

**DATED**

31<sup>st</sup> March 2009

**ASSIGNMENT, NOVATION AND AMENDMENT AGREEMENT**

relating to

the assignment of the Third Party Interest under the Production Sharing Contract relating to  
the Tawke Block

between

**THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ**

and

**DNO IRAQ AS**

and

**GENEL ENERGY INTERNATIONAL LIMITED**



**THIS ASSIGNMENT, NOVATION AND AMENDMENT AGREEMENT** is entered into on 31<sup>st</sup> March 2009 (the "**Completion Date**").

## **BETWEEN**

## **PARTIES**

- (1) **THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ**, duly represented by His Excellency the Minister of Natural Resources Dr. Ashti Hawrami, and hereinafter referred to as the "**Assignor**";
- (2) **DNO IRAQ AS**, a company established and existing under the laws of Norway, whose registered office is at Stranden 1, Aker Brygge, PO Box 1345 Vika, 0113 Oslo, Norway, duly represented by Helge Eide, Chairman, and hereinafter referred to as "**DNO**"; and
- (3) **GENEL ENERGY INTERNATIONAL LIMITED**, a company incorporated and existing under the laws of Anguilla, British West Indies, whose registered office is at Caribbean Suite, The Valley, Anguilla, British West Indies, TV1 11P, duly represented by Mehmet Sepil, Chief Executive Officer and Director, and hereinafter referred to as the "**Assignee**".

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

## **BACKGROUND**

- (A) A Production Sharing Contract (amended as referred to in Recital (B) being hereafter referred to as the "**Contract**") in respect of Petroleum Operations relating to the Tawke Block in the Kurdistan Region of Iraq was executed on 13 March 2008 between the Assignor and DNO as **CONTRACTOR**;
- (B) The Contract was amended by agreement between the Assignor and DNO on 10 September 2008 (hereafter "**Amendment and Relinquishment Agreement**") and by a letter dated 10 September 2008 from the Assignor to DNO;
- (C) Article 4.6 of the Contract provides for an option, held by the Assignor, of assigning an interest in the Contract, defined in the Contract as the **Third Party Interest**, of up to twenty-five per cent (25%);
- (D) The Assignor and DNO wish to further amend Article 4.7 of the Contract, providing for the option of assigning the **Third Party Interest** to continue until 31 March 2009;
- (E) The Assignor wishes to assign the entirety of the **Third Party Interest**, namely an undivided interest of twenty-five per cent (25%) as a **CONTRACTOR** Entity in all of the rights, duties, obligations and liabilities under and in the Contract (save as provided in and subject to Article 4 of the Contract) pursuant to Article 4.6 of the Contract (hereafter the "**Assigned Interest**"), and the Assignee wishes to accept such rights, duties, obligations and liabilities under the Contract in so far as they relate to the **Assigned Interest**; and
- (F) Subject to this Agreement, the Assignor wishes to be released and discharged from the Contract in relation to the **Assigned Interest** and the novation of the Contract, and the Assignee and DNO wish to release and discharge the Assignor in relation to

the Assigned Interest upon the terms of the Assignee's undertaking to perform the Contract and be bound by the terms of the Contract in relation to the Assigned Interest.

## AGREED TERMS

### 1. DEFINITIONS AND INTERPRETATION

- 1.1 Unless otherwise defined herein (including the recitals) capitalized terms have the meanings ascribed to them in the Contract and the Amendment and Relinquishment Agreement. Article 1.2 of the Contract shall apply hereto *mutatis mutandis*.
- 1.2 In this Agreement "Participation Date" means 1<sup>st</sup> January 2009, and it is hereby agreed that the term Participation Date as defined in the Contract shall also mean 1<sup>st</sup> January 2009.

### 2. NOVATION

- 2.1 With effect on and from the Participation Date, the Assignor shall assign and transfer all of the Assignor's rights, duties, obligations and liabilities arising in connection with the Assigned Interest under the Contract to the Assignee and the Assignee shall become a party to the Contract subject to the terms of this Agreement, and the Assignee shall accede to the Contract.
- 2.2 With effect from the Completion Date, subject to Article 2.3 and Article 3 below, the Assignee undertakes to each of the Assignor and DNO to perform all of the Assignor's obligations under the Contract and be bound by the terms of the Contract in every way as if the Assignee had been a party to the Contract as a **CONTRACTOR** Entity in respect of the Assigned Interest, on and from the Participation Date, provided that the Assignee will not be liable for:
- (i) any proportion of Petroleum Costs accrued prior to the Participation Date; or
  - (ii) any proportion of Government Interest share of the **CONTRACTOR**'s Petroleum Costs; or
  - (iii) the Excluded Payments (as defined in Article 4.4) prior to, as at, or following the Completion Date; and

in respect of all Petroleum Costs paid by DNO prior to the Participation Date under the Contract, including the Water Project Payment which is recoverable as Petroleum Costs in accordance with the letter referred to in Recital (B), the right and entitlement to Available Petroleum under Article 25 of the Contract shall vest in and be exercisable by DNO and the Assignee shall only be entitled to recover Petroleum Costs under Article 25 of the Contract as a **CONTRACTOR** Entity if and to the extent that the Assignee has incurred and paid for such Petroleum Costs on and after the Participation Date. As between the **CONTRACTOR** Entities, Petroleum Costs incurred prior to the Participation Date shall be recovered first by DNO, and thereafter the priority of recovery of Petroleum Costs on and after the Participation Date shall be first for recovery of Petroleum Costs incurred in respect of operating costs and thereafter exploration and development costs and expenditures and any Water Project Payment, with the costs, expenditures and Water Project Payment instalments incurred earliest in time being recovered first.

- 2.3 Nothing in this Agreement shall affect or prejudice any claim or demand which either the Assignor or DNO may have in connection with the Assigned Interest against the other relating to matters prior to the Participation Date.
- 2.4 It is hereby agreed that the Contract shall continue in full force and effect and that, as from the Completion Date, its terms have only changed to the extent set out in this Agreement.
- 2.5 The Assignee together with DNO (as **CONTRACTOR** Entities under the Contract) jointly and severally covenant with and in favour of the Assignor that they will perform and observe the terms and conditions contained in the Contract and on the part of the **CONTRACTOR** to be performed and observed.

### 3. AMENDMENTS TO THE CONTRACT

- 3.1 The Parties agree that the following amendments set out in this Article 3 shall be made to the Contract with effect from the Completion Date.
- 3.2 On the Completion Date, the Assignee shall, by virtue of this Agreement and pursuant to the provisions of the Contract, become a **CONTRACTOR** Entity under the Contract.
- 3.3 (a) The first paragraph of the Contract setting out the parties shall be amended so as to read:

"BETWEEN AND AMONG

**THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ**, in Tawke, Kurdistan Region, the Republic of Iraq, as represented by His Excellency the Minister of Natural Resources Dr. Ashti Hawrami (the "**Government**");

AND

**DNO IRAQ AS**, a company established and existing under the laws of Norway, whose registered office is at Stranden 1, Aker Brygge, PO Box 1345 Vika, 0113 Oslo, Norway ("**DNO**");

AND

**GENEL ENERGY INTERNATIONAL LIMITED**, a company incorporated and existing under the laws of Anguilla, British West Indies, whose registered office is at Caribbean Suite, The Valley, Anguilla, British West Indies, TV1 11P ("**Genel**").

- (b) The definition of "**Contractor Entity**" in Article 1.1 of the Contract shall be amended by replacing the penultimate sentence with the following:

"**DNO Iraq AS** as a **CONTRACTOR** Entity as at the Effective Date, and **Genel Energy International Limited**, as a **CONTRACTOR** Entity as at the Participation Date, own an undivided interest in the Petroleum Operations in respect of the entire Contract Area in the following percentages at the Participation Date:

<b>DNO Iraq AS</b>	55%
<b>Genel Energy International Limited</b>	25%

- (c) Article 4.7(a) of the Contract is amended so as to read "31 March 2009",
- (d) The following provisions shall replace the existing provisions of Article 44 of the Contract:

**"44.1 Address**

Any notice, instruction, waiver, consent, claim or demand or other communication made in connection with this Contract or with any arbitration under this Contract shall be in writing in English (each a "Notice"), and shall be sufficiently given if delivered or sent as follows:

**"To the Government:**

**Attention:** His Excellency the Minister of Natural Resources

**Address:**

Ministry of Natural Resources  
Kurdistan Regional Government  
Tawke, Kurdistan

**Email:** [mnr@krgoil.com](mailto:mnr@krgoil.com)

**To the CONTRACTOR:**

In case of **DNO Iraq AS**

**Attention:** Magne Normann

**Address:**

39<sup>th</sup> Floor Shatha Tower  
PO Box 502503  
Dubai Media City  
Dubai  
United Arab Emirates

**Email:** [magne.normann@dno.no](mailto:magne.normann@dno.no)

In case of **Genel Energy International Limited**

**Attention:** Mehmet Sepil

**Address:**

Turan Emeksiz  
Sokak Park  
Sitesi  
Kat:5 No: 12 06990 Kavaklıdere  
Ankara Turkey  
**Email:** m.scpil@gencl-enerji.com

44.2 Form

44.2.1 Any Notice shall be in writing in English and shall be sent by:

- (i) delivering it by hand to that Party's address set out in Article 44.1;
- (ii) internationally recognised courier to that Party's address set out in Article 44.1; or
- (iii) electronic means to that Party's email address set out in Article 44.1.

44.2.2 Other than as specifically provided for in this Contract, any Notice shall be deemed to have been received:

- (i) if delivered by hand to a Party's address, on the day of delivery if a Business Day, otherwise on the next succeeding Business Day;
- (ii) if sent by internationally recognised courier, on the Business Day delivered; or
- (iii) if delivered by electronic means, by the intended recipient 24 hours after it was transmitted, and for proving such receipt it shall be sufficient to show that such notice, document or information was properly addressed,

provided that in each case where delivery by hand, by fax or by email occurs after 5 p.m. on a Business Day service shall be deemed to occur at 9 a.m. on the next Business Day.

For the purposes of this Article 44.2.2, the term "Business Day" shall mean a day (other than a Saturday, Sunday or public holiday) on which banks are open for general business in (a) the Kurdistan Region, and (b) London, United Kingdom.

44.3 Change of Address

A Party may at any time notify the other Parties of a change of its name, relevant addressee, address, fax number or email address for the purposes of this Article 44, provided that such notice shall only be effective on (i) the date specified in the notice as the date on which

the change is to take place; or (ii) if no date is specified or if the date specified is less than five (5) days after the date on which notice is given, the date following five (5) days after the notice of any change has been given.”

#### 4. PAYMENT PROVISIONS

- 4.1 (a) On the Completion Date, the Assignee shall be liable for and shall be obliged only to pay its Assigned Interest share of Petroleum Costs accrued on and from the Participation Date, including without limitation the Minimum Exploration Obligations, and the Production Bonuses, but not including the Water Project Payment. The payment by DNO of the Water Project Payment shall be made in accordance with Articles 18, 19 and 20 of the Amendment and Relinquishment Agreement.
- (b) The amount of Petroleum Costs accrued on and from the Participation Date for the period up to and including the date referred to in Annex A shall be payable by the Assignee to the Assignor within thirty (30) days of the Completion Date to the Assignor's bank account set out in Annex A.
- (c) The payment by the Assignee of the amount of Petroleum Costs referred to in Article 4.1(b) shall be subject to the Assignee's right of audit under the Joint Operating Agreement in order to verify the correctness of such amount.
- (d) Following the Completion Date, and until the Joint Operating Agreement is entered into, DNO shall be entitled to invoice the Assignee for its Assigned Interest share of all Petroleum Costs incurred in the period after the date referred to in Annex A and to cash call the Assignee for all Petroleum Costs anticipated to be incurred in each calendar month. The Assignee shall pay the cash calls referred to in Annex A in full within thirty (30) days of the Completion Date. Thereafter, each invoice and cash call shall be paid by the Assignee in full in accordance with paragraph 2 of the accounting procedure attached to the Joint Operating Agreement, subject always to the Assignee's right of audit under the Joint Operating Agreement to verify the correctness of such amount invoiced or cash called.
- (e) In addition to the Assignee's obligation to pay Petroleum Costs as stated in Articles 4.1(b) and (d) (such obligation to exclude the Water Project Payment as provided in Article 4.1(a)), the Assignee shall be liable to pay the Assignor upon the entry into of the Joint Operating Agreement its Assigned Interest share of all other operating costs, expenditures and Operator's administration and overhead charges which are not Petroleum Costs and which are payable under the Joint Operating Agreement on and from the Participation Date.
- 4.2 The Parties agree that the Assignee shall not be liable for any share of Petroleum Costs accrued prior to the Participation Date.
- 4.3 The Parties agree that the Assignee shall not be liable for any proportion of Government Interest share of the **CONTRACTOR's** Petroleum Costs.
- 4.4 The Parties agree that the Assignee shall not be liable to DNO or the Assignor for any Signature Bonus, Capacity Building Bonus or for any part of the Water Project Payment payable or paid under the Contract and any obligation to contribute to

DNO's share of all Petroleum Costs under the Contract before the Participation Date (the "Excluded Payments").

## 5. REPRESENTATIONS, WARRANTIES AND COVENANTS

- 5.1 The Assignee represents and warrants that as at the Completion Date it is financially and technically capable of fulfilling its duties and obligations under the Contract; and the Assignee agrees to provide within seven (7) days of the Completion Date a guarantee to the Assignor pursuant to Article 9.1 of the Contract to cover its **CONTRACTOR** Entity interest share of the outstanding Minimum Financial Commitment for the First Sub-Period in a form acceptable to the Assignor.
- 5.2 DNO hereby confirms to the Assignee that as at the Completion Date it has received reasonable evidence of the Assignee's technical and financial capability to discharge the obligations of **CONTRACTOR** Entity under the Contract and a Joint Operating Agreement in respect thereof.
- 5.3 The Assignor 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 or other than as provided under the Contract, and that the Option of Third Party Participation has been fully exercised pursuant to the Contract.
- 5.4 (a) Each of the Assignor and DNO represents and warrants to the Assignee that as at the Completion Date it has the power and authority to enter into this Agreement and that no Joint Operating Agreement has been or will be entered into prior to the Completion Date.
- (b) The Assignor hereby represents and warrants to DNO and the Assignee 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 Assigned Interest being transferred by it hereunder to such third party and that the Assigned Interest is free and clear of all liens, claims and any other encumbrance whatsoever.

## 6. MISCELLANEOUS

- 6.1 Articles 36, 39, 41, 42, 43, 44 (as amended) and 46 of the Contract shall apply to this Agreement *mutatis mutandis*.
- 6.2 Following the Completion Date, DNO and the Assignee shall meet as soon as reasonably practicable to agree and enter into a Joint Operating Agreement which shall be substantially in the form attached in Annex B.
- 6.3 Following the Completion Date, the Parties shall meet as soon as reasonably practicable to execute an assignment, novation and amendment agreement substantially in the form of this Agreement, pursuant to which the Assignee shall assign to Gas Plus Turkey Limited, and Gas Plus Turkey Limited shall acquire, from the Assignee a five per cent (5%) interest as a **CONTRACTOR** Entity from the Assignee with all of the rights, duties, obligations and liabilities under the Contract as herein set out in respect of the Assigned Interest.



7. **COUNTERPARTS**

This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.



This Agreement has been signed by the duly authorised representatives of the Parties on the Completion Date.

For and on behalf of DNO

**DNO IRAQ AS**

Signature

.....  
Helge Eide

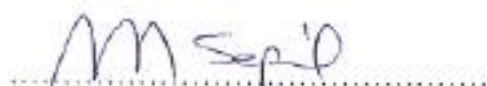


For and on behalf of the Assignee

**GENEL ENERGY INTERNATIONAL LIMITED**

Signature

.....  
Mehmet Sepil



For and on behalf of the Assignor

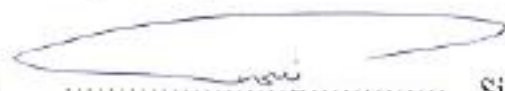
**THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ**

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

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

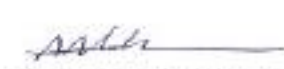
Signature

.....  
Nechirvan Barzani



Signature

.....  
Ashti Hawrami



**Annex A**

**A. Pre 2009 Cash Call - Assignee**

1. Assignee's Assigned Interest share of Petroleum Costs from the Participation Date which is 1<sup>st</sup> January 2009 and consequently zero.

Notes:

- a) The total of Petroleum Costs incurred and applicable to the Tawke PSC from 25 June 2004 up to 1<sup>st</sup> January 2009 is an amount equal to \$419,080,022 (100%).
- b) The total of Petroleum Costs recovered under the Tawke PSC up to 1<sup>st</sup> January 2009 is an amount equal to \$89,443,611.

**B. 2009 Cash Calls - Assignee**

1. Cash calls to be paid by the Assignee within thirty (30) days of the Completion Date.

Cash call for months: January, February and March 2009

Cash call amount: \$ 2,798,991 (25% Working Interest of Assignee)

**C. Bank Details of DNO Iraq AS**

The bank account details to which payment is to be made are as follows:

Funds Transferred to: J P Morgan Chase Bank – New York

SWIFT: CHASUS33XXX

Account Name: Emirates Bank International A/c No 000544748893

UID: 122786

SWIFT: EBILAEAD

Beneficiary: DNO Middle East

Account No: 0073-359585-010

Annex B  
Form of Joint Operating Agreement

A handwritten signature in blue ink, consisting of several stylized, overlapping loops and lines, located in the bottom right corner of the page.