

DATED

19 June 2008

COMPLETION AGREEMENT

relating to

the transfer of the Third Party Interest under the Production Sharing Contract relating to
Kalar-Bawanoor Block (Block K44)

between

THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ
as the Transferor

and

TALISMAN (BLOCK K44) B.V.
as Transferee

and

WESTERNZAGROS LIMITED

WS [Signature] JS

THIS COMPLETION AGREEMENT is entered into as an agreement (this "Agreement") on this 19 day of June 2008 (the "**Completion Date**")

BETWEEN

PARTIES

- (1) **THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ**, duly represented by the Minister of Natural Resources and hereinafter referred to as the "**Transferor**";
- (2) **TALISMAN (BLOCK K44) B.V.**, incorporated and registered in the Netherlands and whose registered office is at Atrium Building, Strawinskylaan 3159, 1077 ZX Amsterdam, the Netherlands (the "**Transferee**"); and
- (3) **WESTERNZAGROS LIMITED** incorporated and registered in the Republic of Cyprus whose business address is at Suite 600, 440 Second Avenue SW, Calgary, Alberta, Canada ("**WesternZagros**").

The parties hereto are individually referred to as a "**Party**" and collectively as the "**Parties**".

BACKGROUND

- (A) This Agreement is supplemental to, and an instrument of assignment and novation under Article 39.3 of, that certain Production Sharing Contract which was entered into on 28 February 2008 and made between the Transferor and WesternZagros relating to the development of the petroleum resources located in the Kalar-Bawanoor Block in the Kurdistan Region of Iraq (the "**Contract**").
- (B) The Transferor wishes to transfer its rights and obligations under the Contract in so far as they relate to the entire Third Party Interest (the "**Transferred Interest**") to the Transferee and the Transferee wishes to accept such rights and obligations under the Contract in so far as they relate to the Transferred Interest.
- (C) The Transferor wishes to be released and discharged from the Contract in relation to the Transferred Interest and WesternZagros has agreed to release and discharge the Transferor in relation to the Transferred Interest upon the terms of the Transferee's undertaking to perform the Contract and be bound by the terms of the Contract in place of the Transferor in relation to the Transferred Interest.

AGREED TERMS

1. DEFINITIONS AND INTERPRETATION

Unless otherwise defined herein capitalized terms have the meanings ascribed to them in the Contract. Article 1.2 of the Contract shall apply hereto *mutatis mutandis*.

2. TRANSFEROR'S AND TRANSFEREE'S OBLIGATIONS

- 2.1 Transferor transfers, assigns, novates and conveys to Transferee the Transferred Interest, including all rights, obligations and liabilities arising therefrom, effective as of the date on which payment of the WesternZagros Amount, as defined below, is made (the "Commencement Date") and subject to and on the terms of this Agreement.
- 2.2 As from the Commencement Date, as defined below, the Transferee undertakes to each of the Transferor and WesternZagros to perform the Contract and be bound by its terms in every way as if the Transferee had been a party to it in place of the Transferor in relation to the Transferred Interest. For the purposes of the terms of the Contract (including Articles 4.10(a) and (c) of the Contract) only, the Parties hereto shall deem the transfer hereunder to have taken effect as of the Effective Date but the Transferee will not be liable for any payments or other obligations prior to the Commencement Date except for the payment of the WesternZagros Amount.
- 2.3 As consideration for the rights and obligations under this Agreement, each Party agrees to pay each other Party on demand an amount equal to ten Dollars (\$10).

3. RELEASE

- 3.1 The Transferor and WesternZagros hereby mutually release each other from their obligations under the Contract as from the Commencement Date in relation to the Transferred Interest, save as provided in Article 6 of this Agreement.
- 3.2 WesternZagros releases and discharges the Transferor from all future claims and demands whatsoever in respect of the Transferred Interest and accepts the liability of the Transferee under the Contract from the Commencement Date in relation thereto.

4. PAYMENT PROVISIONS

- 4.1 In accordance with Article 4.10(b) of the Contract, the Transferee shall pay WesternZagros the sum of US\$50,675,000 (the "WesternZagros Amount"), as detailed in the statement of costs attached hereto as Annex A, on the Commencement Date and WesternZagros shall provide written confirmation of receipt of the WesternZagros Amount, such amount being an amount equivalent to 125% of the proportion of the Petroleum Costs incurred by WesternZagros as at such date attributable to the Transferred Interest as set forth in Article 4.10(b) of the Contract to the bank account as described in Annex B Part I hereto (the "WesternZagros Bank Account").
- 4.2 For the avoidance of doubt, the calculation of the WesternZagros Amount shall not include any Signature Bonus or any Capacity Building Bonus payable or paid under the Contract and the Parties hereby agree that the Transferee shall not be liable to the Transferor or WesternZagros for any such

W P JS

bonus payments before, at the Commencement Date or at any time in the future.

- 4.3 From the Commencement Date, WesternZagros shall continue to carry the twenty per cent (20%) Government Interest in relation to the Petroleum Costs and the Transferee shall pay only its forty per cent (40%) share of Petroleum Costs and Production Bonuses pursuant to the terms of the Contract, including those amounts specified in Article 4.10 of the Contract.

5. **REPRESENTATIONS, WARRANTIES AND COVENANTS**

- 5.1 The Transferee represents and warrants that as at the Completion Date and as at the Commencement Date it is financially and technically capable of fulfilling its duties and obligations under the Contract; and the Transferee agrees to provide a guarantee to the Transferor pursuant to Article 9 of the Contract to cover its participating interest share of the outstanding Minimum Financial Commitment for the First Sub-Period in a form acceptable to the Transferor.
- 5.2 WesternZagros represents and warrants as at the Completion Date and as at the Commencement Date to the Transferee that as at the Commencement Date it has received reasonable evidence of the Transferee's technical and financial capability in accordance with Article 39.2 of the Contract.
- 5.3 The Transferor covenants and agrees that it will not grant to any third party any rights which would conflict or be inconsistent with the rights granted hereunder and under the Contract.
- 5.4 The Transferor and WesternZagros acknowledge that the WesternZagros Amount is an amount equivalent to 125% of the proportion of the Petroleum Costs incurred by WesternZagros as at such date attributable to the Transferred Interest as set forth in Article 4.10(b) of the Contract.
- 5.5 WesternZagros confirms that none of the Petroleum Costs which the Transferee will reimburse to WesternZagros under Article 4.10(b) of the Contract include any fees, bonuses or expenses for either Calx Energy Resources Inc. or Near East Resources Ltd. or any of their affiliates or employees.
- 5.6 The Transferor represents and warrants to the Transferee that as at the Completion Date and as at the Commencement Date:
- (a) it has the power and authority to enter into this Agreement;
 - (b) that it has not entered into any other agreements, deeds, instruments, arrangements, or undertakings of any nature with any other third party in which it agrees to transfer or grant rights with respect to the Transferred Interest to such third party and that the Transferred Interest is free and clear of all liens, claims and any other encumbrance whatsoever;

- (c) no Joint Operating Agreement has been or will be entered into prior to the Commencement Date; and
- (d) the Government acknowledges that the obligation to pay any Signature Bonuses, Capacity Building Bonuses and any other bonuses, other than the Production Bonuses, under the Contract are the obligation of WesternZagros and that any remedies that the Government may exercise in respect of the breach of such obligations shall be exercised against the interests of WesternZagros only.

6. PRE-EXISTING CLAIMS

Notwithstanding anything to the contrary in the Contract nothing in this Agreement shall affect or prejudice any claim or demand whatsoever which either the Transferor or WesternZagros may have against the other relating to matters arising prior to the Commencement Date.

7. NOTICES

As at the Commencement Date all notices sent to a Contractor Entity in accordance with Article 44 shall be sent to the Transferee at the following address:

Attention: Nigel Webb

Address Atrium Building, Strawinskylaan 3159, 1077 ZX Amsterdam, The Netherlands

Fax: +31 (20) 540 8854

Tel: +31 (20) 540 8840

CC: Talisman Energy Inc.

Attention: A. Paul Blakeley

Address: Suite 2000, 888 3rd Street S.W.
Calgary, Alberta T2P 5C5

Fax: +1 (403) 693 2446

8. MISCELLANEOUS

Articles. 36, 39, 41, 42, 43, 44 (as amended), and 46 of the Contract shall apply to this Agreement *mutatis mutandis*.

9. POWER OF ATTORNEY

9.1 WesternZagros hereby irrevocably appoints the Transferor (or any other person which at any time during the term of the Contract may be nominated by the Transferor) as its true and lawful attorney with full power to act alone and with full power of substitution for the purpose of doing in its name and from the Commencement Date and so far as is permitted by law:

- (a)

(i) having received written notice of withdrawal from the Contract from the Transferee, may execute any instrument of assignment and/or novation whereby the entire Transferred Interest is transferred from the Transferee to the Transferor; and/or

(ii) having received written notice from the Transferor at any time following the effective transfer of the entire Transferred Interest from the Transferee to the Transferor as set out in Article 9.1(a) above, may execute any instrument of assignment and/or novation whereby all rights and obligations of the Transferee under any joint operating agreement that exists in relation to the Transferred Interest between the Transferee, WesternZagros, Transferor and any other parties thereto are transferred from the Transferee to the Transferor; and/or

(b)

(i) having received written notice from the Transferor at any time following the effective transfer of the entire Transferred Interest from the Transferee to the Transferor as set out in Article 9.1(a) above, may execute any instrument of assignment and/or novation whereby the entire Transferred Interest is transferred from the Transferor to any third party; and/or

(ii) having received written notice from the Transferor at any time following the effective transfer of the entire Transferred Interest from the Transferor to any third party as set out in Article 9.1(c) above, may execute any instrument of assignment and/or novation whereby all rights and obligations of the Transferor under any Joint Operating Agreement that exists in relation to the Transferred Interest between the Transferor and WesternZagros are transferred from the Transferor to that third party.

9.2 WesternZagros hereby ratifies and confirms and in the future shall ratify and confirm all that its said attorney shall lawfully do by virtue hereof.


[The remainder of this page has intentionally been left blank.]


This Agreement has been executed and delivered as on the date first stated above and shall become effective as of the Commencement Date.

THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ

Nechirvan Barzani
Prime Minister
Kurdistan Regional Government
On behalf of the Regional Council
for the Oil and Gas Affairs of
the Kurdistan Region – Iraq

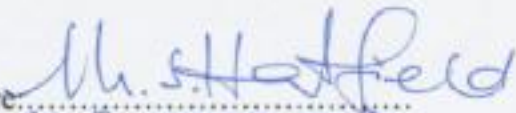
TALISMAN (BLOCK K44) B.V.


By: 
A. Paul Blakeley
Attorney-in-fact of the
Talisman (Block K44) B.V.
under formation


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

Signature: .....

WESTERNZAGROS LIMITED

Signature: .....
Name: M.S. HATFIELD
Title: PRESIDENT
WESTERN ZAGROS RESOURCES LTD.



**Annex A
Statement of Costs**

See attached

67 02 23

[REDACTED]

June 16, 2008

To: Dr Ashti Hawrami
Minister of Natural Resources
Kurdistan Regional Government
Erbil, Kurdistan

Honorable Minister;

Re: Kalar-Bawanoor Block 2008 Q1 Cost Recovery Statement

In accordance with the PSC dated February 28th, 2008 WesternZagros hereby submits the 2008 Q1 Cost Recovery Statement. For individual descriptions of each Project please refer to the 2008 Work Program and Budget.

Yours truly,

WesternZagros Limited
Operator – Kalar-Bawanoor Block

M. Simon Hatfield
President

LB [Signature]

**Kalar - Bawanoor Block
Cost Recovery Statement
January 1 thru March 31, 2008**

all figures are \$000's USD at 100% WI

Category	Q1 2008
Exploration	
Opening Balance	\$60,312
add: Additions	\$16,563
less: Recovery	\$0
less: Credits	\$0
Closing Balance	\$76,875
Gas Marketing	
Opening Balance	\$0
add: Additions	\$0
less: Recovery	\$0
less: Credits	\$0
Closing Balance	\$0
Development	
Opening Balance	\$0
add: Additions	\$0
less: Recovery	\$0
less: Credits	\$0
Closing Balance	\$0
Production	
Opening Balance	\$0
add: Additions	\$0
less: Recovery	\$0
less: Credits	\$0
Closing Balance	\$0
Decommissioning	
Opening Balance	\$0
add: Additions	\$0
less: Recovery	\$0
less: Credits	\$0
Closing Balance	\$0


western**ZAGROS**

67
3/31

Kalar - Bawanoor Block
Cost Recovery Statement - additions detail
January 1 thru March 31, 2008
all figures are \$000's USD at 100% WI

Category	Activity	
Exploration	Ref #	Q1 2008
Additions		
	E.2007.06 Phase 2 Seismic program	7,686
	E.2008.01 Kurdistan PSC Technical Work	81
	E.2008.10 Sarqala #1	1,796
	E.2008.11 Well #2	1,796
	E.2008.12 Well #3	539
	E.2008.13 Completion & Testing	-
	E.2008.60 Scholarship Program	199
	E.2008.80 Field Office	2,030
	E.2008.90 Head Office	1,240
		<hr/>
		15,346
	E.2008.99 Total Overhead	1,217
Total Exploration Additions		<hr/> 16,563

western**ZAGROS**

US 

[REDACTED]

June 16, 2008

To: Dr Ashti Hawrami
Minister of Natural Resources
Kurdistan Regional Government
Erbil, Kurdistan

Honorable Minister;

Re: Kalar-Bawanoor Block 2008 Work Program and Budget

In accordance with the PSC dated February 28th, 2008 WesternZagros hereby submits the 2007 Work Program and Budget for your approval.

The following Work Program and Budget consists of the planned activities and expenditures for the period from January 1, 2008 through December 31.

Yours truly,

WesternZagros Limited
Operator – Kalar-Bawanoor Block

M. Simon Hatfield
President

65 

Kalar–Bawanoor Block

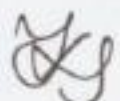
2008 Work Program and Budget

Dated: June 2, 2008

Production Sharing Contract
Kalar-Bawanoor Block
Kurdistan Region

Between

The Kurdistan Regional Government of Iraq
And
WesternZagros Limited

57 
02

Contents

1. Introduction
2. Budget Schedules
3. Exploration Work Program and Budget

65
R
R

1. Introduction

The following Work Program and Budget details the work planned for 2008 to honour the commitments made under the February 28th, 2008 PSC. This program builds upon the work conducted from inception to December 31, 2007 and will result in the fulfillment of the Seismic component of the Minimum Work Program for Exploration First Sub-period. The wells included in the 2008 Work Program and Budget will partially fulfill the three well commitment of the Exploration First Sub-period. The first well included in the program was started prior to the end of February 2008 which was a commitment made under the previous EPSA (February 2007).

US JG
RC



2. Budget Schedules

Kalar - Bawanoor Block 2008 Exploration Work Program and Budget Jan 1 thru Dec 31, 2008

all figures are \$000's USD at 100% WI

Category Exploration	Activity Ref #	Total 2008	Q1	Q2	Q3	Q4
	E.2007.06 Phase 2 Seismic program	19,500	7,666	8,496	3,338	-
	E.2008.01 Kurdistan PSC Technical Work	420	81	154	90	95
	Drilling					
	E.2008.10 Sarqala #1	22,102	1,796	10,666	9,640	-
	E.2008.11 Well #2	22,142	1,796	1,026	4,830	14,490
	E.2008.12 Well #3	846	539	308	-	-
	E.2008.13 Completion & Testing	2,160	-	-	2,160	-
	Sub-total Drilling	47,250	4,130	12,000	16,630	14,490
	E.2008.60 Scholarship Program	430	199	77	77	77
	E.2008.80 Field Office	7,865	2,030	2,000	2,200	1,635
	E.2008.90 Head Office	4,960	1,240	1,240	1,240	1,240
		<u>80,425</u>	<u>15,346</u>	<u>23,967</u>	<u>23,575</u>	<u>17,537</u>
	E.2008.99 Total Overhead	2,547	1,217	508	472	351
Total Exploration Work Program and Budget		82,972	16,563	24,475	24,047	17,888

western**ZAGROS**

GS



3. Work Program and Budget

E.2007.06 Phase 2 Seismic Program

\$19,500 M

In 2007, following an extensive international bid process, Global was selected to conduct Phase 2 of its seismic program. The initial proposal was for a 550 km Phase 2 seismic program. The objectives for Phase 2 Seismic are as follows:

- Acquire 780 km of seismic by July 31, 2008,
- Complete prospect inventory and identify a minimum of 3 drillable prospects

Together with the 760 kms acquired in the Phase 1 program, the 1150 km seismic commitment required in the first exploration sub-period of the PSC will be fulfilled. WZ completed the requirements under this commitment on April 13, 2008. The program will create an approximate 3 km x 3 km grid over WZ's PSC area.

To provide continuity of security services, Garda World was contracted for security supervision with Peshmerga troops providing basic security. Kelkan Company, a local contractor has been used to provide line clearance, local labour & vehicles. Camp and explosives bunker construction were bid out, the successful companies being Zozik (lease construction, bunker) & Kelkan (security accommodation, ablutions). Global provided a new mobile camp for seismic operations; WZ provided the security camp. Technical supervision for WZ is being supplied by Peter Blair (consultant) of Calgary, Alberta. Kelman Technologies Inc. is providing the seismic processing services.

The main equipment used in the seismic survey included five new I/O 60,000 lb peak force vibrators (four in use at any one time plus one back-up) and a 264 channel recording system (Sercel 408). Key seismic parameters utilized included an 8 second sweep length (8 – 72 Hz frequency), source and receiver interval of 45 m, and a 2 ms sample rate. Data coverage was 132 fold. As much of the program was in rough terrain explosives were also used for parts of this program, which required use a drilling crew for the shot holes.

Work completed to date on the Phase 2 Seismic program;

- Tendering and procurement of goods and services and construction of the Turka camp began in 2007.
- Global Geophysical won the bidding round in 2007 and was awarded the seismic contract.
- Equipment mobilized in the 4th quarter of 2007 and seismic acquisition began in December 2007.
- Seismic being acquired using vibroseis equipment and explosives where the terrain requires.

57
JG
RE

- Security for program provided by Garda World and Peshmerga.
- The Phase 2 program has utilized both the Kalar and Turka camps to house the seismic crews and related security.
- To June 15, 2008 a total of 707 km's have been acquired.

E.2008.01 Kurdistan PSC Technical Work

\$420 M

Technical work on the Kalar-Bawanoor Block will further the understanding of resource potential. The use of world-class consultant experts Dr. Rick Sarg for sequence stratigraphy (mapping of a potential Tertiary reef play), Dr. Paul MacKay structural geology interpretation (to support prospect generation) and a yet to be finalized consultant for basin modeling will help to better understand oil versus gas generation, migration & accumulation within the PSC area.

Pre-Stack Depth Migration (PSDM) work to be provided by Florian Romanescu of Romtech will improve time – depth conversion and to result in better drilling prognoses for ready-to-drill prospects.

Also includes are the costs associated with gathering of Kurdistan Region / Iraq industry intelligence reports (IHS), literature searches (University of Calgary, Gallagher library), and participation in the University of Calgary / Queen's University Fold-Fault Research project.

E.2008.10 Sarqala 1

\$22,102 M

Sarqala 1 has been approved by KRG as the location for the first of the three Exploration Wells as required as part of the Minimum Work Obligations under Article 10.2 (e) of the PSC. Work on Sarqala 1 started in late February 2008 and the well spudded on May 8, 2008. Sarqala 1 is expected to reach a total depth of 4800 meters within 120 to 130 days.

E.2008.11 Well #2

\$22,142 M

The location of well #2 has not been finalized at this time. The start of well #2 will be contingent on the success of Sarqala 1 due to the potential of testing and completion on Sarqala 1. Well #2 would be the 2nd exploration well of the Minimum Work Obligation (PSC Article 10.2 (e)).

E.2008.12 Well #3

\$846 M

The 2008 costs for well #3 are for long lead time items that were ordered for all three wells in order to reduce the cost of each well. Well #3 will be the third

OS

 ae

exploration well under the Minimum Work Obligation (PSC Article 10.2 (e) and is currently anticipated being drilled early in 2009.

E.2008.13 Completion and Testing **\$2,160 M**

The 2008 completion and testing costs are contingent on the success of Sarqala 1 and, if completed within 2008, upon the success of Well #2.

E.2008.60 Scholarship Program **\$430 M**

The Scholarship Program continues on from 2007 and fulfills the PSC requirement for training specified in the PSC Article 23.6 of \$300 M . In 2007 the Scholarship Program commenced in Calgary for nine participants appointed by the KRG. This program includes courses such as academic, computer and English language skills at Mount Royal College to prepare students to be considered for admission into a Masters program at the University of Calgary, and one student will commence a specialized Oil & Gas Accounting program. The Scholarship Program continues in 2008 (the participants are scheduled to complete their post-graduate studies in 2010), and one individual course has been held thus far in 2008.

E.2007.80 Field Office **\$7,865 M**

WZ utilizes a combination of both local employees and expatriates on rotation to staff the Field Office. Expatriates on rotation are used only when no qualified local staff is available. The Field Office is used to facilitate the activities associated with the Exploration Program that take place in the Kurdistan Region. These activities include support for all seismic, drilling, operational and other efforts including but not limited to obtaining leases (land), permitting, visas, logistics and procurement of supplies and services, the recruitment and supervision of various local staff and various financial functions. .

Disciplines include:

- Security Supervision
- Health, Safety and Environment professionals
- Field and Operations supervisors
- Information Technology professionals
- Finance and Administration professionals
- Geological professionals

E.2007.90 Head Office **\$4,960 M**

WZ utilizes various disciplines from its Head Office to manage Field Operations, analyze and interpret seismic data, plan and complete engineering requirements

Handwritten initials and signatures in blue ink, including a large stylized signature and the letters "GS" and "ae".

for the drilling program and conduct other operational efforts within the Kurdistan Region. In addition to the Field Office, the Head Office supports the Exploration Program directly in the areas of seismic planning, execution, interpretation, geological modeling and ultimate reporting of results; logistics and procurement of goods and services from various international sources; engineering of drilling programs; and various financial functions. In addition direct support is supplied in the areas of Legal, Human Resources, and Financial / Reporting.

Disciplines include:

- Geological and Engineering professionals
- Information Technology professionals
- Finance and Administration professionals (including Legal and Human resources)

E.2008.99 Overhead

\$2,547 M

Overhead (or Parent Company Overhead) is calculated according to the terms of the February 26th, 2007 EPSA, Annex B 2.5.1 for the period January 1, 2008 to February 27th 2008 at a rate of 10% and subsequently calculated under the terms of the February 28th PSC for the period February 28th, 2008 to December 31st, 2008 at a sliding rate of 4% for the first \$4MM of expenditures, 3% for the next \$4 MM of expenditures, and 2% for all remaining expenditures. For a definition of Parent Company Overhead please consult the PSC Annex B Article 2.8.2

57 JG
pe.

Annex B
Bank Account Details of WesternZagros

Bank account name: Western Zagros Resources Ltd - US Dollar Wires
Bank account number: 4002515 Trans: # 0009
Sort code: Bank # 003
SWIFT: ROYCCAT2

Royal Bank of Canada
Main Branch
339 - 3th Avenue SW
Calgary AB
T2P 1C4

GS
© JS