

# LETTER OF

## REPRESENTATIONS AND WARRANTIES

(KALAR-BAWANOOR BLOCK)

(TALISMAN)

**To:** The Government of the Kurdistan Region of Iraq (the “**Government**”)

**By:** Talisman (Block K44) B.V. (the “**Company**”), a limited liability company (*Besloten Vennootschap met beperkte aansprakelijkheid*) established and existing under the laws of the Netherlands, and Talisman Energy Inc. (“**Talisman Energy**”), a company established and existing under the Federal laws of Canada.

**Date:** 25 July 2011

This Letter of Representations and Warranties (this “**Letter**”) is provided by the Company and Talisman Energy to the Government (a) in respect of the Amendment Agreement, dated concurrently with this Letter, among the Company, the Government and WesternZagros Limited (“**WesternZagros**”) in respect of the Kurdamir block (formerly part of the block named the Kalar-Bawanoor block) (the “**Agreement**”), (b) in respect of the Guarantee of Talisman Energy (the “**Guarantee**”) in favour of the Government, and (c) in respect of the First Amendment Agreement to the Third Party Participation Agreement, dated concurrently with this Letter (the “**Participation Amendment**”). The Agreement is in respect of the Production Sharing Contract dated 28 February 2008 between the Government, WesternZagros Limited, and the Company, and as amended by the Completion Agreement dated 19 June 2008, and as may be amended by the Agreement (as so amended, the “**Contract**”). The Company and Talisman Energy each acknowledges that the Government is relying upon each of the representations and warranties made in this Letter in entering into the Agreement and accepting the Guarantee.

### 1. DEFINITIONS; INTERPRETATION; REPETITION

1.1 Terms not defined in this Letter have the meanings set forth in the Contract.

1.2 As used in this Letter:

“**Affiliate**” means in relation to any other Person:

(a) if the Person is a subsidiary of another company, such Person’s ultimate holding company and any subsidiary (other than the Person itself) of such ultimate holding company; or

- (b) if such Person is not a subsidiary of another company, any subsidiary of such Person.

For the purpose of this definition: (a) “holding company” and “subsidiary” have the meanings given to those expressions in Section 1159 of the Companies Act 2006; and (b) in relation to the Company, every Talisman Group Member is an Affiliate of the Company.

“**Charter Documents**” is defined in clause 2.3.

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

“**Contract**” is defined in the introductory clause.

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

“**Guarantee**” is defined in the introductory clause.

“**Letter**” is defined in the introductory clause.

“**Participation Amendment**” is defined in the introductory clause.

“**Person**” means an individual or other entity (legal or otherwise), including a corporation, joint stock company, limited liability company, partnership or joint venture.

“**Prescribed Person**” means a public official (i.e., any person holding a legislative, administrative or judicial office, including any person employed by or acting on behalf of the Government) or any political party or political party official or candidate for office in the Kurdistan Region or Iraq.

“**Talisman Energy**” is defined in the introductory clause.

“**Talisman Group**” means in relation to the Company, the group of companies comprising Talisman Energy and all direct and indirect Affiliates of Talisman Energy.

“**Talisman Group Member**” means a constituent of the Talisman Group.

“**Third Party Participation Agreement**” means the agreement dated 19 June 2008 between the Government and the Company, as amended by the Participation Amendment.

“**WesternZagros**” is defined in the introductory clause.

1.3 The representations set out in clauses 2 and 4 of this Letter are made on the date of this Letter and are repeated (i) as of the Completion Date of the Agreement, as the term “Completion Date” is defined in the Agreement, and (ii) on the first day of each of:

- (a) the Second Sub-Period;
- (b) the drilling of the Kurdamir-2 Well;

- (c) any extension of the Exploration Period or Sub-Period;
- (d) the Development Period; and
- (e) any extension of the Development Period.

1.4 No representations and warranties are made, and none should be construed, in respect of the laws of the Kurdistan Region of Iraq or of the Republic of Iraq or the actions or inactions of any governmental authority in Iraq.

## **2. REPRESENTATIONS OF THE COMPANY AND TALISMAN ENERGY**

The Company and Talisman Energy each represents to the Government:

- 2.1 The Company has been duly formed and is validly existing as a private limited liability company under the laws of the Netherlands.
- 2.2 The Company is an indirectly owned subsidiary of Talisman Energy.
- 2.3 The Company has the corporate power and corporate authority to own its properties and assets and to enter into and perform the Agreement, the Participation Amendment, the Third Party Participation Agreement, and the Contract under its charter documents (its “**Charter Documents**”).
- 2.4 The execution, delivery and performance by the Company of the Agreement, the Participation Amendment, and the performance of the Contract and the Third Party Participation Agreement have been duly authorised by all requisite action on the part of the Company.
- 2.5 The choice of the laws of England as the law governing the Agreement, the Contract, the Participation Amendment, and the Third Party Participation Agreement, is valid and binding upon the Company under the laws of the Netherlands, insofar as the laws of the Netherlands are applicable, and under English law. When the Agreement and Participation Amendment are signed and delivered by the Company, WesternZagros (in respect of the Agreement) and the Government, the Agreement, the Contract, the Participation Amendment, and the Third Party Participation Agreement will each constitute the legal, valid, and binding obligation of the Company, enforceable against the Company in accordance with their respective terms, subject to such exceptions as may exist under the laws of England.
- 2.6 Neither (i) the signing and delivery by the Company of the Agreement and the Participation Amendment, nor (ii) the performance by the Company of its contractual obligations under the Agreement, the Contract, the Participation Amendment, or the Third Party Participation Agreement, violates or conflicts (or will violate or conflict) with: (a) the Charter Documents, (b) the provisions of any

applicable laws of the Netherlands or of Canada, (c) the provisions of any published law, rule, or regulation applicable to the Company, (d) the provisions of any agreement or instrument to which the Company is a party, or (e) any order, judgment, or decree of any court or governmental authority in any jurisdiction which is expressed to be binding on the Company.

2.7 The signing and performance of the Agreement and Participation Amendment, and the performance of the Contract and the Third Party Participation Agreement by the Company do not require any order, consent, permit, or approval of any governmental authority of: (i) the Netherlands or (ii) any other country or state with competent jurisdiction over the Company.

2.8 The Company has not passed a resolution to voluntarily dissolve, merge, or de-merge. No petition has been presented by a court for the bankruptcy or moratorium of payment of the Company. No receiver, trustee, administrator, or similar officer has been appointed in respect of the Company or its assets, and no decision has been taken to dissolve the Company.

2.9 There are no actions, suits, proceedings, or investigations pending or, to the Company's or Talisman Energy's knowledge, threatened, against the Company before any court, arbitral tribunal, or any governmental body that could impair its ability to perform its obligations under the Agreement, the Contract, the Participation Amendment, or the Third Party Participation Agreement.

2.10 The Company is not in violation or default with respect to any order, decree, writ, or injunction of any court, arbitral tribunal, or governmental body that could impair its ability to perform its obligations under the Agreement, the Contract, the Participation Amendment, or the Third Party Participation Agreement.

2.11 The Company is in material compliance with all laws of the Netherlands.

2.12 The signing and performance of the Agreement and the Participation Amendment, and the performance of the Contract and the Third Party Participation Agreement, will not violate or result in a default under any agreement or other instrument binding upon the Company or its assets, or give rise to any right or claim that, in either case, could impair its ability to perform its obligations under the Agreement, the Contract, or the Third Party Participation Agreement.

2.13 No Talisman Group Member is barred from receiving contracts by any governmental authority in any country. Notwithstanding the foregoing, the Government acknowledges Talisman Group Members must comply with all applicable laws, sanctions and public policies including but not limited to any applicable sanctions laws prohibiting

Talisman Group Members from receiving contracts to perform work in certain countries.

2.14 With respect to the Agreement, the Contract, the Participation Amendment and the Third Party Participation Agreement, neither the Company nor any other Talisman Group Member, and no other Person acting on behalf of the Company, or on behalf of any Talisman Group Member, has in any such case:

- (a) made, offered, or authorised (and has not agreed to make and does not expect will be made) any payment, gift, promise or other advantage, whether directly or through any other Person, to or for the use or benefit of any Prescribed Person; where
- (b) such payment, gift, promise or advantage violates (assuming the following are applicable to the Company or a Talisman Group Member, whether or not actually applicable or in effect):
  - (1) the Foreign Corrupt Practices Act of 1977 (Pub. L. No. 95-213, 91 Stat. 1494 (1977) of the United States of America, as amended;
  - (2) the Corruption of Foreign Public Officials Act of Canada, as amended;
  - (3) the laws of the Kurdistan Region or of the Republic of Iraq;
  - (4) the laws of the Netherlands;
  - (5) the Bribery Act of 2010, as amended; or
  - (6) the principles described in the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris on 17 December 1997, which entered into force on 15 February 1999, and the Convention's Commentaries.

2.15 No shares, debt instruments, or revenues of the Company or of any Talisman Group Member are (directly or indirectly) held (or are to be held pursuant to any agreement) or payable (directly or indirectly), to or for the benefit of any Prescribed Person, including any form of interest in the Contract or Third Party Participation Agreement, or in relation to the Agreement, the Contract, the Participation Amendment or the Third Party Participation Agreement.

2.16 Neither the Company, nor any other Talisman Group Member, is or has been finally adjudged to be in violation of any law applicable to it relating to terrorism or money laundering.

2.17 Neither the Company, nor any other Talisman Group Member, is a party to any agreement, howsoever characterised, or committed to enter into any such agreement, for the services of any broker, finder,

facilitator, or other intermediary in respect of the Agreement, the Contract, the Participation Amendment or the Third Party Participation Agreement.

- 2.18 No representation by the Company or Talisman Energy contained in this Letter contains any untrue statement of material fact or omits to state a material fact necessary to make such representation not misleading.
- 2.19 In respect of its international upstream investments (i.e., under production sharing contracts, concessions, and exploration and production licenses), each Talisman Group Member has a record of commitment and is committed to the Ten Principles of the Global Compact, launched by the United Nations on 26 July 2000 and is a participant in the Global Compact.

### **3. WARRANTIES; ACKNOWLEDGEMENT**

- 3.1 The Company and Talisman Energy each warrants to the Government that the Company has, or will have when needed from Talisman Energy or other Talisman Group Members, the technical, financial, and managerial capability to perform its obligations under the Contract and the Third Party Participation Agreement, each as amended.
- 3.2 The Company and Talisman Energy each warrants that, in providing this Letter and the Guarantee, and entering into the Agreement and Participation Amendment, as applicable, it is not relying upon, and did not rely upon, any statement, representation, warranty, or agreement of the Government, except for those expressly contained in the Agreement and the Participation Amendment.
- 3.3 The Company and Talisman Energy each acknowledges that the Government has made no representation or warranty to the Company, any Talisman Group Member, or any Person acting on behalf of the Company or any Talisman Group Member, except as set forth in the Agreement, the Contract, the Participation Amendment and the Third Party Participation Agreement.

### **4. INDIVIDUAL REPRESENTATIONS OF TALISMAN ENERGY**

Talisman Energy represents to the Government:

- 4.1 Talisman Energy is (a) a corporation duly organised, validly existing and in good standing under the Federal laws of Canada, and (b) has the corporate power and corporate authority to own its assets and properties and to enter into and perform the Guarantee.

- 4.2 There are no actions, suits, proceedings, or investigations pending or, to its best knowledge after diligent inquiry, threatened against Talisman Energy before any court, arbitral tribunal, or any governmental body that would materially impair its ability to perform its obligations under the Guarantee.
- 4.3 Talisman Energy has no knowledge of any violation or default by Talisman Energy with respect to any order, decree, writ, or injunction of any court, arbitral tribunal, or any governmental body that could materially impair its ability to perform its obligations under the Guarantee.
- 4.4 The signing and delivery of the Guarantee will not violate or result in a default under any agreement or other instrument binding upon Talisman Energy or its assets, or give rise to any right or claim that could materially impair its ability to perform its obligations under the Guarantee.
- 4.5 The execution, delivery and performance by Talisman Energy of this Letter and the Guarantee have been duly authorised by all requisite corporate action on the part of Talisman Energy.
- 4.6 This Letter and the Guarantee (i) constitute the legal, valid, and binding obligations of Talisman Energy, and (ii) are enforceable against Talisman Energy in accordance with their terms, subject to such exceptions as may exist under the laws of England.
- 4.7 Shares of Talisman Energy are listed and traded on the Toronto Stock Exchange and the New York Stock Exchange. The most recent annual and quarterly financing statements and reports of Talisman Energy which have been filed with the Securities and Exchange Commission of the United States of America are available at [www.talisman-energy.com](http://www.talisman-energy.com).

## **5. RELIANCE**

The Government may rely on the representations set forth in this Letter whether or not the Government has any information or belief that any representation is incorrect in any respect when made or repeated.

## **6. MERGER**

All prior negotiations and agreements between the Government, the Company, and Talisman Energy on or related to the representations and warranties contained in this Letter are expressly merged into and superseded by this Letter. The Government is not entitled to rely upon any representation or warranty of the Company or of Talisman Energy, except for those expressly set forth in this Letter or set forth in the Agreement, in the Contract, in the Participation Amendment, in the Third Party Participation Agreement, or any other agreement or document signed and

delivered by the Company or Talisman Energy as applicable, contemporaneously or after the date of this Letter.

## **7. GOVERNING LAW**

This Letter is governed by English law.

## **8. DISPUTES; NO THIRD PARTY RIGHTS**

8.1 Neither the Company nor Talisman intends that any Person other than the Government may rely on all or any part of this Letter. Neither the Company nor Talisman Energy intend that any part of this Letter is enforceable solely by virtue of the Contracts (Rights of Third Parties) Act of 1999 by any person other than the Government.

8.2 The Government will have no right or remedy in respect of this Letter unless (a) the Agreement has been signed and delivered by the Government, the Company, and WesternZagros Limited and (b) the Participation Amendment has been signed and delivered by the Government and the Company. Any dispute arising out of or related to this Letter, or any representation or warranty set forth in this Letter, will be considered a "Dispute" under the Contract and is governed by the arbitration agreement set forth in the Contract, provided that the Company and Talisman Energy will be considered a single Contractor Entity.

## **9. COUNTERPARTS**

This Letter may be delivered by the Company and Talisman Energy in counterparts, each of which will constitute an original, and both of which, collectively, constitute only one Letter. The signatures of the Company, Talisman Energy, and the Government need not appear on the same counterpart. The delivery by email of an executed counterpart signature page in PDF, JPEG or equivalent electronic format by the Company and Talisman Energy is as effective as executing and delivering this Letter in the presence of the Government. The acceptance of the Government is not required to make this Letter effective, and the Government may deliver a signed counterpart signature page in PDF, JPEG, or equivalent electronic format, which will be as effective to establish receipt as if the Government accepted receipt in the presence of the Company and Talisman Energy.

*{Signature page follows.}*



TALISMAN (BLOCK K44) B.V.

By: *[Signature]*  
Name: *RON ACHTMICHAL*  
Director *DULY AUTHORIZED ATTORNEY*

TALISMAN ENERGY INC.

By: .....  
Name:.....  
Title:

By: .....  
Name:.....  
Title:

Received:

For and on behalf of the **GOVERNMENT OF THE KURDISTAN REGION  
OF IRAQ**

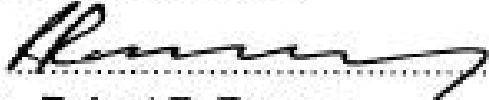
By:.....  
Ashti Hawrami  
Minister of Natural Resources  
Kurdistan Regional Government  
**On behalf of the Ministry of Natural Resources in the  
Kurdistan Region**


*[Signature page to Letter of Representations and Warranties (Kurdamir Block) by  
Talisman (Block K44) B.V. and Talisman Energy Inc.]*

**TALISMAN (BLOCK K44) B.V.**

By: .....  
Name: .....  
Director

**TALISMAN ENERGY INC.**

By:   
Name: **Robert R. Rooney**  
Title: **Executive Vice President, Legal and General Counsel**

By:   
Name: **Leslie A. Lawson**  
Title: **Assistant Corporate Secretary**

Received:

For and on behalf of the **GOVERNMENT OF THE KURDISTAN REGION OF IRAQ**

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

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**TALISMAN (BLOCK K44) B.V.**

By: .....

Name:.....

Director

**TALISMAN ENERGY INC.**

By: .....

Name:.....

Director

Received:

For and on behalf of the **GOVERNMENT OF THE KURDISTAN REGION  
OF IRAQ**

By:  .....

Ashti Hawrami

Minister of Natural Resources

Kurdistan Regional Government

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

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