the words “WesternZagros Limited” with “Each **CONTRACTOR** Entity”;
- (g) by adding a new paragraph (L):
- “(L) Talisman (Block K44) B.V. has acquired, as of 27 June 2008 (the “**Participation Date**”), the Third Party Interest from the **GOVERNMENT** in accordance with Articles 4.6 to 4.11, inclusive, pursuant to a Completion Agreement among the Parties dated 19 June 2008 (the “**Completion Agreement**”); and”;
- (h) by adding a new paragraph (M):
- “(M) In connection with the Completion Agreement, the **GOVERNMENT** and Talisman entered into a Third Party Participation Agreement dated 19 June 2008, as amended by the First Amendment Agreement dated 25 July 2011 (the “**Participation Agreement**”) concerning the payment by Talisman of certain sums to the Government for the purpose of providing financial support to infrastructure and capacity building projects for the benefit of the people of Kurdistan.”.

Definitions

- 3.4** In Article 1.1, the definitions of “**CONTRACTOR**” and “**CONTRACTOR** Entity” are deleted in their entirety and restated as follows:

“**CONTRACTOR** means, individually and jointly, each **CONTRACTOR** Entity.

CONTRACTOR Entity means each of Talisman and WesternZagros Limited and their respective permitted successors and assignees pursuant to Article 39. A holder of the Government Interest is not 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 deemed to mean “the entity constituting the **CONTRACTOR**”. As of the Participation Date, Talisman and WesternZagros Limited, as **CONTRACTOR** Entities, each own an undivided interest in the Petroleum Operations in respect of the entire Contract Area:

WesternZagros Limited	40%
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The balance of the interest in Petroleum Operations in respect of the entire Contract Area, being twenty per cent (20%), is the Government Interest, as further described and defined in Article 4.”

3.5 New definitions are added in Article 1.1, in the appropriate alphabetical order, as follows:

“**Aaliji** means the Aaliji formation of the Paleocene age, in all or in part.

Act of Insolvency means, in respect of any Party:

(a) that it is unable, or will be unable, to timely satisfy all of its financial obligations under the Contract and to other Parties in relation to the Contract; or

(b) the insolvency, winding-up, dissolution, administration or liquidation of that Party, the making by it of any arrangement or composition with its creditors or the taking of possession by an encumbrancer of, or the appointment of a receiver or administrative receiver over, the whole or any substantial part of its property or assets or its ceasing or threatening to cease to carry on business and any equivalent or analogous procedures by whatsoever name known and in whatsoever jurisdiction.

The "winding-up" of a Party also includes the amalgamation, reconstruction, reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise), administration, dissolution, liquidation, merger or consolidation of that Party and any equivalent or analogous procedure under the law of any jurisdiction in which that Party is incorporated, domiciled, or resident or carries on business or has assets.

Amendment Agreement means the Amendment Agreement among the GOVERNMENT, WesternZagros Limited, and Talisman dated 25 July 2011, and effective as of 31 December, 2010.

Amendment Date means 31 December, 2010.

Completion Agreement is defined in Recital (L).

Corrupt Practices Laws means, assuming the following are applicable to each CONTRACTOR Entity, whether or not actually applicable or in effect:

- (a) the Laws of the Kurdistan Region and of Iraq in respect of bribery, kickbacks, and corrupt business practices;
- (b) the Foreign Corrupt Practices Act of 1977 of the United States of America (Pub. L. No. 95-213 §§ 101-104 *et seq*), as amended;
- (c) the Corruption of Foreign Public Officials Act of Canada;

- (d) the OECD 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;
- (e) the Bribery Act 2010; and
- (f) any other Law of general applicability relating to bribery, kickbacks, and corrupt business practices.

Cretaceous means the Shiranish formation of the Cretaceous age, in all or in part.

Determination Meeting is defined in Article 4.14(b).

Disputed Matter is defined in Article 4.14(a).

Kurdamir-1 Well is defined in Article 10.2(e).

Kurdamir-2 Well is defined in Article 10.2(e).

Oligocene means the Kirkuk group of the Oligocene age, in whole or in part.

Participation Agreement is defined in Recital (M).

Participation Date is defined in Recital (L).

Proposal is defined in Article 4.14(b).

Talisman means Talisman (Block K44) B.V., the limited liability company (*Besloten Vennootschap met beperkte aansprakelijkheid*) established and existing under the laws of the Netherlands, whose registered office is at Atrium Building, Strawinskyiaan 3159, 1077 ZX Amsterdam, the Netherlands, and/or any successor or assignee of all or part of the rights and obligations of Talisman (Block K44) B.V. under this Contract.

Talisman Capacity Building Bonus is defined in Article 32.2.2.

WesternZagros Capacity Building Bonus is defined in Article 32.2.1.

WesternZagros Interest means all or any part of the participating interest hereunder deemed held by WesternZagros Limited as of the Effective Date.

WesternZagros Interest Holder means a **CONTRACTOR** Entity to the extent it is a holder of a WesternZagros Interest. As of the Effective Date, WesternZagros Limited is the only WesternZagros Interest Holder.”

3.6 In Article 1.1, the definition “Minimum Financial Commitment” is deleted and replaced in its entirety:

“**Minimum Financial Commitment** means:

- (a) in respect of the First Sub-Period, the amount set out in Article 10.2(f); and
- (b) in respect of the Second Sub-Period, the total of the amounts set out in Article 10.3(a) and 10.3(b).”

3.7 In Article 1.1, the definition of “Petroleum Costs” is amended by adding the following new paragraph after paragraph (b):

“Notwithstanding the foregoing, Petroleum Costs shall not include those costs solely incurred by WesternZagros Limited before the Amendment Date, which amount to eighty million Dollars (US\$80,000,000) and which the **GOVERNMENT** and WesternZagros Limited wish to allocate as petroleum costs which are cost recoverable to another production sharing contract (in respect of an area known as the Garmian Block). Those costs to be allocated to the Garmian PSC are further detailed in Annex 2 to this Agreement, and represent costs which: (a) relate exclusively to petroleum operations performed in the Contract Area of the Garmian PSC and (b) except as noted in Annex 2, represent not more than 60% of the costs of such petroleum operations.”

3.8 In Article 1.1, the definitions “First Exploration Well”, “Second Exploration Wells” are deleted.

3.9 In Article 1.1, the definition of “Original Contract” is amended by adding the words “and 28 February, 2008” after “26 February, 2007”.

Contract Area

3.10 Article 3 of the Contract is deleted in its entirety and restated:

“The Contract Area covers the Kurdamir Block (formerly part of the block named the “Kalar-Bawanoor Block”) and extends over an area of three hundred and forty square kilometres (340 km²), as detailed and indicated on the map attached in Annex A and is delimited by the following coordinates:

Kalar-Bawanoor Block				
Point	Easting	Northing	Longitude	Latitude
E1	518326.91	3883273.04	45.20106	35.09208
E2	532347.44	3880312.81	45.35477	35.06503
E3	538210.27	3883689.15	45.41922	35.09527
F	556544.53	3863905.79	45.61902	34.91603
f	553441.19	3859637.79	45.58477	34.87771
e	536640.00	3871380.00	45.40145	34.98434
d	526720.00	3873930.00	45.29284	35.00764
c	524040.00	3875760.00	45.26352	35.02421
b	518926.57	3877080.68	45.20750	35.03623
a	514750.00	3880500.00	45.16177	35.06713

Projection of Easting and Northing points:

Projected Coordinate System: WGS 1984 UTM Zone 38N

Projection: Transverse Mercator

False Easting: 500000.00000000

False Northing: 0.00000000

Central Meridian: 45.00000000

Scale Factor: 0.99960000

Latitude Of Origin: 0.00000000

Linear Unit: Meter

Projection of Longitude and Latitude points:

Geographic Coordinate System: GCS WGS 1984

Datum: D WGS 1984

Prime Meridian: Greenwich

Angular Unit: Degree

The **GOVERNMENT**, by execution of this Contract, hereby validates and approves the foregoing co-ordinates of the Contract Area.

The total area of the Contract Area may be reduced only in accordance with the provisions of this Contract.”

- 3.11** Annex A to the Contract is deleted in its entirety and restated as provided in Annex 1 attached to this Agreement.

Operator

- 3.12** Talisman shall be appointed to act as the Operator on behalf of the **CONTRACTOR** effective the first day of the month following the month in which the Completion Date occurs. Talisman and WesternZagros Limited have negotiated, agreed and executed a Joint Operating Agreement and have, on or before the Agreement Date, submitted the same to the Government for approval. This Joint Operating Agreement, as amended to take into account changes (if any) required by the Government and accepted by Talisman and WesternZagros, shall take effect on the Completion Date. The costs associated with the transition of operatorship from WesternZagros Limited to Talisman shall be considered Petroleum Costs.

3.13 Article 5.1 of the Contract is deleted in its entirety and restated:

“As of and prior to the Amendment Date, WesternZagros Limited has been and shall continue to act as Operator on behalf of the **CONTRACTOR** for the execution of Petroleum Operations, provided that on the first day of the month following the month in which the Completion Date occurs Talisman shall be appointed to act as the Operator on behalf of the **CONTRACTOR**. Any costs associated with the transition of the operatorship from one Operator to a successor Operator shall be considered Petroleum Costs that may be recovered under this Contract.”.

Exploration Period

3.14 Article 6.2 is deleted in its entirety and restated:

“The Exploration Period shall be subdivided in two (2) sub-periods as follows:

- (a) an initial sub-period (the “**First Sub-Period**”) commencing on 26 February, 2007 and terminating on 30 June 2012; and
- (b) a second sub-period of two (2) years commencing on 1 July 2012 and terminating on 1 July 2014 (the “**Second Sub-Period**”),

each a “**Sub-Period**” and collectively the “**Sub-Periods**”.

It is understood that the right of the **CONTRACTOR** to accede to the next Sub-Period shall be subject to fulfilment of the Minimum Exploration Obligations or minimum work obligations applicable to the previous Sub-Period.”

3.15 Article 6.4 is deleted in its entirety and restated:

“If the **CONTRACTOR** decides not to enter into the Second Sub-Period, it shall notify the **GOVERNMENT** at least thirty (30) days prior to the expiry of the First Sub-Period, and the Exploration Period shall expire at the end of the First Sub-Period.”

3.16 Article 6.5 is deleted in its entirety and restated:

“If the **CONTRACTOR** has fulfilled its Minimum Exploration Obligations for the Second Sub-Period of the Exploration Period but considers that additional work is required prior:

- (a) to deciding to submit an Appraisal Work Program and Budget as provided under Article 12.2 in respect of a Discovery, or
- (b) to deciding to declare a Discovery as a Commercial Discovery in accordance with Article 12.6(a) or 14.5(a), which additional work may include the preparation and/or execution of an Appraisal Work Program and Budget as provided under Article 12.2 and/or Gas Marketing Operations,

then the **CONTRACTOR** will automatically be entitled to an extension of six (6) Months of the Second Sub-Period. The **CONTRACTOR**'s notification of its intention to exercise such extension and its duration shall be submitted in writing to the **GOVERNMENT** at least thirty (30) days prior to the end of the Second Sub-Period."

3.17 Article 6.6 is deleted in its entirety.

3.18 In Article 6.8, the word "extensions" is deleted and replaced with "extension".

3.19 In Article 6.9:

- (a) the words "within the maximum" are deleted and replaced with "during the";
- (b) the words "of seven (7) Contract Years (as provided in Article 6.2)" are deleted; and
- (c) the words "(notwithstanding the maximum period provided in Article 6.2)" are deleted.

3.20 In Article 6.12, the reference to "6.10" is deleted and replaced with "6.9" and the reference to "6.11" is deleted and replaced with "6.10".

3.21 In Article 6, existing Articles 6.7 through 6.13 are renumbered 6.6 through 6.12, respectively.

Minimum Exploration Work Obligations

3.22 In Article 10, a new Article 10.5 is added as follows:

"10.5 The **CONTRACTOR** shall be obligated to:

- (a) use the Kurdamir-1 Well to evaluate the Oligocene formation; and
- (b) subject to Article 10.4(c), drill the Kurdamir-2 Well to evaluate the Aaliji, Oligocene and Cretaceous formations, and to make the Minimum Financial Commitment set forth in Article 10.2(f)."

3.23 Articles 10.2(e) and (f) are deleted and restated:

- "(e) subject to Article 10.5, drill three (3) Exploration Wells (the first two of which are the Exploration Wells completed prior to the Amendment Date known as the "**Sarqala Well**" and the "**Kurdamir-1 Well**" and the last of which is the "**Kurdamir-2 Well**"); and
- (f) commit a minimum financial amount of fifty million Dollars (US\$50,000,000) for the purpose of drilling the Kuradmir-2 Well as provided in Article 10.5.

Any insurance proceeds respecting the Kurdamir-1 Well that are received and expended by the **CONTRACTOR** for the drilling of the Kurdamir-2 Well shall be included in, and apply to the satisfaction of, such Minimum Financial Commitment; provided, however, that the costs accounted for by such insurance proceeds shall not be considered Petroleum Costs. Any funds expended by the **CONTRACTOR** in the drilling of the Kurdamir-2 Well that are not insurance proceeds also shall be included in, and apply to the satisfaction of, such Minimum Financial Commitment and shall be considered Petroleum Costs and shall be recovered by the **CONTRACTOR** in accordance with the provisions of Articles 1 and 25.”

3.24 Article 10.3 is deleted and restated in its entirety:

“During the Second Sub-Period, the **CONTRACTOR**:

- (a) shall drill one (1) Appraisal Well, committing for this purpose a minimum financial amount of thirty million Dollars (US\$30,000,000); and
- (b) may acquire, process and interpret either thirty-five (35) line kilometres of two dimensional seismic data or forty (40) square kilometres of three dimensional seismic data within the Contract Area.”

3.25 In Article 10.4:

- (a) in paragraphs (c) and (d), after each instance of the word “Exploration”, the words “or Appraisal” are added;
- (b) in paragraph (c), in the first paragraph, after “Management Committee” the words “except for the Kurdamir-2 Well, which shall be drilled to the Cretaceous,” are added.
- (c) In paragraph (c), in the last paragraph, after “Management Committee” the words “except for the Kurdamir-2 Well, which shall be deemed to have been drilled to the Cretaceous,” are added. After the last paragraph of paragraph (c), the following paragraph is added:

“The Kurdamir-2 Well shall evaluate the Aaliji, Oligocene and Cretaceous formations (subject to Article 10.5) unless:

- (vi) in the **CONTRACTOR**’s sole opinion evaluation or continued evaluation of the Aaliji, Oligocene or Cretaceous formations (as applicable) presents a hazard due to the presence of abnormal, unsafe or unforeseen conditions; or
- (vii) insurmountable technical problems are encountered rendering it impractical to evaluate or to continue to evaluate the Aaliji, Oligocene or Cretaceous formations (as applicable) with standard equipment.

If evaluation or continued evaluation of the Aaliji, Oligocene or Cretaceous formations in the Kurdamir-2 Well is prevented or stopped for any of the foregoing reasons, the Kurdamir-2 Well shall be deemed to have been successfully evaluated and the **CONTRACTOR** shall be deemed to have satisfied its Minimum Exploration Obligations in respect of the Exploration Well.”

Holder of the Government Interest

3.26 Articles 4.1 and 4.2 are deleted and restated:

“4.1 The **GOVERNMENT** shall participate in this Contract through a Public Company, effective from the Effective Date in respect of the entire Contract Area with an undivided interest in the Petroleum Operations and all the other rights, duties, obligations and liabilities of the **CONTRACTOR** (save as provided in and subject to this Article 4) under this Contract in respect of the Contract Area of twenty per cent (20%) (the “**Government Interest**”).

The holder of the Government Interest shall (i) be entitled to share, as to the extent of its Government Interest, in the **CONTRACTOR**’s entitlement to Available Crude Oil and Available Associated Natural Gas in accordance with Article 25 (subject to the cost recovery rights of WesternZagros Limited under Article 4.2); (ii) be entitled to share, as to the extent of its Government Interest, in the **CONTRACTOR**’s entitlement to Profit Petroleum in accordance with Article 26; and (iii) not be a party to any Joint Operating Agreement in respect of the Contract Area.”

4.2 The holder of the Government Interest will not have any liability to the **CONTRACTOR** to contribute its Government Interest share of all Petroleum Costs. All such Petroleum Costs are the exclusive obligation of WesternZagros Limited, and WesternZagros Limited will be entitled to recover those Petroleum Costs from the holder of the Government Interest’s share of **CONTRACTOR**’s entitlement to Available Crude Oil and Available Associated Natural Gas in accordance with Article 25. The holder of the Government Interest shall contribute its share of Production Bonuses attributable to the Government Interest and payable pursuant to Articles 32.3 and 32.4. In accordance with the principle in Article 16.13, the holder of the Government Interest will be individually and separately liable (and not jointly and severally liable with the **CONTRACTOR** Entities) to the **GOVERNMENT** for its obligations, duties and liabilities under this Contract and the provisions of Article 4.5 shall apply.”

3.27 The following further amendments are made:

(a) in Article 4.3, each instance of the word “other” and the words “as a **CONTRACTOR** Entity” are deleted;

- (b) in Article 4.4, each instance of the word “other” and the words “as a **CONTRACTOR** Entity” are deleted;
- (c) in Article 4.12(b), the words “Government Interest or” are deleted;
- (d) in Article 33.9, “, provided that where the **GOVERNMENT** is participating in its capacity as a **CONTRACTOR** Entity pursuant to Article 4, it shall be liable for its share of Petroleum Costs” is deleted;
- (e) in Article 40.2(g), the words “the **GOVERNMENT** and/or any Public Company which may be a **CONTRACTOR** entity” are replaced with “the exercise by the **GOVERNMENT** of its rights under Article 45.”; and
- (f) in Article 41, the words “which may be a **CONTRACTOR** entity” are deleted.

Government Role in Joint Operating Committee

3.28 A new Article 4.14 is inserted:

- “4.14 (a) The procedure set out in this Article 4.14 shall only apply:
- (i) where the parties to the Joint Operating Agreement are unable to reach an affirmative vote on such a matter in accordance with the relevant voting procedure specified in the Joint Operating Agreement; and
 - (ii) where there are only two (2) **CONTRACTOR** Entities under the Contract, each holding an equal percentage interest in the Contract;

and in such circumstances, a matter referred for determination in accordance with Article 4.14 shall be a “**Disputed Matter**”.

- (b) Within seven (7) days (or such lesser time as is required for “Urgent Operational Matters” as such term is defined in the Joint Operating Agreement) after delivery by Operator of each proposal (“**Proposal**”) by the **CONTRACTOR** Entities relating to the Disputed Matter, along with all such supporting documentation as was presented in relation to each Proposal, to the Minister, the **CONTRACTOR** Entities and the Minister or his designate, shall meet to discuss the Proposals (“**Determination Meeting**”) and each **CONTRACTOR** Entity shall have a reasonable opportunity at the Determination Meeting to advocate for its Proposal.
- (c) The Minister shall determine which of the Proposals shall apply and shall confirm his decision to the **CONTRACTOR** Entities prior to

the close of the Determination Meeting. In the event that the Minister or his designate requires further time to consider the Disputed Matter, he shall communicate his decision as soon as possible thereafter, and in any event within forty-eight (48) hours of the Determination Meeting, to each of the Contractor Entities, failing which the Operator's Proposal shall apply. Any determination made in accordance with this Article 4.14 procedure shall be final and binding on all Parties.

- (d) In making a determination under this Article 4.14, the Minister may request the assistance of such person(s) as he determines are necessary to make his determination (including having such person(s) attend the said meeting), provided always that, in making such determination, the Minister and those providing assistance to him shall act in good faith and take into account the best interests of the **CONTRACTOR** under the Contract.

3.29 In Article 4.12:

- (a) Article 4.12(a) is deleted; and
(b) the "(b)" is deleted.

Exercise of Option of Third Party Participation

3.30 A new Article 4.15 is inserted:

"4.15 Pursuant to the Completion Agreement, the **GOVERNMENT** exercised the Option of Third Party Participation and assigned the Third Party Interest to Talisman. In connection with the Completion Agreement, the **GOVERNMENT** and Talisman entered into the Participation Agreement which provides for the payment by Talisman of certain sums to the **GOVERNMENT** for the purpose of providing financial support to infrastructure and capacity building projects for the benefit of the people of Kurdistan. The **GOVERNMENT** and Talisman confirm that the Participation Agreement does not impose any obligations or liabilities upon WesternZagros Limited or increase or change any right or obligation of WesternZagros Limited under this Contract, and that any obligations or liabilities arising under the Participation Agreement are exclusively those of the **GOVERNMENT** and Talisman."

Profit Petroleum

3.31 Articles 26.9, 26.10 and 26.11 are deleted and restated:

“26.9 The **CONTRACTOR** shall deliver the quantities of Profit Petroleum to which the **GOVERNMENT** and each **CONTRACTOR** Entity are entitled at the Delivery Point.

The quantity of Profit Petroleum to which the **GOVERNMENT** is entitled is:

- (a) the share of Profit Petroleum to which the **GOVERNMENT** is entitled in any Calendar Year in accordance with Article 26.5; and
- (b) (notwithstanding any other provision of this Contract, any lifting agreement, any sales or marketing agreement, or any other agreement), three per cent (3%) of the share of Profit Petroleum attributable to the WesternZagros Interest; so that the WesternZagros Interest Holders are only entitled to ninety-seven per cent (97%) of the share of Profit Petroleum attributable to the WesternZagros Interest.

The **CONTRACTOR** shall ensure that all agreements in respect of the lifting or sale of Petroleum reflect the **GOVERNMENT**'s rights as set forth in this Article 26.9. To the extent that and for as long as a **CONTRACTOR** Entity is not a WesternZagros Interest Holder, such **CONTRACTOR** Entity shall not be liable for nor be prejudiced by, the deficient, improper or overdue payment of any portion of the share of Profit Petroleum attributable to the WesternZagros Interest that the **GOVERNMENT** is entitled to receive under subclause (b) immediately above.

26.10 Title and risk of loss of Profit Petroleum pass to the **GOVERNMENT** and the **CONTRACTOR** Entities at the Delivery Point. The **GOVERNMENT** and each **CONTRACTOR** Entity will be entitled to receive, take in kind and to export freely its share of Profit Petroleum in accordance with the provisions of this Contract and to retain Abroad any proceeds from the sale of all such Profit Petroleum.

26.11 The share of the Profit Petroleum to which the **GOVERNMENT** is entitled in any Calendar Year in accordance with Article 26.5 will be deemed to include a portion representing the corporate income tax imposed upon and due by each **CONTRACTOR** Entity, and which will be paid directly by the **GOVERNMENT** on behalf of each such entity representing the **CONTRACTOR** to the appropriate tax authorities in accordance with Article 31.2. The **GOVERNMENT** shall provide the **CONTRACTOR** Entities with all written documentation and evidence reasonably required by the **CONTRACTOR** Entities to confirm that such corporate income tax has been paid by the **GOVERNMENT**.”

Capacity Building Bonus

3.32 Article 32.2 is deleted in its entirety and restated:

“Capacity Building Bonus

32.2.1 WesternZagros Limited shall pay to the **GOVERNMENT** forty million Dollars (US\$40,000,000) for capacity building (the “**WesternZagros Capacity Building Bonus**”). The WesternZagros Capacity Building Bonus shall be paid by way of one (1) payment of five million Dollars (US\$5,000,000) payable to the **GOVERNMENT** by WesternZagros within thirty (30) days of the Effective Date, with the remainder amount to be paid to the **GOVERNMENT** by WesternZagros Limited at a rate of two million five hundred thousand Dollars (\$2,500,000) per Month over a period of fourteen (14) Months following the Effective Date, with the first Monthly payment being made in the Month in which the single payment of five million Dollars (US\$5,000,000) is made.

32.2.2 Talisman shall pay to the **GOVERNMENT** the First Tranche Capacity Building Payments and the Second Tranche Capacity Building Payment (as such terms are defined in the Participation Agreement), as applicable, pursuant to the terms of the Participation Agreement (together, the “**Talisman Capacity Building Bonus**” and together with the WesternZagros Capacity Building Bonus, the “**Capacity Building Bonus**”).

32.3.3 The **GOVERNMENT** confirms that WesternZagros Limited in accordance with Article 32.2.1 has paid the WesternZagros Capacity Building Bonus.”

32.3.4 The **GOVERNMENT** confirms that Talisman in accordance with Article 32.2.2 has paid the First Tranche Capacity Building Payments (as such term is defined in the Participation Agreement).

Confidentiality

3.33 In Article 36.8, the proviso under clause (g) is deleted and replaced with the words “provided that disclosure shall not be made pursuant to paragraphs (c), (d), (e) and (f), unless such third party has entered into a confidentiality undertaking.”

Notices

3.34 In Article 39.2:

(a) the first word “Each” is deleted and replaced with the words “Except as provided in Article 45.6, each”.

(b) the following sentence is added at the beginning thereof:

“Articles 39.2 through 39.6 do not apply to the extent provided in Article 45.6.”

3.35 In Article 44.1, under the existing heading “To the CONTRACTOR” the following notice provision is added:

“Attention:

[REDACTED]

Talisman (Block K44) B.V.

Address:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Email: [REDACTED]

CC: Talisman Energy Inc.

Attention:

[REDACTED]

Address:

[REDACTED]

[REDACTED]

Fax: [REDACTED]

Email: [REDACTED]

Termination

3.36 Article 45 is deleted in its entirety and restated:

“Notice

45.1 The **GOVERNMENT** undertakes to exercise its termination rights under this Article 45 in a reasonable and proportionate manner, having regard to the nature and severity of the triggering act or event, the identity of the Party

at fault, and the relative significance of any adverse consequences to the **CONTRACTOR** or a **CONTRACTOR** Entity that may arise from the **GOVERNMENT**'s exercise of its rights under this Article 45.

- 45.2 Except as provided in Article 45.6, in any notice of termination given by the **GOVERNMENT** under this Article 45, the **GOVERNMENT** must specify the grounds for exercising the termination right and the date on which the Contract or the rights and interests of a **CONTRACTOR** Entity, as applicable, will terminate.

Corrupt Practices Laws

- 45.3 If a competent authority has reasonably and finally determined (in a proceeding applying due process):

- (a) that an interest in this Contract has been obtained by a **CONTRACTOR** Entity, or any Person acting on behalf of a **CONTRACTOR** Entity, in violation of Corrupt Practices Laws; or
- (b) that a permit, approval, consent or waiver in connection with this Contract or Petroleum Operations has been obtained by a **CONTRACTOR** Entity, or any Person acting on behalf of a **CONTRACTOR** Entity, in violation of Corrupt Practices Laws;

then, on not less than thirty (30) days' prior notice to the applicable **CONTRACTOR** Entity, the **GOVERNMENT** may terminate such **CONTRACTOR** Entity's undivided interest in this Contract. Any final determination, judgment, sanction, or conviction (not subject to further appeal on the issue), including under a consent order in which there is a finding or admission of guilt, of a judicial or regulatory authority in Iraq, Canada, England, The Netherlands or Cyprus with jurisdiction over a **CONTRACTOR** Entity or an Affiliate of such **CONTRACTOR** Entity, will be conclusively determinative. Unless the **GOVERNMENT** has cancelled a notice of termination, the applicable **CONTRACTOR** Entity's undivided interest in this Contract will be terminated as of end of such thirty (30) day notice period.

Force Majeure

- 45.4 The **CONTRACTOR** is not entitled to claim Force Majeure as a consequence of the **GOVERNMENT**'s exercise of its rights under this Article 45, and no obligation of the **CONTRACTOR** will be tolled as a consequence of any Dispute with respect to the **GOVERNMENT**'s exercise of its rights under this Article 45.

Other Grounds for Termination

- 45.5 45.5.1 The **GOVERNMENT** may terminate this Contract, on not less than ninety (90) days' prior notice, if the **CONTRACTOR**:
- (a) fails to meet a material financial obligation expressly stated in this Contract; or
 - (b) during the First Sub-Period does not carry out drilling and seismic acquisition, as detailed in Article 10.2 or, during the Second Sub-Period (or earlier), does not carry out drilling and seismic acquisition, as detailed in Article 10.3; or
 - (c) interrupts Production for a period of more than ninety (90) consecutive days with no cause or justification acceptable in accordance with this Contract or under prudent international petroleum industry practice, it being recognised that Force Majeure is an acceptable justification for such interruptions; or
 - (d) unless such extraction or production is expressly authorised or unavoidable as a result of operations carried out in accordance with prudent international petroleum industry practice, extracts or produces any mineral or object which is not covered by this Contract and does so wilfully or in a manner that constitutes gross negligence or persistently after receiving notice thereof; or
 - (e) refuses to abide by any negotiation, mediation, arbitration or expert decision under Article 42.
- 45.5.2 If, within the ninety (90) day notice period, the **CONTRACTOR** has either remedied the default identified in such notice to the satisfaction of the **GOVERNMENT**, or the **GOVERNMENT** has agreed another remedy with the **CONTRACTOR**, including compensation, the **GOVERNMENT** shall cancel such notice of termination.
- 45.5.3 If, within such ninety (90) day notice period, the conditions set forth in Article 45.5.2 have not been satisfied, the **GOVERNMENT** may, on not less than thirty (30) days' notice, terminate the Contract, and, unless such notice is cancelled by the **GOVERNMENT** before the end of such thirty (30) day period, this Contract will be terminated as of the termination date set forth in the notice from the **GOVERNMENT**.

Act of Insolvency

- 45.6.1 Where the **CONTRACTOR** comprises only one **CONTRACTOR** Entity, the **GOVERNMENT** may terminate the Contract on not less than thirty (30) days' notice to such **CONTRACTOR** Entity following the occurrence of an Act of Insolvency, unless, within such thirty (30) day period, the **GOVERNMENT** cancels its notice.
- 45.6.2 Where the **CONTRACTOR** comprises more than one **CONTRACTOR** Entity, and **WesternZagros Limited** is one such **CONTRACTOR** Entity, the rights and interests of **WesternZagros Limited** will be automatically assigned and novated to the **GOVERNMENT** on not less than fourteen (14) days' notice from the **GOVERNMENT** to **WesternZagros Limited**, and free of cost, if there occurs, in relation to **WesternZagros Limited**, an Act of Insolvency, unless within such fourteen (14) day period, the **GOVERNMENT** cancels its notice.

An assignment and novation of the Contract in accordance with this Article 45.6.2 is automatically effective on and from the date on which **WesternZagros Limited** obtained knowledge of the Act of Insolvency. In a notice provided to **WesternZagros Limited** in accordance with this Article 45.6.2, the **GOVERNMENT** is not obliged to specify the date on which the assignment and novation is effective.

- 45.6.3 Each **CONTRACTOR** Entity shall promptly take all actions requested by the **GOVERNMENT** to give effect to the assignment and novation of the interest described in the notice referred to in Article 45.6.2 above. If the **GOVERNMENT** determines that an agreement or other documentation signed by the **GOVERNMENT** and each **CONTRACTOR** Entity or other Party is desirable to evidence the assignment and novation to the **GOVERNMENT**, each such Party shall promptly execute such documentation within ten (10) days of receipt thereof. If a Party fails to deliver such signed agreement or other documentation in the form required by the **GOVERNMENT** within ten (10) days of receipt thereof, then such Party irrevocably constitutes and appoints the **GOVERNMENT** (or any other Person which at any time during the term of the Contract may be nominated by the **GOVERNMENT**) to act alone, and with full power of substitution, as to such Party's true and lawful attorney and agent, with full power and authority in its name, place and stead to execute, file and record when as and where required, any and all of such documentation and hereby ratifies such execution, recording and filing. The power of attorney granted by this Article 45.6.3 is irrevocable and will survive the insolvency, dissolution, winding-up or bankruptcy of such Party and extends to bind such Party's trustees, administrators, successors and assigns. Each such Party waives any and all defences which may be available to contest, negate or disaffirm the action of the **GOVERNMENT** taken under such power of

attorney, provided that the terms of any such documentation do not increase or change any right or obligation of such Party under this Contract, except as required to effect the assignment referred to in Article 45.6.2. Each **CONTRACTOR** Entity shall ensure that the authorising resolutions of its board or shareholders, as applicable, specifically authorises the provision of the power of attorney set forth in this Article 45.6.3, and shall provide a certified copy of such resolutions on the request of the **GOVERNMENT**.

45.6.4 Following an assignment and novation of the interest described in the notice referred to in Article 45.6.2 above, the rights and obligations of the **GOVERNMENT** in such interest shall, except as provided in the following sentence, be assigned to each remaining **CONTRACTOR** Entity, free of cost, in the proportion that such **CONTRACTOR** Entity's undivided interest in the **CONTRACTOR** bears to all of the remaining **CONTRACTOR** Entities' undivided interests, or as the **GOVERNMENT** and the remaining **CONTRACTOR** Entities may otherwise mutually agree. Notwithstanding the previous sentence, the remaining **CONTRACTOR** Entities shall be responsible for and indemnify the **GOVERNMENT** against all reasonable legal and court costs and expenses incurred by the **GOVERNMENT** arising out of or related to: (a) the exercise by the **GOVERNMENT** of any its rights under Articles 45.6.2 and 45.6.3 above; (b) the assignment and novation described in Article 45.6.2 above; and (c) the assignment and novation described in this Article 45.6.4. The **GOVERNMENT** will have no obligation to make the assignment and novation referred to in this Article 45.6.4 unless such indemnity has been provided to the **GOVERNMENT**. Each remaining **CONTRACTOR** Entity will be responsible to indemnify the **GOVERNMENT** in accordance with this Article 45.6.4 in the proportion that such **CONTRACTOR** Entity's undivided interest in the **CONTRACTOR** bears to all of the remaining **CONTRACTOR** Entities' undivided interests.

Change of Control, Assignment and Other Individual Grounds for Termination;
Expiration

45.7 The rights and interests of an individual **CONTRACTOR** Entity will be automatically terminated, without prior notice from the **GOVERNMENT**, if such **CONTRACTOR** Entity:

- (i) is subject to a Change of Control for which the **GOVERNMENT** has not given its authorisation in accordance with Article 39.7; or
- (ii) has made an assignment of all or part of its interests hereunder without the prior consent of the **GOVERNMENT** in accordance

with Article 39 (including under any provision of a Joint Operating Agreement).

Talisman and the **GOVERNMENT** acknowledge that in the event of Talisman's default in payment of the Second Tranche Capacity Building Payment (as such terms are defined in the Participation Agreement), the termination provisions of clause 19 of the Participation Agreement shall be applicable, including the **GOVERNMENT**'s rights to revoke and terminate Talisman's undivided interest in this Contract.

45.8 This Contract will terminate as provided in Article 6 and Article 7.

Consequences of Termination

45.9 Upon termination or expiration of this Contract:

- (a) the **CONTRACTOR** (and each **CONTRACTOR** Entity) will no longer have, as of the effective date of such termination, any further rights and interests under this Contract;
- (b) all accrued rights and liabilities of the **CONTRACTOR** and of each **CONTRACTOR** Entity will survive; and
- (c) the provisions of Articles 14.10, 16.7, 30, 31, 35.1, 35.3, 35.4, 35.7, 36, 38.2(c), 41, 42, 43.1 to 43.6 and 45.6.3 will survive the termination or expiry of this Contract.

45.10 If the **GOVERNMENT** terminates the undivided interests of a **CONTRACTOR** Entity, as provided in Articles 45.3 and 45.7, but not the Contract, and there are remaining **CONTRACTOR** Entities:

- (a) such terminated **CONTRACTOR** Entity will no longer have, as of the effective date of such termination, any further rights and interests under this Contract;
- (b) all accrued rights and liabilities of such terminated **CONTRACTOR** Entity will survive;
- (c) as to and in respect of such terminated **CONTRACTOR** Entity, the provisions of Articles 14.10, 16.7, 30, 31, 35.1, 35.3, 35.4, 35.7, 36, 38.2(c), 41, 42, 43.1 to 43.6 and 45.6.3 will survive the termination or expiry of this Contract; and
- (d) The remaining **CONTRACTOR** Entity(s) shall be responsible to carry that portion of Petroleum Costs that would otherwise be attributable to the terminated **CONTRACTOR** Entity's interest, subject to Article 45.11.

45.11 If the undivided interests of a **CONTRACTOR** Entity (or of **CONTRACTOR** Entities) are terminated as provided in Articles 45.3 or 45.7 (for the purposes of this Article 45.11, a “**Terminated Interest**”) but the Contract is not terminated and there are remaining **CONTRACTOR** Entities, the **GOVERNMENT** shall offer, within twelve (12) months of the date on which such interests are terminated, to the remaining **CONTRACTOR** Entities, to assign and novate such Terminated Interest, as follows:

- (a) the offer shall be made to each remaining **CONTRACTOR** Entity in the proportion that such **CONTRACTOR** Entity’s undivided interest in the **CONTRACTOR** bears to all of the remaining **CONTRACTOR** Entities’ undivided interests;
- (b) the effective date of a **CONTRACTOR** Entity’s acquisition of its portion of the Terminated Interest shall be the date on which such **CONTRACTOR** Entity has:
 - (i) paid to the **CONTRACTOR** an amount equivalent to the share of Petroleum Costs incurred by the **CONTRACTOR** which is attributable to that portion of the Terminated Interest to be acquired by the **CONTRACTOR** Entity, as calculated from the date of termination under Articles 45.3 or 45.7 (as applicable) to the date of payment under this provision; and
 - (ii) entered into a binding and enforceable instrument of assignment and novation with the other **CONTRACTOR** Entities and the **GOVERNMENT**;
- (c) Until the sale of all of the Terminated Interest, **CONTRACTOR** shall undertake all necessary work under this Contract, provided always that the remaining **CONTRACTOR** Entities shall be entitled (through the **CONTRACTOR**) to recover all such Petroleum Costs in accordance with Article 25.
- (d) if, two (2) months after the **GOVERNMENT**’s offer under Article 45.11, all of the Terminated Interest has not been acquired by the remaining **CONTRACTOR** Entities in accordance with Article 45.11(b), then the following shall apply in respect of any remainder of the Terminated Interest (for the purposes of this Article 45.11, a “**Remainder Interest**”):
 - (i) the **GOVERNMENT** will use reasonable endeavours to find a buyer for the Remainder Interest;

- (ii) the terms of sale of the Remainder Interest under subclause (i) immediately above shall provide for the prompt cash reimbursement to the **CONTRACTOR** (not including the buyer) for an amount equivalent to the share of Petroleum Costs incurred by the **CONTRACTOR** which is attributable to the Remainder Interest, as calculated from the date of termination under Articles 45.3 or 45.7 (as applicable) to the date of acquisition of the Remainder Interest by the buyer;
- (iii) the buyer of the Remainder Interest shall enter into a binding and enforceable instrument of assignment and novation with the other **CONTRACTOR** Entities and the **GOVERNMENT**;
- (iv) upon payment pursuant to and in accordance with Article 45.11(d)(ii) and execution of the instrument referred to in Article 45.11(d)(iii), a buyer of the Remainder Interest shall participate as a **CONTRACTOR** Entity under this Contract with all the rights, duties, obligations and liabilities under this Contract;
- (v) upon payment pursuant to and in accordance with Article 45.11(d)(ii) and execution of the instrument referred to in Article 45.11(d)(iii), a buyer of the Remainder Interest shall become a party to an existing Joint Operating Agreement on the terms thereof, provided that if a Joint Operating Agreement is not in place prior to the buyer's acquisition of the Remainder Interest, then the **CONTRACTOR** Entity and the buyer shall promptly negotiate in good faith and enter into a Joint Operating Agreement and shall, prior to execution of such Joint Operating Agreement, comply with Articles 4.12(a) and (b) as if they were provisions of this Contract;
- (vi) if, twenty-one (21) months after the date on which the Terminated Interest was terminated, no payment pursuant to Article 45.11(d)(ii) has been received by the **CONTRACTOR** or the instrument referred to in Article 45.11(d)(iii) has not been executed, then upon the day following

that date the **GOVERNMENT** will with immediate effect therefrom take all contractual and procedural measures (enforceable under applicable law) to procure that the Remainder Interest shall, notwithstanding any other Article in this Contract, be automatically deemed to be assigned and be assigned by the **GOVERNMENT** to each remaining **CONTRACTOR** Entity in the proportion that the such **CONTRACTOR** Entity's undivided interest in the **CONTRACTOR** bears to all of the remaining **CONTRACTOR** Entities' undivided interests.

45.12 No assignment, novation, transfer, or other disposition of a terminated **CONTRACTOR** Entity's undivided interests to another **CONTRACTOR** Entity pursuant to this Article 45 will be a taxable event under Applicable Law as to the **CONTRACTOR** Entity receiving the undivided interests of a terminated **CONTRACTOR** Entity.

45.13 Neither the **GOVERNMENT** nor any **CONTRACTOR** Entity will assume any liabilities, obligations, or duties of a terminated **CONTRACTOR** Entity in respect of the terminated **CONTRACTOR** Entity's undivided interest arising or accrued prior to the latter of (i) the effective date of the termination of such **CONTRACTOR** Entity and (ii) in the case of assignment and novation to the remaining **CONTRACTOR** Entities, the effective date of the reassignment and redistribution of the terminated **CONTRACTOR** Entity's interests to another **CONTRACTOR** Entity. The **GOVERNMENT** will in no circumstances assume accrued liabilities, obligations, or duties of a terminated **CONTRACTOR** Entity in respect of the terminated **CONTRACTOR** Entity's undivided interest, whenever arising or accrued. All accrued liabilities will remain the sole obligation of the terminated **CONTRACTOR** Entity.

45.14 Nothing in this Article 45 limits or impairs a Party's rights under the Laws governing this Contract in respect of termination."

Application of Corruption Laws and Misrepresentation

3.37 Article 46 is deleted in its entirety and replaced with the word "Reserved".

Capacity of Government entry into Contract

3.38 In Article 47, the words "and as a **CONTRACTOR** Entity comprising part of the **CONTRACTOR**" are deleted.

Change of Block Name

- 3.39** On the title page of the Contract and in the first sentence of Article 3, the words “Kalar-Bawanoor” are deleted and replaced with the word “Kurdamir”.

Compliance

- 3.40** A new definition is added in Article 1.1, in the appropriate alphabetical order, as follows:

“**Applicable Law** means, as of any time of determination, Kurdistan Region Law and federal Laws of Iraq recognised by the Government as applicable in the Kurdistan Region.”

- 3.41** A new Article 2.9 is added:

“Each **CONTRACTOR** Entity shall at all times comply, and procure that each Subcontractor complies, with the Kurdistan Region Oil and Gas Law and all other Applicable Law. No provision of this Contract will: (a) excuse the **CONTRACTOR** or a **CONTRACTOR** Entity or any Subcontractor from compliance with Applicable Law, or (b) impair any right or privilege of the **GOVERNMENT** under Applicable Law.”

4. REPRESENTATIONS

- 4.1** WesternZagros Limited and Talisman, each for itself, makes the following representations on the Agreement Date:
- 4.1.1** its entry into and performance of this Agreement have been authorised by all necessary company action;
 - 4.1.2** this Agreement constitutes a valid, legal, and binding agreement of it;
 - 4.1.3** it 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 the next sentence, there is no law to which it is subject or agreement to which it is a party that conflicts with or prevents its entry into, delivery, and performance of the Agreement, or calls into question the validity, legality and enforceability of this Agreement. No representation is made in respect of the laws of the Kurdistan Region or Iraq; and

4.1.5 it 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.

5. RELEASE

Each Party releases each of the other Parties from all obligations, claims, demands, liabilities, and duties whatsoever, whether known or unknown and whether arising prior to or after the Agreement Date, that arise out of or are related to both, in combination, of, (a) Article 36.8 and (b) the naming or failure to name a beneficiary of a confidentiality undertaking, or the delivery or failure to deliver a confidentiality undertaking to a Party.

6. GENERAL PROVISIONS

6.1 Articles 36 (*Information and Confidentiality*), 39 (*Assignment and Change of Control*), 41 (*Waiver of Sovereign Immunity*), 42.1 (*Negotiation, Mediation and Arbitration*), and 44 (*Notices*) of the Contract (as amended by this Agreement) shall apply to this Agreement.

6.2 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 (a “**Third Party**”). The Parties may rescind or vary the terms of this Agreement without notice to or the consent of any Third Party.

6.3 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, no Party has relied upon any statement, representation, warranty or agreement of another party except for those expressly contained in this Agreement. There are no conditions precedent to the effectiveness of this Agreement, other than those expressly stated in this Agreement.

6.4 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.

6.5 The Parties may amend this Agreement only by a written agreement of the Parties that identifies itself as an amendment to this Agreement. A Party or 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.

- 6.6** The Parties may execute this Agreement in three 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.
- 6.7** This Agreement (and any non-contractual obligations arising out of or in connection with it) is governed by English law.

[Signature page follows.]

For and on behalf of **WesternZagros Limited:**

Signature...*"Ian McIntosh"*.....

Title: ...Director

Name:...Ian McIntosh.....

For and on behalf of **Talisman (Block K44) B.V.:**

Signature...*"Ron Achtymichuk"*.....

Title: Duly Authorized Attorney.....

Name: ...Ron Achtymichuk.....

For and on behalf of the **Kurdistan Regional Government of Iraq:**

Prime Minister

Kurdistan Regional Government

On behalf of the Regional Council for the Oil and
Gas Affairs of the Kurdistan Region – Iraq

Signature:...*"Barham Salih"*.....

Barham Salih

Minister of Natural Resources

Kurdistan Regional Government

On behalf of the Ministry of Natural
Resources in the Kurdistan Region

Signature:...*"Ashti Hawrami"*.....

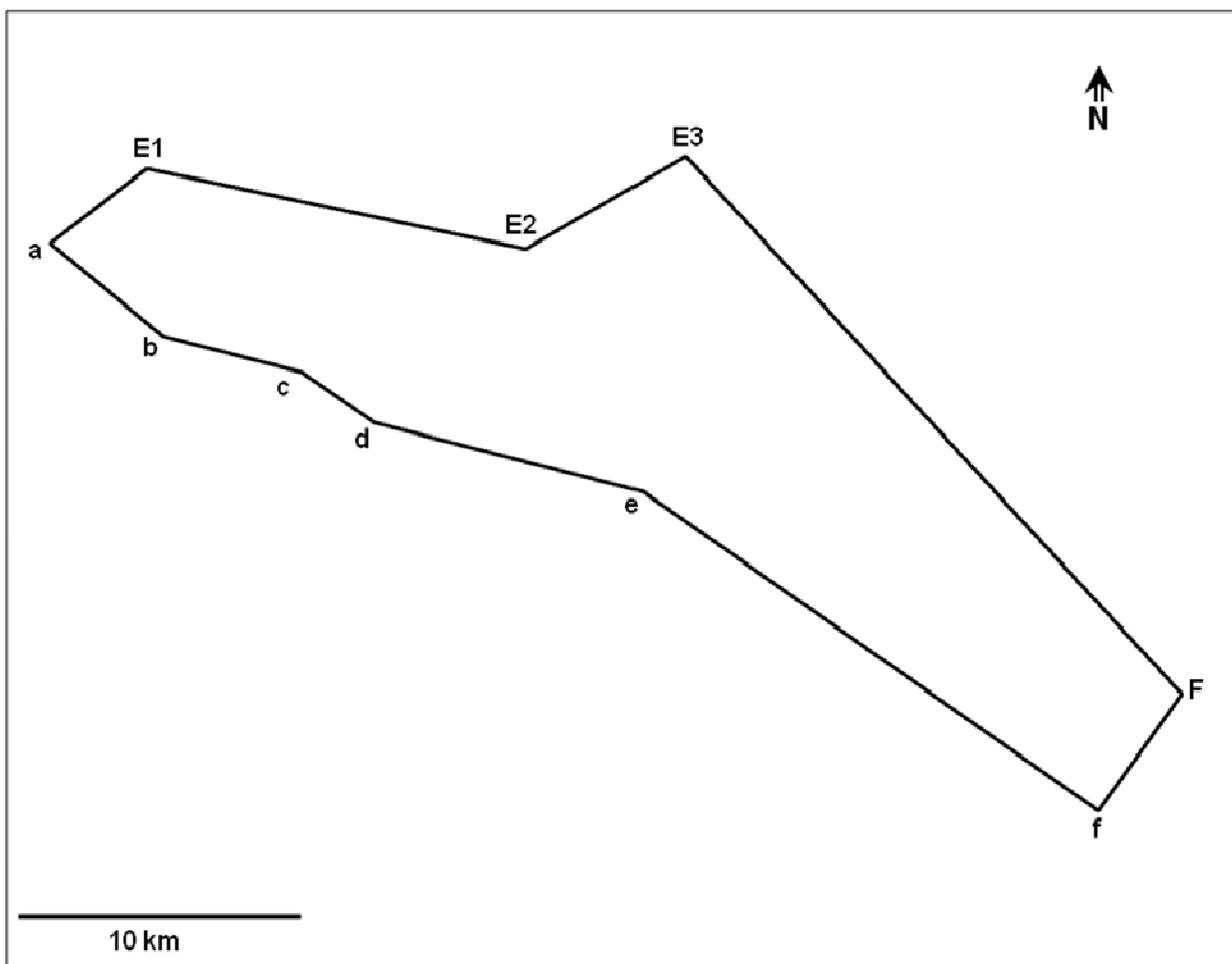
Ashti Hawrami

[Signature page to the Kurdamir Amendment Agreement]

Annex 1

ANNEX A – Contract Area

Map showing coordinates of Kurdamir corner points



Kalar-Bawanoor Block				
Point	Easting	Northing	Longitude	Latitude
E1	518326.91	3883273.04	45.20106	35.09208
E2	532347.44	3880312.81	45.35477	35.06503
E3	538210.27	3883689.15	45.41922	35.09527
F	556544.53	3863905.79	45.61902	34.91603
f	553441.19	3859637.79	45.58477	34.87771
e	536640.00	3871380.00	45.40145	34.98434
d	526720.00	3873930.00	45.29284	35.00764
c	524040.00	3875760.00	45.26352	35.02421
b	518926.57	3877080.68	45.20750	35.03623
a	514750.00	3880500.00	45.16177	35.06713

Projection of Easting and Northing points:

Projected Coordinate System: WGS 1984 UTM Zone 38N

Projection: Transverse Mercator

False Easting: 500000.00000000

False Northing: 0.00000000

Central Meridian: 45.00000000

Scale Factor: 0.99960000

Latitude Of Origin: 0.00000000

Linear Unit: Meter

Projection of Longitude and Latitude points:

Geographic Coordinate System: GCS WGS 1984

Datum: D WGS 1984

Prime Meridian: Greenwich

Angular Unit: Degree

Annex 2

Costs to be allocated to the Garmian Block

Annex 3

Completion

1. The completion requirements of the Government are:
 - (a) The Government is satisfied that each of the Consulting Agreements and the interests in the production sharing contracts acquired under the Consulting Agreements has been terminated.
 - (b) Receipt by the Government of board resolutions and signing authorities for the execution of this Agreement from WesternZagros Limited and Talisman in form and content reasonably satisfactory to the Government;
 - (c) The Government is satisfied that each of the representations of a Party made to the Government is true and correct as of the Agreement Date and as of the Completion Date;
 - (d) The Government is satisfied that each of the representations and warranties set forth in each Letters of Representations and Warranties is true and correct as of the Completion Date;
 - (e) Talisman and WesternZagros Limited have delivered to the Government such legal opinions as the Government may consider necessary to support the representations and warranties set forth in the Letters of Representations and Warranties;
 - (f) Talisman and WesternZagros Limited have delivered to the Government a joint and several guarantee, in a form acceptable to the Government, from WesternZagros Resources Ltd. and Talisman Energy Inc. in respect of the Minimum Exploration Obligations for the First Sub-Period;
 - (g) The Government has received a fully executed copy of this Agreement and the First Amendment Agreement;
 - (h) The Government has received resolutions from each of WesternZagros Limited and Talisman in accordance with Article 45.6.3 of the Contract; and
 - (i) The Government has received an executed Joint Operating Agreement between WesternZagros Limited and Talisman in a form satisfactory to the Government.
2. The completion requirements of Talisman are:
 - (a) Talisman has received a fully executed copy of this Agreement;
 - (b) Receipt of board resolutions and signing authorities from WesternZagros Limited; and
 - (c) Talisman is satisfied that each of the representations of WesternZagros Limited made to Talisman is true and correct as of the Agreement Date and the Completion Date.
3. The completion requirements of WesternZagros Limited are:
 - (a) WesternZagros Limited has received a fully executed copy of this Agreement;
 - (b) Receipt of board resolutions and signing authorities from Talisman; and
 - (c) WesternZagros Limited is satisfied that each of the representations of Talisman made to WesternZagros Limited is true and correct as of the Agreement Date and the Completion Date.

Annex 4

Form of Certificate of Completion

COMPLETION DATE: 25 July 2011

This Certificate of Completion is signed and delivered pursuant to Clause 1.3 of the Amendment Agreement by and between the undersigned (the “**Agreement**”). Terms used in this certificate of completion have the meanings set forth in the Agreement.

Each of the undersigned parties to the Agreement:

1. represents that the representations of such Party were true as of the Agreement Date and are true as of the Completion Date;
2. certifies to the other Parties that all of the requirements for completion in respect of itself in the Agreement has been satisfied or waived; and
3. agrees the Completion Date shall be the date set forth in this certificate of completion as the Completion Date and that, in accordance with Clause 1.2, all of the terms of the Agreement are in full force and effect.

The Parties may execute this certificate in three counterparts, each of which constitutes an original, and all of which, collectively, constitute only one certificate of completion. 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 certificate in the presence of the other Parties. This certificate is effective upon delivery of one executed counterpart from each Party to each of the other Parties, and is only effective when each Party has signed it.

[Signature page follows.]

For and on behalf of **WesternZagros Limited:**

Signature.....

Title:

Name:.....

For and on behalf of **Talisman (Block K44) B.V.:**

Signature.....

Title:

Name:

For and on behalf of the **Kurdistan Regional Government of Iraq:**

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

Signature:.....

Ashti Hawrami

[Signature page to the Certificate of Completion – Kurdamir]