

[Office of HE The Prime Minister of the Federal Region of Kurdistan]

Dated 21 November 2006

To: Genel Enerji A.S;
Genel Energy International Limited, and
Addax Petroleum Internatioanal Limited (the "Contractor")

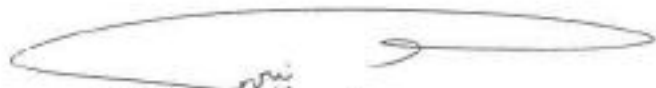
Gentlemen:

Production Sharing Agreement dated between the KRG and Genel Enerji A.S. dated 20 January 2004 as amended by the Amending Agreement dated 21 November 2006 (the "Agreement")

On behalf of the Council of Ministers of the Kurdistan Regional Government (the "KRG"), it is my pleasure to confirm the following:

1. The KRG welcomes and appreciates Contractor's investment in and commitment to the Federal Region of Kurdistan.
2. The Council of Ministers confirms and ratifies the execution of the Agreement by His Excellency Mr Ashti A. Hawrami, Minister of Natural Resources.
3. The KRG will take all appropriate measures to uphold the Agreement as a legal instrument throughout the Republic of Iraq.

Yours faithfully,



Nechirvan Barzani
Prime Minister

AMENDING AGREEMENT

THIS AMENDING AGREEMENT is entered into this twenty first day of November 2006

BETWEEN:

- (1) **KURDISTAN REGIONAL GOVERNMENT** represented in this Agreement by Dr. A. Ashti Hawrami, Minister of Natural Resources of the Kurdistan Regional Government (the "Government");

AND

- (2) **GENEL ENERJI A.S.**, a company organised and existing under the laws of the Republic of Turkey whose registered office is located at Turan Emeksiz Sokak Park Apartmani B Blok Kat 5 GOP Ankara, **GENEL ENERGY INTERNATIONAL LIMITED**, a company organised and existing under the laws of the British Virgin Islands whose registered office is located at Carribbean Suite, The Valley, Anguilla, British West Indies TV1 11P and **ADDAX PETROLEUM INTERNATIONAL LIMITED**, a company established under the laws of Isle of Man, whose registered office address is located at P.O. Box 187, Victoria House, Prospect Hill, Douglas, Isle of Man (hereinafter collectively together with their respective successors and duly permitted assigns referred to as "the Contractor Parties")

The Government and the Contractor are individually referred to herein as a "party" and collectively as the "parties".

RECITALS:

- A. On 20 January 2004 the Government entered into a Production Sharing Agreement with Genel Enerji A.S. (the "Original PSA");
- B. Genel desires to assign all of its participating interest in the Original PSA to Addax and Genel International;
- C. The Government and the Contractor Parties now wish to amend certain provisions of the Original PSA including, without limitation, as parties thereto of Genel International and Addax and to conclude the requirements for the ratification of the consequently amended production sharing agreement in the Federal Region of Kurdistan.

NOW, THEREFORE, it is agreed:


1. The Government hereby approves and confirms that (i) Addax's participating interest in the Original PSA will be forty-five per cent (45%) and (ii) Genel International's participating interest in the Original PSA will be fifty five percent (55%).
2. The Original PSA is hereby amended by replacing certain of its provisions so that it conforms with the text set out in the Annex to this Amending Agreement (the "Revised PSA").



3. It is recognised by the parties that, for operational and reference purposes, a conformed Production Sharing Agreement is desirable. Therefore, without prejudice to the validity of the Original PSA dated 20 January 2004 as amended by this Amending Agreement, the parties agree that, immediately subsequent to the execution of this Amending Agreement, the Government, Genel International and Addax will execute and deliver a Revised Production Sharing Agreement which shall in all respects conform with the Revised PSA.
4. This Amending Agreement shall be governed by English Law.


IN WITNESS WHEREOF, the parties have executed this Agreement in Erbil, the Federal Region of Kurdistan, on the 21st day of November 2006.

For and on behalf of
KURDISTAN REGIONAL GOVERNMENT:

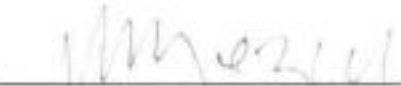
BY: 

Ashti A. Hawrami
Minister of Natural Resources

For and on behalf of
THE CONTRACTOR:

BY: 

Mehmet Sepil
For and on behalf of GENEL ENERJI A.S.

BY: 

Murat Yazici
For and on behalf of GENEL ENERGY INTERNATIONAL LIMITED

BY: 

James Pearce
For and on behalf of ADDAX PETROLEUM INTERNATIONAL LIMITED

[ANNEX]

 [REVISED PRODUCTION SHARING AGREEMENT]



REVISION

DATED NOVEMBER 21, 2006

of

PRODUCTION SHARING AGREEMENT

DATED JANUARY 20, 2004

BETWEEN

THE KURDISTAN REGIONAL GOVERNMENT

AND

GENEL ENERJI A.S.

TABLE OF CONTENTS

Preamble	4
Article 1	Interpretation.....	5
Article 2	Scope of Agreement and General Provisions and the Warranties of the Government	14
Article 3	Agreement Area.....	16
Article 4	Agreement Term.....	16
Article 5	Relinquishments	16
Article 6	Co-ordination Committee	17
Article 7	Contractor Responsibility	19
Article 8	Procedure for Determination of Commerciality and Approval of Development Plans.....	22
Article 9	Annual Work Programs and Budgets	25
Article 10	Allocation of Production, Recovery of Costs and Expenses, Production Sharing and Right of Export	27
Article 11	Crude Oil Valuation.....	31
Article 12	Ancillary Rights of the Contractor and Operator	32
Article 13	Assistance Provided by the Governorate.....	34
Article 14	Measurement, Quality and Valuation of Petroleum	35
Article 15	Natural Gas	36
Article 16	Tax/Fiscal Regime	37
Article 17	Accounting, Financial Reporting and Audit.....	38
Article 18	Currency, Payments and Exchange Control	40
Article 19	Import and Export.....	41
Article 20	Export of Hydrocarbons, Transfer of Ownership and Regulations for Disposal.....	42
Article 21	Ownership of Assets	42
Article 22	Insurance, Environment, Health, Safety and Liability	43
Article 23	Personnel.....	46
Article 24	Force Majeure.....	47
Article 25	Assignments and Guarantees.....	48
Article 26	Agreement Enforcement and Stabilisation and Representations and Warranties	50

Article 27 Notices and Confidentiality 51
Article 28 Termination and Breach 52
Article 29 Dispute Resolution..... 53
Article 30 Text..... 54
Article 31 Approval..... 54
ANNEX A AGREEMENT AREA
ANNEX B ACCOUNTING PROCEDURES
ANNEX C NOVATION AGREEMENT

5


REVISED PRODUCTION SHARING AGREEMENT

This **REVISED PRODUCTION SHARING AGREEMENT** is made and entered into on 21 November 2006 by and between:

- (1) **KURDISTAN REGIONAL GOVERNMENT** (hereinafter referred to as the "Government") represented by the Minister of Natural Resources of the Government;
- (2) **GENEL ENERJI A.S.** (hereinafter referred to as "Genel"), and
- (3) **GENEL ENERGY INTERNATIONAL LIMITED**, (hereinafter referred to as "Genel International") and **ADDAX PETROLEUM INTERNATIONAL LIMITED** (hereinafter referred to as "Addax"), in each case together with their respective successors and assigns (hereinafter collectively referred to as the "Contractor" and each individually as a "Contractor Party");

The Government, Genel and the Contractor may sometimes herein be referred to as "Party" and collectively as the "Parties".

WITNESSETH:

WHEREAS, on 20 January 2004 the Government entered into a Production Sharing Agreement with Genel (the "Original PSA"), modifying and replacing the previous agreement dated July 17, 2002;

WHEREAS, the Government and Genel have agreed to amend certain provisions of the Original PSA including, without limitation, the introduction of Genel International as the holder of Genel's whole Participating Interest and increase of Addax's Participating Interest and to conclude the requirements for the ratification of this Agreement in the Kurdistan Region;

WHEREAS, by an Amending Agreement of even date herewith, the Parties have agreed to amend the Original PSA so that it is amended and modified to conform with the terms and conditions set out in this Agreement and to execute this Agreement as the revised and conformed agreement between the Parties;

WHEREAS, The Government desires (1) to introduce a Government Nominated Entity or Government Nominated Entities to be a Contractor Party or Contractor Parties and (2) to expand the rights and obligations of the Contractor in the Exploration Block in accordance with the principles of the Kurdistan Region draft Petroleum Act; and

WHEREAS, the Contractor accepts the inclusion of the a Government Nominated Entity or Government Nominated Entities to be a Contractor Party or Contractor Parties and to expand the Contractor's activities to the Exploration Block;

NOW, THEREFORE, in consideration of the promises and the mutual covenants and conditions herein contained, it is hereby agreed as follows:

ARTICLE 1
INTERPRETATIONS

1.1 Status of this Agreement

This Agreement shall be read and construed as a revision of the Original PSA and not as an original legal instrument in its own terms.

1.2 Definitions

The following words and terms used in this Agreement shall unless otherwise expressly specified in this Agreement have the following respective meanings:

1.2.1 "Accounting Procedure" means the accounting procedure set out in Annex "B" hereto; whereby two separate accounts for respectively (1) Taq Taq Development Block and (2) Exploration Block will be maintained separately in line with the principles of "separation of accounts".

1.2.2 "Addax" means Addax Petroleum International Limited, a company established under the laws of Isle of Man, whose registered office address is located at P.O. Box 187, Victoria House, Prospect Hill, Douglas, Isle of Man.

1.2.3 "Amending Agreement" means the agreement of even date herewith by which the Parties agreed to amend the Original PSA so that its terms and conditions conform with the terms and conditions of this Agreement.

1.2.4 An "Affiliated Company" or "Affiliate" means:

with respect to a Contractor Party: a company, corporation, partnership or other legal entity:

- i) in which a Contractor Party owns directly or indirectly more than fifty percent (50%) of the shares, voting rights or otherwise has the right to establish management policy; or
- ii) in which at least fifty percent (50%) of the shares or voting rights are owned directly or indirectly by a company or other legal entity, which owns directly or indirectly more than fifty percent (50%) of the shares, voting rights or otherwise has the right to establish management policy of a Contractor Party.

1.2.5 "Agreement" or "PSA" means this Production Sharing Agreement together with all attached Annexes and any variation, extension or modification hereto which may be agreed in writing by all the Parties.



- 1.2.6 "Agreement Area" means the total of the area specified in Article 3 hereof and delineated and delimited collectively in Annex A, as reduced or enlarged from time to time in accordance with the provisions of this Agreement.
- 1.2.7 "Agreement Year" means a period of twelve (12) consecutive Gregorian Calendar months commencing on either the Effective Date or any anniversary of the Effective Date within the term of the Agreement.
- 1.2.8 "Annex" or "Annexes" means each or both of the Annexes "A", "B" and "C" attached to this Agreement and made a part hereof. In the event of a conflict between the provisions of an Annex and a term in the main body of this Agreement, the provisions of the latter shall prevail.
- 1.2.9 "Appraisal" means all works carried out by Contractor to evaluate and delineate the commercial character of a Discovery of Petroleum in the Agreement Area.
- 1.2.10 "Appraisal Expenses" means all Cost and Expenses incurred for Appraisal Programs.
- 1.2.11 "Associated Natural Gas" means all gaseous hydrocarbons produced in association with Crude Oil, which Crude Oil itself can be commercially produced and separated therefrom.
- 1.2.12 "Authority" means the Ministry of Natural Resources of the Government or any other authorised body of the Government.
- 1.2.13 "Available Crude Oil" means Crude Oil produced and saved from the Agreement Area and not used in Petroleum Operations in accordance with Article 10.2.
- 1.2.14 "Available Natural Gas" means Natural Gas produced and saved from the Agreement Area and not used in Petroleum Operations in accordance with Article 10.2.
- 1.2.15 "Barrel" means a quantity consisting of forty-two (42) United States gallons liquid measure, corrected to a temperature of sixty degrees (60°) Fahrenheit with pressure at sea level.
- 1.2.16 "Budget" means the estimate of the expenditures, listed category-by-category, relating to Petroleum Operations and contained in any Work Program proposed by Contractor.
- 1.2.17 "Calendar Quarter" or "Quarter" means a period of three consecutive months beginning on January 1st, April 1st, July 1st and October 1st of each Calendar Year.
- 1.2.18 "Calendar Year" or "Year" means a period of twelve (12) consecutive months beginning on January 1st and ending on December 31st in the same year, according to the Gregorian Calendar.

- 1.2.19 "Capital Expenditures" means Development Expenditures, Appraisal Expenditures, Exploration Expenditures and Drilling Costs; which are incurred by the Contractor Parties pursuant to this Agreement.
- 1.2.21 "Commercial Discovery" means a discovery of Petroleum that the Contractor in its sole discretion in accordance with the provisions of Article 8 commits itself to develop and to produce under the terms of the Agreement.
- 1.2.22 "Commercial Production" means regular and continuous production of Petroleum from a Development Area in such quantities (taking into account any other relevant factors) as are worthy of commercial development.
- 1.2.23 "Co-ordination Committee" means the committee composed of representatives of the Contractor and the Government constituted in accordance with Article 6.
- 1.2.24 "Cost Recovery Petroleum" means Cost Recovery Crude Oil and Cost Recovery Natural Gas.
- 1.2.25 "Cost Recovery Crude Oil" is defined as set forth in Article 10.4.
- 1.2.26 "Cost Recovery Natural Gas" is defined as set forth in Article 10.4
- 1.2.27 "Costs and Expenses" comprise the Exploration Expenditures, Appraisal Expenses, Development Expenditures, Operation Expenses and Drilling Costs together with Finance Costs whether directly or indirectly incurred by Contractor.
- 1.2.28. "Crude Oil" means crude mineral oil, asphalt, ozokerite and all kinds of hydrocarbons whether in a solid, liquid or mixed state at the wellhead or separator or which is obtained from Natural Gas through condensation or extraction.
- 1.2.29 "Cumulative Production" means the cumulative total crude oil production from the Agreement Area commencing from the date of the Effective Date of this Agreement.
- 1.2.30 "Current Legislation" means the Constitution of the Republic of Iraq and laws, legislative acts, and normative documents including the Petroleum Act (when enacted) for the time being in force and applied in the Kurdistan Region.
- 1.2.31 "Customs Duties" means all import (or export) tariffs and duties and other mandatory payments as stipulated by applicable laws, regulations or other legal measures of the Kurdistan Region with respect to the import or export of materials, equipment, goods and any other similar items.
- 1.2.32 "Daily Production" means the production of Crude Oil starting from the midnight of any day until the first following midnight.
- 1.2.33 "Development Area" means all or any part of the Agreement Area specified in an approved Development Plan.

- 1.2.34 "Development Expenditures" means all Costs and Expenses for Development Operations with the exception of Operation Expenses and Drilling Costs whether directly or indirectly incurred, including but not limited to training, administration, service, Finance Costs and related expenses.
- 1.2.35 "Development Plan" means the plan to be produced by the Contractor in accordance with Article 8.6. following a declaration that Commercial Production may be established.
- 1.2.36 "Development" or "Development Operations" or "Development Work" means and includes any activities or operations associated with work to develop Petroleum for production and subsequently to produce and render Petroleum marketable for commercial sale and shall include, but not limited to:
- a) all the operations and activities under the Agreement with respect to the drilling of wells, other than Exploration wells, the deepening, reworking, plugging back, completing and equipping of such wells, together with the design, construction and installation of such equipment, pipeline or gathering lines, installations, production units and all other systems relating to such wells and related operations in connection with production and operation of such wells as may be necessary in conformity with sound oil field practices in the international Petroleum industry.
 - b) all operations and activities relating to the servicing and maintenance of pipelines, gathering lines, installations, production units and all related activities for the production and management of wells including the undertaking of re-pressurising, recycling and other operations aimed at intensified recovery, enhanced production and oil recovery rate.
- 1.2.37 "Discovery" means the Petroleum encountered by drilling a structure which is recoverable at the surface in a flow measured by conventional petroleum industry testing methods.
- 1.2.38 "Dollar" or "U.S.\$" or "\$" means the currency of the United States of America.
- 1.2.39 "Double Tax Treaty" means any international treaty, agreement or convention for the avoidance of double taxation of income and/or capital which is applicable or will be applicable in the future, in the Republic of Iraq and generally and/or in the Kurdistan Region.
- 1.2.40 "Drilling Costs" means all expenditures whether directly or indirectly incurred during Exploration, Appraisal and Development for well drilling, completing and reworking operations including, but not limited to, labour, geological design, engineering and other Subcontractors (including all fees, tariffs and charges payable to any such Subcontractors), material and equipment consumed or lost, perforation, formation testing, cementing, well-logging and transportation.



- 1.2.41 "Effective Date" means February 25, 2003.
- 1.2.42 "Effective Amendment Date" means the date hereof being also the date of execution of the Amending Agreement.
- 1.2.43 "Excess Associated Natural Gas" is defined as set forth in Article 15.1.b.
- 1.2.44 "Exploration" or "Exploration Operations" means operations conducted under this Agreement in connection with the Exploration Program, exploration for previously undiscovered Petroleum in the Exploration Block, or the evaluation of discovered reserves which shall include geological, geophysical, aerial and (other survey) activities and any interpretation of data relating thereto as may be contained in Exploration Work Programs and Budgets, and the drilling of such shot holes, core holes, stratigraphic tests, Exploratory Wells for the discovery of Petroleum, Appraisal wells and other related operations.
- 1.2.45 "Exploration Area" means any part of the Agreement Area including Exploration Block which is delineated as the subject of an Exploration work program and budget in accordance with Article 5.
- 1.2.46 "Exploration Block" means any area in the Agreement Area which is outside of the Taq Taq Development Block.
- 1.2.47 "Exploration Expenditures" means all Costs and Expenses for Exploration Operations other than Drilling Costs whether directly or indirectly incurred including but not limited to training, administration, service, Finance Costs and related expenses and overhead and study costs.
- 1.2.48 "Exploratory Well" means any well drilled with the objective of confirming a structure or geologic trap in which Petroleum capable of Commercial Production in significant quantities has not been previously discovered.
- 1.2.49 "Field" means a Petroleum reservoir or group of reservoirs within a common geological structure or feature. "Field" may be an "Oil Field" or a "Natural Gas Field" as designated by Contractor.
- 1.2.50 "Finance Costs" or "Interest Costs" shall include all amounts of interest, fees and charges paid, charged, accrued or capitalized in respect of any debt incurred in carrying out the Petroleum Operations and any refinancing of such debts, up to an aggregate amount of three million five hundred thousand (3,500,000) Dollars providing that in the case of Affiliate debt, it shall include interest only to the extent that it does not exceed a rate which would have been agreed upon between independent parties in similar circumstances and such interest is not limited by which assets or services are purchased by the loan principal.
- 1.2.51 "Force Majeure" is defined as set forth in Article 24.2.
- 1.2.52 "Foreign Employee" is defined as set forth in Article 16.

- 1.2.53 "Foreign Subcontractors" means Subcontractors which are organised outside of the Kurdistan Region and under Current Legislation are not obliged to establish permanent representative offices in the Kurdistan Region.
- 1.2.54 "Gas Sales Agreement" is any agreement to be entered into for the sale of Non-associated Natural Gas and Associated Natural Gas in accordance with the provisions of Article 15.1 or 15.2.
- 1.2.55 "Genel" means Genel Enerji A.S. established in accordance with the laws of the Republic of Turkey, whose registered office is located at Turan Emeksiz Sokak Park Apartmani B Blok Kat 5 GOP Ankara; which at the date hereof owns the entirety of the issued and paid up capital of Genel International.
- 1.2.56 "Genel International" means the legal entity established in accordance with the laws of Anguilla, British West Indies, whose registered office is located at Carribbean Suite, The Valley, Anguilla, British West Indies TV1 11P ; and which is a wholly owned Affiliate of Genel.
- 1.2.57 "Government" means the Kurdistan Regional Government, responsible (inter alia) for the administration of Petroleum activities in the Territory and any duly constituted successor body thereto; and it shall include the Council of Ministers of the Kurdistan Region, any minister, ministry, agency, department or other duly constituted organ thereof including, without limitation, the two antecedent administrations which were merged by the Federal Region of Kurdistan Unification Agreement of 21 January 2006; the word "Governmental" shall be construed accordingly.
- 1.2.58 "Government Nominated Entity" means any legal entity, consisting of a private or public company or public private enterprise, having (a) the minimum qualifications as defined in the Petroleum Act as to local content, (b) the requisite technical, managerial and financial capabilities and experience to carry out Petroleum Operations as stipulated in this Agreement and (c) the desire to co-operate with the Government and the other Contractor Parties for exploration and exploitation of Petroleum reserves within the Agreement Area; and which shall be designated by the Government, through a decree of the Council of Ministers of the Government, to be a Contractor Party of the Agreement subject to its written commitment (to be concluded by the execution of a Novation Agreement) to accept and to be bound by (i) this Agreement and (ii) the JOA, pursuant to the satisfaction of the conditions stipulated in Article 7 of this Agreement.
- 1.2.59 "Joint Operating Agreement" or "JOA" means the agreement of even date by and between the Contractor Parties and required to be executed (following execution by any Government Nominated Entity of the Novation Agreement) by such Government Nominated Entity, which shall be supplementary to and consistent with the provisions of this Agreement and which regulates as between the Contractor Parties the terms under which Petroleum Operations will be conducted.

- 1.2.60 "Kurdistan Region" means the area for the time being comprising the Federal Region of Kurdistan in the Republic of Iraq.
- 1.2.61 "Measurement Point" means the location specified in Article 14.2 as identified in an approved Development Plan, where the Petroleum is metered and delivered to the Parties or such other location as the Parties may agree from time to time prior to the submission of a Development Plan as the circumstances may require.
- 1.2.62 "Month" or "Calendar Month" means a calendar month.
- 1.2.63 "Natural Gas" means Non-associated Natural Gas and Associated Natural Gas in their natural state.
- 1.2.64 "Natural Gas Field" means a field from which more than fifty (50) percent of the estimated reserves on an energy equivalency basis are Natural Gas at surface conditions.
- 1.2.65 "Non-associated Natural Gas" means all gaseous hydrocarbons produced from gas wells, and includes wet gas, dry gas and residue gas remaining after the extraction of liquid hydrocarbons from wet gas.
- 1.2.66 "Novation Agreement" means a legal instrument to be entered into between the Parties and a Government Nominated Entity in the form set out in Annex C.
- 1.2.67 "Oil Field" means a field from which more than fifty (50) percent of the estimated reserves comprise Crude Oil.
- 1.2.68 "Operation Expenses" means those costs incurred in day-to-day Petroleum Operations, whether directly or indirectly incurred including but not limited to all costs, expenses and expenditures associated with the Production, processing and transportation to the Measurement Point of Petroleum, training, administration, service, payments for abandonment and site restoration in accordance with Article 8.8, insurance costs in accordance with Article 22.2. and related expenses.
- 1.2.69 "Operator" means the entity appointed as such pursuant to Article 7, which is at the the date hereof is TTopCo.
- 1.2.70 "Original PSA" means the production sharing agreement entered into between the Government with Genel dated 20 January 2004.
- 1.2.71 "Participating Interest" means the rights, interests and entitlements pursuant to the terms of this Agreement of each of the Contractor Parties in (a) Taq Taq Development Block and (b) Exploration Block, which, as at the date hereof are:
- Genel International, fifty-five percent (55%); and
 - Addax Petroleum International Limited forty five-per cent (45%),

provided that, following designation of a Government Nominated Entity or Government Nominated Entities for each of Taq Taq Development Block and Exploration Block (in accordance with Article 2.4) and the execution of a Novation Agreement by each such Government Nominated Entity and the existing Contractor Parties, the rights, interests and entitlements pursuant to the terms of this Agreement of each of the Contractor Parties (who shall then include the Government Nominated Entity) in (a) the Taq Taq Development Block and (b) the Exploration Block will be revised as follows:

a. With respect to the Taq Taq Development Block:

Genel International, forty four percent (44%);

Addax, thirty six percent (36%); and

Government Nominated Entity or Government Nominated Entities, in aggregate twenty percent (20%).

b. With respect to the Exploration Block:

Genel International, forty one point twenty five percent (41.25%);

Addax, thirty three point seventy five percent (33.75%); and

Government Nominated Entity or Government Nominated Entities, in aggregate twenty-five (25%).

1.2.72 "Party" or "Parties" means the parties whose authorised representatives have affixed their signatures hereto.

1.2.73 "Petroleum" means Crude Oil and Natural Gas.

1.2.74 "Petroleum Act" means the Petroleum Act of the Kurdistan Region to be enacted in the Kurdistan Region.

1.2.75 "Petroleum Operations" means the Exploration Operations; the Development Operations, Production Operations, and transportation to the Measurement Point and other activities related thereto carried out pursuant to this Agreement and the JOA.

1.2.76 "Petroleum Operations Account" shall have the meaning given to it in paragraph 1.4 of section I of the Accounting Procedure.

1.2.77 "Production" or "Production Operations" means operations and all related activities carried out for Petroleum production after the approval of any Development Plan, including without limitation extraction, injection, stimulation, treatment, transportation, storage, lifting, and associated operations, but does not include any storage or transportation beyond the Measurement Point.

1.2.78 "Profit Natural Gas" is defined as set forth in Article 10.9



- 1.2.79 "Profit Oil" is defined as set forth in Article 10.9.
- 1.2.80 "Royalty" means the percentage of Crude Oil produced and saved from the Agreement Area allocated for the Government or any authority as determined by the Government as determined in Article 10.14.
- 1.2.81 "Study Area" means the part of the Agreement Area, which will be defined in a Study Program.
- 1.2.82 "Study Program" means the program to be produced and carried out by the Contractor in accordance with Article 8 following the conclusion that Commercial Production is feasible.
- 1.2.83 "Subcontractor" means any natural person or juridical entity other than the Operator, agreed directly or indirectly by or on behalf of Contractor to supply goods, works or services related to this Agreement.
- 1.2.84 "Taq Taq Development Block" means the area covering the Taq Taq structure as delineated in the Annex A of the Amendment.
- 1.2.85 "Third Party" or "Third Parties" means one or more of a natural person or juridical entity other than (i) a Party hereto and any Affiliate of a Party, and (ii) the Government Nominated Entity.
- 1.2.86 "Taxes", "Tax" and "Taxation" means and comprise all levies, duties, payments, charges, imposts, withholdings, fees, taxes (including but not limited to VAT, or other sale or transaction based tax, corporation tax, income tax, capital gain tax, stamp duty, land tax, registration tax, capital and wealth tax, profit tax, dividend tax, or withholdings, transfer tax, customs duties, branch or permanent establishment tax or withholdings) or contributions payable to or imposed by Government, Governmental agencies, Governmental subdivisions or the Federal Government of the Republic of Iraq, municipal or local authorities within the Kurdistan Region.
- 1.2.87 "TTOpCo" means the legal entity established in accordance with the laws of British Virgin Islands, whose registered office is located at 3rd Floor, Geneva Place, Waterfront Drive PO Box 3175 Road Town Tortola BVI, will act as the Operator.
- 1.2.88 "VAT" means value added tax applicable in the Federal Region of Kurdistan.
- 1.2.99 "Withholding Tax" is defined as set forth in Article 16.4.
- 1.2.90 "Work Program" and "Work Program and Budget" means any work program and work program and Budget to be submitted to the Co-ordination Committee by the Contractor in accordance with the provisions of Article 9 and which shall set out the proposed Petroleum Operations to be carried out in the Agreement Area during any Calendar Year together with the associated Budget as the case may be.

ARTICLE 2

SCOPE OF AGREEMENT AND GENERAL PROVISIONS AND WARRANTIES OF THE GOVERNMENT

- 2.1 The Government hereby unconditionally and irrevocably warrants to and for the benefit of the Contractor that:
- 2.1.1. the draft of the Petroleum Act (currently under review for enactment into law in the Kurdistan Region) contains confirmation that the Government will ratify, uphold, enforce and be bound by all the terms and conditions of all production sharing agreements entered into by the Government prior to the enactment of the Petroleum Act, provided that the terms of such production sharing agreements shall have been reviewed and approved by the Government prior to the enactment of the Petroleum Act;
 - 2.1.2. the terms of this Agreement (as executed) have been reviewed and approved by the Government and the Government will uphold, enforce and be bound by each and all of the terms and conditions of this Agreement and will procure and confirm the ratification of this Agreement upon enactment in the Kurdistan Region of the Petroleum Act; and
 - 2.1.3. (i) all requisite measures have been taken in the Kurdistan Region to ratify this Agreement as a binding and enforceable obligation of the Government and the Contractor throughout the Kurdistan Region and (ii) the Government will take all appropriate measures to uphold the enforceability of this Agreement as a legal instrument throughout the Republic of Iraq.
- 2.2 Subject to the terms and conditions of the Agreement, the Government hereby in accordance with Current Legislation grants to the Contractor the exclusive rights to conduct Petroleum Operations in the Agreement Area during the term of this Agreement.
- 2.3. Each of the Parties confirms and acknowledges to the other Parties that, except in regard to any antecedent obligations and commitments of Genel to any other Party, with effect from the Effective Amendment Date, each and all of the rights and obligations of Genel under the Original PSA shall thereafter be assumed and undertaken by Genel International.
- 2.4 With effect from the Amendment Effective Date, but subject to any antecedent claims, rights and/or obligations of any of the Parties, the terms and conditions of the Original PSA shall be replaced in all respects by the terms and conditions of this Agreement and shall cease to be binding on the Parties thereto, all obligations and liabilities of any kind included in the Original PSA, having been replaced by the terms and conditions of this Agreement.

- 2.5 It is agreed and acknowledged by the Contractor Parties that, subject to (i) the issue by the Council of Ministers of the Government, on behalf of the Government, of a decree designating any Government Nominated Entity or Government Nominated Entities to be a Contractor Party under this Agreement and (ii) execution by each such Government Nominated Entity and the Parties of a Novation Agreement, each such Government Nominated Entity will become a Contractor Party hereunder and be bound by the terms and conditions of this Agreement, as applicable to a Government Nominated Entity. Although the Government may designate more than one Government Nominated Entity to be a Contractor Party for each of Taq Taq Development Block and Exploration Block, the Government may make only one such designation in respect of each of Taq Taq Development Block and Exploration Block.
- 2.6 The Contractor shall be responsible to the Government for the execution of Petroleum Operations in accordance with the provisions of the Agreement. The Government will defend and indemnify the Contractor and its Affiliates, against any and all damages, losses, costs, expenses (including reasonable legal costs, expenses and attorneys' fees) and liabilities incident to claims, demands or causes of action brought by or on behalf of any person or entity, which claims, demands or causes of action arise out of, are incident to or result from any claims which may arise from any past agreement, contract, memorandum of understanding or any similar document related to the Exploration Block.
- 2.7 In performing Petroleum Operations, the Contractor shall provide all financial and technical requirements, unless otherwise provided in this Agreement and conduct all operations in accordance with the standards generally accepted in the international Petroleum industry.
- 2.8 The Contractor shall be compensated for its services, not by way of reimbursement in cash of its expenditures under the Agreement, but by receipt of its share of Petroleum from the Agreement Area to which it may become entitled by way of cost recovery out of Cost Recovery Petroleum described in Article 10. If Petroleum produced from Development Areas within the Agreement Area developed by Contractor, Cost Recovery Petroleum under Article 10 and Profit Oil and Profit Natural Gas is insufficient to reimburse Contractor for Costs and Expenses incurred by Contractor, Contractor shall bear its own losses in respect of any shortfall.
- 2.9 This Agreement defines the Parties' rights and obligations, governs their mutual relations and establishes the rules and methods for the Exploration, Development, Production, and sharing of Petroleum between them. Subject to Article 29, the entire interests, rights and obligations of each of the Parties under this Agreement shall be solely governed by the provisions of this Agreement and Current Legislation.
- 2.10 During the period in which this Agreement is in force, all Available Crude Oil and Available Natural Gas resulting from Petroleum Operations, will be

shared between the Government and the Contractor in accordance with the provisions of Article 10 and Article 15 of this Agreement.

- 2.11 In case of any discrepancy or conflict between the Petroleum Act (when enacted) and the terms of this Agreement, the provisions of this Agreement will prevail.

ARTICLE 3 AGREEMENT AREA

- 3.1 The Agreement Area is as set out by the geographic location and co-ordinates described in Annex "A" attached hereto and delineated and delimited in the map, which forms part thereof. The total area of the Agreement Area is divided into two blocks namely Taq Taq Development Block and Exploration Block and may hereafter be reduced only in accordance with the provisions of this Agreement.
- 3.2 Except for rights and authorisations necessary for the implementation of the provisions of this Agreement, and except as otherwise provided herein, no right is granted to the Contractor, or to any other entity, to use or dispose of any natural or manmade resources, including aquatic resources save for aquatic resources used directly in Petroleum Operations in accordance with relevant permits which have been obtained through the Government.

ARTICLE 4 AGREEMENT TERM

- 4.1 The term of the Agreement shall be twenty-five (25) consecutive Agreement Years commencing on and from the Effective Date, unless the Agreement is terminated earlier in accordance with Article 28 of this Agreement.
- 4.2 If in respect of Taq Taq Development Block and any Development Area to be delineated in Exploration Block, the Contractor shall consider that, Commercial Production remains possible beyond the initial period of twenty-five (25) consecutive Agreement Years specified in Article 4.1 and during any extension hereof, the Contractor, shall give written notice to the Government not less than one (1) Agreement Year prior to the end of any such period, on receipt of which shall automatically be extended on the same terms for a further term of five (5) years or, if earlier, until the date of permanent cessation of Commercial Production from the Development Area by the Contractor.

ARTICLE 5 RELINQUISHMENTS

- 5.1 The Contractor may at any time relinquish voluntarily all or any part of the Agreement Area without any further liability. Such voluntary relinquishment

will be deducted from the Contractor's mandatory relinquishment obligation as indicated in Article 5.2 of the Agreement. The area designated under Article 5 for relinquishment shall consist as far as practicable of rectangular blocks bounded by lines running due north and south and due east and west and shall not be less than five (5) square kilometres. The area designated for relinquishment need not consist of one contiguous area.

- 5.2 The Contractor will relinquish twenty-five percent (25%) of the area of the Exploration Block which has not been designated as a Development Area after an initial three (3) years from Effective Amendment Date), and a further twenty-five percent (25%) of the remaining Exploration Block before the end of the fifth (5th) year after the Effective Amendment Date. If these percentages of relinquishments can only be achieved by including part of an area of discovery, these percentages will be reduced to exclude the discovery area, subject to the Development Plan.

ARTICLE 6

CO-ORDINATION COMMITTEE

- 6.1 For the purpose of providing the overall supervision and direction of and ensuring the performance of the Petroleum Operations, the Government and the Contractor shall reconstitute the Co-ordination Committee to include representatives of the each Party within forty-five (45) days of the Effective Amendment Date.
- 6.2 The Co-ordination Committee shall comprise a maximum total of six (6) members. The Government shall appoint a total of three (3) representatives and Contractor shall appoint three (3) representatives to form the Co-ordination Committee. All the aforesaid representatives shall have the right to attend and present their views at meetings of the Co-ordination Committee. Each representative shall have the right to appoint an alternate who shall be entitled to attend all meetings of the Co-ordination Committee but who shall have no vote except in the absence of the representative for whom he is the alternate.
- 6.3 The first Chairman of the Co-ordination Committee shall be one of the representatives designated by the Government (or his alternate), and the first Vice Chairman shall be the chief representative designed by the Contractor. (or his alternate). The Chairman and Vice Chairman shall be appointed for a term of two (2) years. The Chairman of the Co-ordination Committee shall preside over meetings of the Co-ordination Committee and in the absence of the Chairman (or his alternate), the Vice-Chairman shall preside. Such Parties may designate a reasonable number of advisers, who may attend, but shall not be entitled to vote at, Co-ordination Committee meetings.
- 6.4 A regular meeting of the Co-ordination Committee shall be held at least twice every year. The secretary to be designated pursuant to Article 6.9 shall be responsible for calling such regular meetings of the Co-ordination Committee and shall do so at the request of the Chairman by sending a notice to the

Parties. Other meetings, if necessary, may be held at any time at the request of either Party. In each case the secretary shall give the Parties at least thirty (30) days notice (or such shorter period as the Parties may agree) of the proposed meeting date, the time and location of the meeting.

6.5 The Parties hereby empower the Co-ordination Committee to:

- a) review and adopt a proposed Development Plan as set out in Article 8, and review and examine any Work Program and Budget proposed by the Contractor and any amendment thereof;
- b) determine the Commerciality of each proposed Development Operation;
- c) review and adopt proposed Development Operations and Budgets;
- d) demarcate boundaries of a Development Area;
- e) review and approve the insurance program proposed by the Contractor and emergency procedures on safety and environmental protection; in addition all programs and budgets which are in connection with environmental protection;
- f) review and approve personnel policies, selection and training programs and training Budgets for Operator. Without prejudice to the foregoing, it is accepted that part of the personnel policy of Operator shall be to give preference to local citizens, provided that the conduct of Petroleum Operations shall not be affected;
- g) discuss, review, decide and approve other matters that have been proposed by either Party, Contractor or the Operator;
- h) review and discuss the development work and technological regimes proposed by the Parties;
- i) appoint sub-committees to meet from time to time to review any aspect of Petroleum Operations, which the Co-ordination Committee thinks fit;
- j) review and adopt proposed exploration work programs and budgets, and
- k) review and approve the Costs and Expenditures incurred between the Handover Date and the Effective Date.

6.6 The meeting quorum of the Co-ordination Committee shall require the presence of at least one (1) representative from each Party. Decisions of the Co-ordination Committee shall be made by unanimous decision of the representatives present and entitled to vote. Each representative will have one

vote. All decisions made unanimously shall be deemed as formal decisions and shall be conclusive and equally binding upon the Parties.

- 6.7 The Parties shall endeavour to reach agreement and unanimous decision on all matters presented to the Co-ordination Committee. Where there is disagreement between the Parties regarding any matter arising under Article 6.5, or regarding a proposed Development Plan, the matter will be referred to an internationally recognised independent expert appointed by the Parties (or, where the Parties fail to appoint such expert within fifteen (15) days, then as appointed by the United Kingdom petroleum institution Chairman), whose decision on accepted international Petroleum Industry practice shall be final and binding. The costs of the expert shall be met by the Parties equally and the Contractor's costs shall not be recoverable as Costs and Expenses. However, where there is disagreement regarding any matter relating to investment, or any matter relating to a Cost and Expense for Petroleum Operations under a Work Program and Budget consistent with the Development Plan, or relating to an Exploration Work Program or budget, then the Contractor's proposal shall prevail.
- 6.8 A matter, which requires urgent handling, may be decided by the Co-ordination Committee without convening a meeting, with the Co-ordination Committee making decisions through electronic means or the circulation of documents.
- 6.9 The Co-ordination Committee shall nominate a secretary to record minutes of the meetings of the Co-ordination Committee, and may establish technical and other advisory sub-committees. The secretary shall take a record of each proposal voted on and the results of such vote at each meeting of the Co-ordination Committee. Each representative of the Parties shall sign and be provided with a copy of such record at the end of such meeting. The secretary shall provide each Party with a copy of the minutes of each meeting of the Co-ordination Committee within fifteen (15) days after the end of such meeting. Each Party shall thereafter have a period of fifteen (15) days to give notice of any objections to the minutes to the secretary. Failure to give notice within the said fifteen (15) day period shall be deemed approval of those minutes. In any event the record of proposals voted on to be provided at the end of each meeting shall be conclusive and take precedence over the minutes.
- 6.10 All costs and expenses incurred with respect to the activities of the Co-ordination Committee shall be paid or reimbursed by the Contractor and charged to Operation Expenses in accordance with the Accounting Procedure.

ARTICLE 7

CONTRACTOR RESPONSIBILITY

- 7.1 The Parties agree that such entity as the Contractor shall designate for the purpose on written notice to the Government shall act as the Operator for the purpose of performing, on the Contractor's behalf, the Contractor's obligations under this Agreement including, without limitation, the obligations

set out in Article 7.2 and with respect to the conduct generally of Petroleum Operations within the Agreement Area, all in accordance with approved Work Programs and Budgets. With effect from January 1, 2006, the Operator so designated by the Contractor is TTopCo. The ultimate rights and obligations of the Agreement will stay with the Contractor and Operator will perform the duties as determined in the Work Program and Budgets on behalf of the Contractor Parties.

7.2 The Contractor shall have the following obligations:

- a) to perform the Petroleum Operations reasonably, economically and efficiently in accordance with directions received from the Co-ordination Committee. It is recognised that the Co-ordination Committee through the Contractor will have operating control of all Petroleum Operations;
- b) to conduct (implement) the Work Programs and Budgets approved by the Co-ordination Committee;
- c) to be responsible for purchasing facilities, equipment and miscellaneous material and enter into subcontracts and service contracts at Contractor's instruction with service providers and vendors related to the Petroleum Operations, in accordance with approved Work Programs and Budgets and instructions from Contractor;
- d) to prepare and submit for approval a personnel training program and its annual budget and carry out the same as approved by the Co-ordination Committee;
- e) to establish and maintain complete and accurate accounting records regarding its costs and expenditures for the Petroleum Operations in accordance with the Accounting Procedure and this Agreement;
- f) to make necessary preparation for regular meetings of the Co-ordination Committee, and to submit to the Co-ordination Committee information related to the matters reviewed and approved by the Co-ordination Committee;
- g) to assist the Contractor and the Government as requested in the provision of reports to the Co-ordination Committee on Petroleum Operations conducted under this Agreement.

7.3. Upon execution by any Government Nominated Entity (an "incoming Government Nominated Entity") of a Novation Agreement, in regard to Taq Taq Development Block, Genel International and Addax (the "current Contractor Parties") will (in proportion to their respective Participating Interests) carry the costs attributable to the incoming Government Nominated Entity until the incoming Government Nominated Entity earns its Participating Interest on the "TTDB option date" where the TTDB option date will be whichever is the earlier of either (i) ninety (90) days following a notice from

the Operator to the Parties confirming the start of commercial sale of Petroleum either by exporting or by selling to local refineries, or (ii) at the end of the eighteenth (18th) Gregorian Calendar month following the Effective Amendment Date. The incoming Government Nominated Entity together with the current Contractor Parties will in proportion to their respective Participating Interests pay its working interests starting from the TTDB option date. The current Contractor Parties will have the right to recover past Costs and Expenses attributable to the Participation Interest of the incoming Government Nominated Entity in regard to the Taq Taq Development Block from allocation of the total Cost Oil. The incoming Government Nominated Entity will, with immediate effect from the TTDB option date, execute an instrument joining the incoming Government Nominated Entity as a party to the JOA and novating its terms as between the Current Contractor Parties and the incoming Government Nominated Entity; and thereafter the incoming Government Nominated Entity shall be a party to the JOA as a non-operating party and, as from the TTDB option date, the incoming Government Nominated Entity shall be represented in the Operating Committee of the JOA by one representative but without the right to exercise its voting rights in such a manner which could block or delay any resolution which, but for the exercise of its voting rights, would have been carried by the other parties to the JOA.

- 7.4. Upon execution by any Government Nominated Entity (an "incoming Government Nominated Entity") of a Novation Agreement, in regard to Exploration Block, Genel International and Addax (the "current Contractor Parties") will (in proportion to their respective Participating Interests) carry the costs attributable to the Government Nominated Entity until the incoming Government Nominated Entity earns its Participating Interest on the "EB option date" where the EB option date will be within ninety (90) days following a notice from the Operator to the Parties confirming the completion of the Minimum Work Program specified in Article 7.11. Thereafter the incoming Government Nominated Entity together with the current Contractor Parties will in proportion to their respective Participating Interests pay their working interests starting from the EB option date. The current Contractor Parties will have a right to recover the past Costs and Expenses attributable to the Participation Interest of the incoming Government Nominated Entity in regard to the Exploration Block from allocation of the total Cost Oil. The incoming Government Nominated Entity will, with immediate effect from the EB option date, execute an instrument joining the incoming Government Nominated Entity as a party to the JOA and novating its terms as between the Current Contractor Parties and the incoming Government Nominated Entity; and thereafter the incoming Government Nominated Entity shall be a party to the JOA as a non-operating party and, as from the EB option date, the incoming Government Nominated Entity shall be represented in the Operating Committee of the JOA by one representative but without the right to exercise its voting rights in such a manner which could block or delay any resolution which, but for the exercise of its voting rights, would have been carried by the other parties to the JOA.

- 7.5 Genel International and Addax will pay to the Government a signature bonus for the Exploration Block in the amount of two million US Dollars (\$2,000,000) within thirty (30) days following the Effective Amendment Date.
- 7.6 The Contractor through the Operator will be obliged to apply a training program for the local employees of the Government, which will be carried out in the Kurdistan Region, other parts of Iraq or in foreign countries and may include scholarship and other financial support for education. The training program for each Gregorian Calendar year during the term of this Agreement will be conducted in accordance with Work Program and Budgets and procedures to be defined and established by the Co-ordination Committee prior to the commencement of each such Gregorian Calendar Year. The Contractor shall also commit to make a payment of three million US Dollars (\$3,000,000) for capacity building to the Government, to be incorporated into the 2007 Work Program and Budget.
- 7.7 Without prejudice to any other right or rights which it may have under this Agreement, the Contractor shall have the right during the term of this Agreement (including for this purpose and without limitation during the period of any extension thereto) freely to lift, to dispose of and to export its share of Petroleum and to retain outside the Kurdistan Region and Iraq the proceeds obtained therefrom.
- 7.8 The Contractor and its shareholders shall not be responsible for any activities or physical conditions or developments of any kind (including Petroleum activities) in any way affecting the Agreement Area prior to the Transfer of Operation Date.
- 7.9 The Contractor shall provide both Parties with copies of all relevant data and reports pertaining to Petroleum Operations (including but not be limited to geophysical, geological, technological, operational, accounting or other material) required by such Parties.
- 7.10 The Contractor shall make good faith efforts to ensure that third parties have access to the capacity in any pipeline exceeding its own notified or contracted requirements available to third party users on reasonable commercial terms that do not discriminate among third party users.
- 7.11 The Contractor will in the Exploration Block be obliged to conduct a Minimum Work Program within the five (5) years following the Effective Amendment Date comprising (i) conducting 2D seismic data acquisition not less than eighty (80) kilometres and (ii) to drill one (1) exploration well to a *bona fide* depth.

ARTICLE 8

PROCEDURE FOR DETERMINATION OF COMMERCIALITY AND APPROVAL OF DEVELOPMENT PLANS

- 8.1 (a) Where, in the course of Petroleum Operations, the Contractor makes a Discovery of Petroleum in the Agreement Area, the Contractor shall inform the Co-ordination Committee immediately by notice in writing. Within forty-five (45) days of such notice the Contractor shall inform the Co-ordination Committee whether, in the Contractor's opinion, the Discovery is of potential commercial interest and merits appraisal.
- (b) If at any time the Contractor concludes that significant additional Commercial Production is feasible from any Development Area within the Agreement Area where Commercial Production has previously been established, the Contractor shall notify the Co-ordination Committee within forty-five (45) days of reaching such a conclusion.
- 8.2 Immediately following notification under 8.1.(a) or 8.1.(b), the Contractor shall in the first instance present to the Co-ordination Committee for approval a proposed Study Program which shall be deemed approved if no written objections are raised by any member of the Co-ordination Committee within thirty (30) days following receipt thereof. The proposed Study Program shall specify in reasonable detail the appraisal work including seismic, drilling of wells and studies to be carried out and the estimated time frame within which the Contractor shall commence and complete the program and also appropriate budgets.
- 8.3 Thereafter the Contractor shall carry out the Study Program approved by the Co-ordination Committee. Within ninety (90) days after completion of such Study Program, the Contractor shall submit to the Co-ordination Committee a comprehensive evaluation report on the Study Program. Such evaluation report shall include, but not be limited to: geological conditions, such as structural configuration; physical properties and extent of reservoir rocks; pressure, volume and temperature analysis of the reservoir fluid; fluid characteristics, including gravity of liquid hydrocarbons, sulphur percentage, sediment and water percentage, and product yield pattern; Natural Gas composition; production forecasts (per well and per Field); and estimates of recoverable reserves.
- 8.4 Together with the submission of the evaluation report, the Contractor shall submit to the Co-ordination Committee a written declaration including one of the following statements:
- a) that the Commercial Production previously notified to the Government pursuant to Article 8.1 is feasible;
- b) that such Commercial Production is not feasible (contrary to the notice containing Contractor's initial expectations); or

- c) that Commercial Production will be conditional on the outcome of further specified work that the Contractor commits to carry out under a further Exploration or Study Program in specified areas within or outside the relevant Study Area.
- 8.5 In the event the Contractor makes a declaration under Article 8.4.(c) above, the Contractor shall be entitled to retain the relevant Study Area pending the completion of the further work committed under that Article, at which time the Contractor shall advise the Co-ordination Committee of its conclusion as to whether or not there is in fact a new Commercial Discovery and the provisions of Article 8.4.(a) or (b) shall be applied accordingly.
- 8.6 If the Contractor declares pursuant to Article 8.4.(a) that Commercial Production is feasible, the Contractor shall submit to the Co-ordination Committee (i) a proposed Development Plan in respect of the relevant Commercial Discovery (containing the matters specified in Article 8.7 and 8.8) and (ii) a proposed designation of the Development Area, both of which shall be subject to the Co-ordination Committee's approval. Such approval will not be unreasonably withheld or delayed, provided that each shall be deemed approved as submitted if no written objections are presented thereto by any member of the Co-ordination Committee within forty-five (45) days of receipt. Upon approval being granted or deemed as provided under this Article 8.6, the Contractor, with any requested assistance from the Operator, shall proceed promptly and diligently to implement the Development Plan in accordance with good international Petroleum industry practices, to install all necessary facilities and to commence Commercial Production.
- 8.7 The Contractor's proposed Development Plan to be submitted pursuant to Article 8.6 shall detail the Contractor's proposals for Development and operation of the Development Area. It will detail any facilities and infrastructure, which may be required up to the Measurement Point, either inside or outside of the Development Area. Any Development Plan shall set forth production parameters, number and spacing of wells, the facilities and infrastructure (including proposed locations) to be installed for production, storage, transportation and loading of Petroleum, an estimate of the overall cost of the Development, and estimates of the time required to complete each phase of the Development Plan, a production forecast and any other factor that would affect the economic or technical feasibility of the proposed Development.
- 8.8 Any Development Plan shall also include an abandonment and site restoration program together with a funding procedure for such program. Each abandonment plan shall describe removal and abandonment measures deemed necessary following completion of Production from the relevant Development Area together with an estimate of the costs thereof. The abandonment plan shall provide for the removal of facilities and equipment used in Petroleum Operations or their in place abandonment, if appropriate, in the Development Area and the return of used areas to a condition that reasonably permits the use of such areas for purposes similar to those uses existing prior to the commencement of Petroleum Operations hereunder. All expenditures incurred

in abandonment and site restoration shall be treated as Costs and Expenses and recoverable from Cost Recovery Petroleum in accordance with Article 10 and the Accounting Procedure. The start date for payments to an abandonment fund, and the method of calculation for periodic instalments to be paid into the abandonment fund, will be agreed in the Development Plan. The abandonment plan and budget shall be regularly reviewed by the Co-ordination Committee. Surplus accumulation in the abandonment fund will be credited to the cost recovery account. All funds collected pursuant to the funding procedure shall be dedicated to site restoration and abandonment and will be placed in a special interest bearing account by Contractor, which shall be held in the joint names of the Government and the Contractor or their nominees. The Contractor's responsibilities for environmental degradation, site restoration and well abandonment obligations, and any other actual, contingent, possible and potential activity associated with the environmental condition of the Development Area shall be limited to the obligation to place the funds agreed to be paid in accordance with the said funding procedure in the approved account in accordance with generally accepted international Petroleum industry practice. Deposits in approved accounts shall be made on a quarterly basis in arrears commencing with the first Calendar Quarter in which there is Available Petroleum. All such payments deposited by Contractor shall be treated as Costs and Expenses and recoverable as Operation Expenses from Cost Recovery Petroleum in accordance with Article 10 of this Agreement. No Taxes shall be imposed on any amounts paid into, received or earned by or held in the special interest bearing account. The Contractor shall be solely responsible for the implementation of the abandonment plan.

- 8.9 Any significant changes to an approved Development Plan or proposals related to extension of a Field or for enhanced recovery projects shall be submitted to the Co-ordination Committee.
- 8.10 Subject to the terms of this Agreement the Contractor shall carry out, at its own expense and financial risk, all the necessary Petroleum Operations to implement an approved or revised Development Plan.
- 8.11 Where there is a perceived need recognised by the Parties to improve the economic effectiveness of the Petroleum Operations by constructing and operating certain common facilities with other organisations (including for example roads, non-import/non-export pipelines, compression and pumping stations and communication lines) the Parties shall use their best efforts to reach agreement between themselves and other appropriate enterprises as to the construction and operation of such facilities with all costs, tariffs and investments made by the Contractor to be recoverable as Operation Expenses in accordance with Article 10 of the Agreement and Accounting Procedure.

ARTICLE 9

ANNUAL WORK PROGRAMS AND BUDGETS

- 9.1 The Contractor shall prepare and submit the Annual Work Programs and Budgets in conformity with the approved Development Plan. The Contractor

shall be responsible for the procurement of installations, equipment and supplies and entering into contracts for the purchase of goods and services with Subcontractors including Foreign Subcontractors and others arising out of Petroleum Operations, all in accordance with approved Work Programs and Budgets. Operator shall assist the Contractor when requested in respect of the matters set out in the previous sentence, and shall implement domestic procurement operations as provided in Clause 7.2.(c) in accordance with approved Work Programs and Budgets. For the avoidance of doubt, exploration work programs and Budgets will be prepared, approved and implemented in accordance with the provisions of this Article.

- 9.2 Before the 31st October of each Calendar Year, the Contractor shall prepare and submit to the Co-ordination Committee for its review a proposed annual Work Program and Budget for the next Calendar Year. If the Co-ordination Committee agrees to modifications in an annual Work Program and/or Budget, the Contractor shall promptly make such modifications to the Work Program and/or Budget and resubmit the modified Work Program and Budget to the Co-ordination Committee. The Co-ordination Committee shall approve each Work Program and Budget within forty five (45) days after receipt of it. If the Co-ordination Committee fails to notify the Contractor of its approval or disapproval of the Work Program and Budget within said forty-five (45) days after its receipt, the annual Work Program and Budget proposed by the Contractor together with any modifications timely requested by the Co-ordination Committee, shall be deemed to have been approved by the Co-ordination Committee.
- 9.3 In connection with the review and approval of the annual Work Program and Budget, the Contractor and Operator shall submit to the Co-ordination Committee such supporting data as reasonably requested by the Co-ordination Committee.
- 9.4 The Contractor may, in accordance with the following provisions, incur expenditures in excess of the approved Budget or expenditures outside the approved Budget in carrying out the approved Work Program, provided that the objectives in the approved Work Program are not substantially changed:
- a) In carrying out an approved Budget, the Contractor may, if necessary, incur excess expenditures of no more than ten percent (10%) of the approved Budget in any specified budgetary category. The Contractor shall report quarterly the aggregate amount of all such excess expenditures to the Co-ordination Committee for confirmation.
 - b) For the efficient and as required operative performance of Petroleum Operations, the Contractor may, without approval, undertake certain individual projects which are not included in the Work Program and Budget, for a maximum expenditure of One Hundred Thousand U.S.\$ (U.S.\$100,000), but shall, within ten (10) days after such expenditures are incurred, report to the Co-ordination Committee for confirmation.

- c) Excess expenditures under this Article 9.4 shall not exceed five percent (5%) of the approved or modified total annual Budget for the Calendar Year. If the aforesaid excess is expected to be in excess of said five percent (5%) of the total annual Budget, the Contractor shall present its reasons therefor to the Co-ordination Committee and obtain its approval prior to incurring such expenditures.
- 9.5 In case of emergency (as in where there is an immediate threat to life or property), the Contractor may incur emergency expenditures for the amount actually needed but shall report such expenditures to the Co-ordination Committee as soon as they are made. The said emergency expenditures shall not be subject to Article 9.4 above.
- 9.6 Petroleum Operations will only be performed in accordance with the approved or modified annual Work Program and Budget, unless undertaken in response to unforeseen or emergency situation otherwise they will not be deemed to be Costs and Expenses and will not be treated as Cost Recoverable.

ARTICLE 10

ALLOCATION OF PRODUCTION, RECOVERY OF COSTS AND EXPENSES, PRODUCTION SHARING, AND RIGHT OF EXPORT

- 10.1 The Contractor shall provide or procure the provision of all funds required to conduct Petroleum Operations under this Agreement, except as otherwise provided in this Agreement, and the Contractor shall be entitled to recover its Costs and Expenses from the proceeds of Petroleum produced from the Agreement Area as provided below.
- 10.2 The Contractor shall have the right to use free of charge Petroleum produced and saved from the Agreement Area to the extent required for Petroleum Operations under the Agreement. The amount of Petroleum which the Contractor shall be entitled to use for Petroleum Operations shall not exceed the amount which would be used by a reasonable and prudent operator in accordance with international Petroleum industry practice. For the avoidance of doubt, the use of such Petroleum shall only be for the benefit of Petroleum Operations and not the personal gain of any Party. An appropriate record shall also be made of the use of such Petroleum.
- 10.3 Available Crude Oil and, subject to Article 15, Available Natural Gas (hereinafter referred to as "Available Petroleum") shall be measured at the Measurement Point and shall be sold by the Contractor and the revenues determined in accordance with Article 11 generated from the sales of the Available Petroleum shall be distributed among the Parties in accordance with the terms of this Article 10.
- 10.4 Royalty calculated Quarterly in accordance with Article 10.13 and 10.14 shall first be deducted from the Available Petroleum. From the remaining Available Petroleum the Contractor shall be entitled to recover all Costs and Expenses

incurred in respect of Petroleum Operations in a manner consistent with the Accounting Procedure (Annex B), Article 10.5 and Article 10.6.

- 10.5 Operation Expenses incurred after the Effective Date will first be recovered from the Available Petroleum after deduction of Royalty and then shall be recoverable in the Quarter in which such Operation Expenses are incurred.
- 10.6 Capital Expenditures shall be recovered from eighty percent (80%) of remaining Available Petroleum (hereinafter referred to as "Cost Recovery Crude Oil" and "Cost Recovery Natural Gas" and collectively "Cost Recovery Petroleum" as appropriate) following the recovery of Operation Expenses. Capital Expenditures shall be recovered in the Quarter in which such Expenditures are incurred. If any portion or portions of the Exploration Block are relinquished following the completion of the Minimum Work Program specified in Article 7.11 all of the Costs and Expenses incurred in respect of such relinquished portion or portions of the Exploration Block shall be recovered through the Cost Oil in respect of Taq Taq Development Block.
- 10.7 To the extent that in a Quarter outstanding recoverable Costs and Expenses, including Capital Expenditures accumulated after the Handover Date, related to the Agreement Area exceed the value of all Cost Recovery Crude Oil or Cost Recovery Natural Gas from the Agreement Area for such Calendar Quarter, the excess shall be carried forward for recovery in the next succeeding Calendar Quarters until fully recovered, but in no case after termination of the Agreement.
- 10.8 To the extent that the value of Cost Recovery Petroleum received by the Contractor from the Agreement Area during a Calendar Quarter is greater or lesser than the Contractor was entitled to receive for that Calendar Quarter, an appropriate adjustment shall be made in accordance with the Accounting Procedure.
- 10.9 Effective from the Effective Date, following the deduction of Royalty and recovery of Costs and Expenses from Cost Recovery Petroleum in accordance with the provisions of this Article 10; the remaining Petroleum in any Quarter including any portion of Cost Recovery Petroleum not required for recovery of Cost and Expenses (hereinafter referred to as "Profit Oil" or "Profit Natural Gas" and collectively "Profit Petroleum") shall be allocated between the Parties in each Quarter in the following proportions;

The Profit Oil will be shared as follows:

- a. Until the cumulative Available Crude Oil produced from Taq Taq Development Block after deduction of the Royalty reaches one hundred fifty million (150,000,000) Barrels the Government share will be eighty percent (80%) and the Contractor share will be twenty percent (20%);

Thereafter, until the cumulative Available Crude Oil produced from Taq Taq Development Block after deduction of the Royalty reaches

three hundred million (300,000,000) Barrels the Government share will be eighty two percent (82%) and the Contractor share will be eighteen percent (18%) and;

Thereafter, until the cumulative Available Crude Oil produced from Taq Taq Development Block after deduction of the Royalty exceeding five hundred million (500,000,000) Barrels the Government share will be eighty three percent (83%) and the Contractor share will be seventeen percent (17%); and

Thereafter, when the cumulative Available Crude Oil produced from Taq Taq Development Block after deduction of the Royalty exceeds five hundred million (500,000,000) Barrels, the Government share will be eighty-five percent (85%); and the Contractor share will be fifteen percent (15%)

- b. Until the cumulative Available Crude Oil produced from Exploration Block after deduction of the Royalty reaches thirty million (30,000,000) Barrels, the Government share will be seventy-three percent (73 %); and the Contractor share will be twenty-seven percent (27%); and

Thereafter, until the cumulative Available Crude Oil produced from Exploration Block after deduction of the Royalty reaches forty million (40,000,000) Barrels, the Government share will be seventy- five percent (75%); the Contractor share will be twenty five percent (25%); and

Thereafter, until the cumulative Available Crude Oil produced from Exploration Block after deduction of the Royalty reaches fifty million (50,000,000) Barrels, the Government share will be seventy-seven percent (77%); the Contractor share will be twenty- three percent (23%); and

Thereafter, until the cumulative Available Crude Oil produced from Exploration Block after deduction of the Royalty reaches one hundred million (100,000,000) Barrels the Government share will be seventy nine-percent (79%); the Contractor share will be twenty-one percent (21%); and

Thereafter, until the cumulative Available Crude Oil produced from Exploration Block after deduction of the Royalty reaches two hundred million (200,000,000) Barrels, the Government share will be eighty one-percent (81%); the Contractor share will be nineteen percent (19%); and

Thereafter, the cumulative Available Crude Oil produced from Exploration Block after deduction of the Royalty exceeds two hundred million (200,000,000) Barrels, the Government share will be eighty-

four percent (84%); and the Contractor share will be sixteen percent (16%).

- c. Any available Natural Gas, whether Associated or Non-Associated, which the Contractor intends to produce and sell, shall be the subject of the profit sharing provisions of the new agreements referred to in Article 15.

10.10 The Contractor shall prepare and provide the Government not less than ninety (90) days prior to the beginning of each Calendar Quarter a written forecast setting out the total quantity of Petroleum that the Contractor estimates can be produced and saved hereunder during each of the next four (4) Calendar Quarters in accordance with accepted international Petroleum industry practices and the Work Program established in accordance with Article 9.

10.11 Title to their shares of Petroleum determined in accordance with this Article 10 shall pass to the Parties at the Measurement Point, provided that in the case of any sale of Petroleum in accordance with Article 10.3 beyond the Measurement Point the Contractor shall assume credit risk and risk of loss in the respective entitlements of the Government, which will be assigned to Third Parties in accordance with appropriate contracts, and the Contractor to Cost Recovery Oil and Profit Oil until the proceeds of disposal of the Government's entitlements valued at the Measurement Point are received by the Government.

10.12 Notwithstanding Article 10.3 the Government may by giving not less than ninety (90) days notice in writing to the Contractor elect to lift and take all or part of its entitlement to Profit Oil in kind during one (1) or more subsequent Quarters. In that event the Parties shall agree on procedures for taking volumes of Crude Oil corresponding to their respective entitlements on a regular basis and in a manner that is appropriate having regard to the respective destinations and uses of the Crude Oil, all in accordance with the provisions of this Agreement. If necessary the Parties will enter into a lifting agreement setting out the agreed procedures for taking volumes of Crude Oil, and such agreement shall comply with the principles of accepted international Petroleum industry practice. The Government shall assume credit risk and risk of loss from the Measurement Point in any part of Profit Oil so taken in kind.

10.13 The Royalty shall be calculated on the production of Available Crude Oil as defined below and paid by Contractor to the Government or to any Authority as designated by Government in Quarterly instalments in arrears. The first payment in respect of production to date shall be made on the first day of the first Calendar Quarter following the commencement of Commercial Production. The Royalty shall be calculated as the following percentages of Available Crude Oil produced in the relevant Quarter:

Four percent (4%) until the Daily Production is twenty thousand (20,000) Barrels; and

Five percent (5%) of the Daily Production exceeding twenty thousand (20,000) Barrels up to fifty thousand (50,000) Barrels;

Six percent (6%) of the Daily Production exceeding fifty thousand (50,000) Barrels up to one hundred thousand (100,000) Barrels;
Seven percent (7%) of the Daily Production exceeding one hundred thousand (100,000) Barrels up to one hundred fifty thousand (150,000) Barrels;
Eight percent (8%) of the Daily Production exceeding one hundred fifty thousand (150,000) Barrels up to two hundred thousand (200,000) Barrels;
Nine percent (9%) of the Daily Production exceeding two hundred thousand (200,000) Barrels up to two hundred fifty thousand (250,000) Barrels;
Ten percent (10%) of the Daily Production exceeding two hundred fifty thousand (250,000) Barrels up to three hundred thousand (300,000) Barrels;
Eleven percent (11%) of the Daily Production exceeding three hundred thousand (300,000) Barrels up to three hundred fifty thousand (350,000) Barrels; and
Twelve percent (12%) of the Daily Production exceeding three hundred fifty thousand (350,000) Barrels;
of the Available Crude Oil.

In each case the daily rate of production shall be measured as the average daily rate of production during the relevant Quarter. Royalty in respect of Available Natural Gas shall be determined by agreement made in accordance with Article 15.

- 10.14 The Royalty payment shall be calculated from the value of Crude Oil at the Measurement Point as determined in accordance with Article 11.

ARTICLE 11

CRUDE OIL VALUATION

- 11.1 If the Contractor can demonstrate that Petroleum is being sold to an independent third party on an arms length basis, then the Crude Oil shall be valued as the actual revenues received by the Contractor for sales of Crude Oil at the Measurement Point (adjusted if necessary for transportation, storage and processing costs). If however such an independent third party sale cannot be demonstrated then the Parties agree that the value of the Crude Oil, if sold on International Markets, shall be adjusted to the international market price for Crude Oil from time to time. In this case, for the purpose of determining the value of the Petroleum taken and disposed of by the Parties and/or their assignees under this Agreement during each Calendar Quarter, The Parties shall, prior to the commencement of Commercial Production, agree upon the basket of Crude Oils freely traded in international markets and referred to in subparagraph a) below and the value of the Petroleum shall be adjusted to reflect the weighted average of daily f.o.b. prices for Agreement term of sales from Petroleum producing countries in international markets for the same Calendar Quarter of such basket of crude oil, it being understood that the following principles will apply:

- a) The weighted average of the basket shall be such that the average gravity of the basket and the average gravity of the Crude Oil produced under this Agreement are equal; and
 - b) The prices for individual referenced crude oil markers used within the basket shall be based upon the arithmetic average of a daily report of the actual price for each referenced crude oil marker as published in agreed internationally recognised publications; and
 - c) Adjustment provisions will be incorporated into the basket formula to take account of transportation costs involved in Crude Oil produced under this Agreement arriving at a designated sales point (where the sales point is not the Measurement Point) and to take account of gravity variation beyond a pre-agreed range; and
 - d) Unless agreed otherwise, the last calculated weighted average basket price shall serve as the provisional price for a Calendar Quarter until a new price is determined.
- 11.2. In the event that the Parties are unable to agree upon the basket of Crude Oil envisaged in Article 11.1 above, or the principles relating thereto, then either of the Parties may refer the question for a final, non-revisable determination by an independent expert designated by the UK Institute of Petroleum. Pending such determination, the price shall be as determined in Article 11.1.(d) above.
- 11.3. Natural Gas sold in arm's length transactions shall be valued at the actual revenues received less transportation, storage, treatment, processing, marketing, distribution, liquefaction and all other associated costs incurred by Contractor beyond the Measurement Point in supplying Natural Gas to customers beyond the Measurement Point. Natural Gas sold in other than arm's length transactions shall be valued in accordance with the terms of an agreement made under Article 15.

ARTICLE 12

ANCILLARY RIGHTS OF THE CONTRACTOR AND OPERATOR

- 12.1 In addition to the rights to carry out Petroleum Operations within the Agreement Area the Government shall provide or otherwise procure access by Contractor to all existing facilities and infrastructure in the Agreement Area owned by the Government for the purpose of carrying out its Petroleum Operations during the term of the Agreement. Such access shall be on terms as regards access and tariffs no less favourable than those offered to other persons or entities, in addition, in any case within the Current Legislation. The Contractor will reimburse the value determined, for the supporting facilities utilised by the operation personnel (excluding Petroleum Production facilities), decided to be used by the Contractor. Such determination will be

made within two (2) months following the Effective Date of this Agreement, by the Co-ordination Committee and the reimbursement to be made within one (1) year in equal instalments.

- 12.2. Provided that the Government is furnished the information below, the Contractor shall have the right to use, produce, reprocess and export all existing geoscience, engineering, environmental and geodetic data (including magnetic tapes and films) maps, surveys, reports, and studies it deems necessary to carry out Petroleum Operations hereunder including, but not limited to: magnetic surveys, seismic surveys, well logs and analysis, core analysis, well files, geologic and geophysical maps and reports, reservoir studies, reserve calculations, accurate geodetic co-ordinates for the location of all wells and seismic lines and all other pertinent data relative to the Agreement Area, which are owned by the Government. In the event that any information is to be sold on confidential basis to any third party by the Parties (consent on which is required from the Parties) profit shall be distributed in accordance with the share of Profit Oil under the Article 10.
- 12.3 The Contractor shall have the right to conduct all geoscience, engineering, environmental and geodetic studies it deems necessary to carry out Petroleum Operations under the Work Program. Said studies may include, but are not limited to: seismic surveys, magnetic surveys, global positioning surveys, aerial photography (obtaining relevant permits), collection of soil/water/oil/rock samples for scientific and environmental studies. The Contractor shall be granted access to and/or permission to fly subject to obtaining appropriate consents (which will not be unreasonably withheld or delayed) over the Agreement Area to conduct said studies. The Contractor shall have the right to import equipment and supplies necessary to conduct said studies as well as the right to export data, film and samples to laboratories outside the Kurdistan Region to conduct such studies.
- 12.4 Subject to (i) prior approval by the Co-ordination Committee; and (ii) prior consent and/or permit with any necessary local administration or Government body and relevant landowners, the Contractor and/or Operator shall have the right to clear the land, to dig, pierce, drill, construct, erect, locate, supply, operate, manage and maintain pits, tanks, wells, trenches, excavations, dams, canals, water pipes, factories, reservoirs, basins, maritime storage facilities and such, primary distillation units, separating units for first oil extraction, sulphur factories and other Petroleum producing installations, as well as pipelines, pumping stations, generator units, power plants, high voltage lines, telephone, telegraph, radio and other means of communication (including satellite communication systems), plants, warehouses, offices, shelters, personnel housing, hospitals, schools, premises, underwater piers and other installations, means of transportation, roads, bridges, and other means of transportation, garages, hangers, workshops, maintenance and repair shops and all the auxiliary services which are necessary or useful to Petroleum Operations or related to them and, more generally, everything that is or could become necessary or accessory to carry out the Petroleum Operations but for the avoidance of any doubt in accordance with the Current Legislation.

- 12.5 The agents, employees and personnel of both the Contractor and Operator, or of Subcontractors, may enter or leave the Agreement Area and have free access, within the scope of their functions, to all installations put in place by the Contractor or Operator or otherwise utilised in Petroleum Operations.
- 12.6 Subject to prior consent of any appropriate local governmental bodies and the relevant landowners, the Contractor shall have the right to utilise the upper soil, mature timber, clay, sand, lime, gypsum and stones other than precious stones, and any other similar substances, necessary for the performance of Petroleum Operations only in accordance with the Current Legislation. The Contractor may utilise the water necessary for Petroleum Operations, on condition that reasonable efforts are taken to minimise potentially adverse effects on irrigation and navigation, and that land, houses and the watering places are not adversely affected.
- 12.7 The Contractor shall have the right to use existing pipeline and terminal facilities belonging to or under the control of the Government. The Government shall assist in making these facilities available to the Contractor on terms with regard to access and tariffs that are no less favourable than those make available to others.

ARTICLE 13

ASSISTANCE PROVIDED BY THE GOVERNMENT

- 13.1 To enable the Contractor to properly carry out the Petroleum Operations, the Government shall have the obligation to assist the Contractor upon request to:
- a) provide the approvals or permits needed to conduct Petroleum Operations and to carry out associated business activities and to open local and foreign bank accounts (for both local and foreign currency) in the Kurdistan Region;
 - b) arrange for Foreign Exchange to be converted in accordance with the principles set out in Article 18.9 of this Agreement;
 - c) use office space, office supplies, transportation and communication facilities and make arrangements for accommodations as required;
 - d) assist with any custom formalities;
 - e) provide entry and exit visas and work permits for employees and their family members of Operator, Contractor Parties, their Affiliated companies and Foreign Subcontractors, who are not citizens of the Kurdistan Region and who come to the Kurdistan Region to implement the Agreement and to provide assistance for their transportation, travel and medical facilities whilst in the Kurdistan Region;
 - f) provide necessary permits to send abroad documents, data and samples for analysis or processing during the Petroleum Operations;

- g) contact and instruct appropriate departments and ministries of the Government and any other bodies controlled by the Government to do all things necessary to expedite Petroleum Operations;
 - h) provide permits, approvals, and land usage rights requested by the Contractor and/or Operator for the construction of bases, facilities and installations for use in conducting Petroleum Operations; and
 - i) provide to the Contractor data and samples if such data and samples exist concerning the Agreement Area other than those produced as a result of Petroleum Operations.
- 13.2 Government shall at its sole cost provide or otherwise procure for the Contractor all necessary rights which may be required by the Contractor freely to export its entitlement to Petroleum under this Agreement from the Republic of Iraq and/or from the Kurdistan Region including, for this purpose and without limitation, establishing an appropriate export quota from the federal Government in the Republic of Iraq and/or from the Government, which is sufficient to satisfy the Contractor's requirements in that respect and, in addition, to facilitate and to organise all necessary relations with the governmental authorities both in the Republic of Iraq and in Kurdistan Region.

ARTICLE 14

MEASUREMENT, QUALITY AND VALUATION OF PETROLEUM

- 14.1 All Petroleum produced, saved and not used in the Petroleum Operations in accordance with Article 10.3 shall be measured at the Measurement Point approved in the Development Plan.
- 14.2. The Measurement Point shall be outlet of the very final facility, among all facilities, the cost of which is included as a Cost and Expense recoverable from Cost Recovery Petroleum under the Agreement.
- 14.3 All Petroleum shall be measured in accordance with standards generally acceptable in the international Petroleum industry. All measurement equipment shall be installed, maintained and operated by the Operator. The installed measurement equipment will have certificates of standards of international organisation. The Parties shall be entitled periodically to inspect the measuring equipment installed and all charts and other measurement or test data at all reasonable times. The accuracy of measuring equipment shall be verified by tests at regular intervals and upon request by either party, the Parties, using means and methods generally accepted in the international Petroleum industry.
- 14.4 Should a meter malfunction occur, the Operator shall immediately have the meter repaired, adjusted and corrected and following such repairs, adjustment or correction shall have it tested or calibrated to establish its accuracy. Upon

the discovery of metering error, Operator shall have the meter tested immediately and shall take the necessary steps to correct any error that may be discovered and after each case approval of the Government on using the meter is necessary.

- 14.5 In the event a measuring error is discovered, the Parties shall use all reasonable efforts to determine the correct production figures for the period during which there was a measuring error and correct previously used readings. Contractor shall submit to the Co-ordination Committee a report on the corrections carried out. In determining the correction, Contractor shall use, where required, the information from other measurements made inside or outside the Development Area. If it proves impossible to determine when the measuring error first occurred, the commencement of the error shall be deemed to be the point in time halfway between the date of the previous test and the date on which the existence of the measuring error was first discovered.
- 14.6 All measurements for all purposes in this Agreement shall be adjusted to standard conditions of pressure at sea level and temperature at sixty degrees Fahrenheit (60°F).

ARTICLE 15 NATURAL GAS

15.1 Associated Natural Gas

- a) Associated Natural Gas produced within the Agreement Area shall be used primarily for purposes related to the Production Operations and production enhancement including, without limitation, oil treating, gas injection, gas lifting and power generation.
- b) Based on the principle of full utilisation of the Associated Natural Gas and with no impediment to normal production of the Crude Oil, any Development Plan shall include a plan of utilisation of Associated Natural Gas. If there is any excess Associated Natural Gas remaining in any Oil Field after utilisation pursuant to Article 15.1.a) above (hereafter referred to as "Excess Associated Natural Gas"), the Contractor shall carry out a feasibility study regarding the commercial utilisation of such Excess Associated Natural Gas.
- i) If the Parties agree that Excess Associated Natural Gas has no commercial value, then Operator shall act under the plan approved by Co-ordination Committee, so that not to interfere with normal oil production. Besides, in order to avoid any doubt, both the plan and the Operator's activities under the plan shall exclude pollution and correspond to relevant standards effective in Current Legislation

- ii) If the Parties agree that Excess Associated Natural Gas has commercial value, they will endeavour to enter into gas sales agreement(s) and/or other commercial and/or technical arrangements with Third Parties required to develop such Natural Gas, and shall implement a new agreement regarding the Appraisal and possible development and marketing of the Associated Natural Gas in the domestic and international markets. Investments in the facilities necessary for production, transportation and delivery of Excess Associated Natural Gas shall be made by the Contractor. The construction of facilities for such Production and utilisation of the Excess Associated Natural Gas shall be carried out at the same time as the Development Operations, or at any time as may be agreed to by the Parties.
- iii) If either Party considers that Excess Associated Natural Gas has commercial value while the other considers that Excess Associated Natural Gas has no commercial value, the one who considers Excess Associated Natural Gas to have commercial value may utilise such Excess Associated Natural Gas, at its own cost and expense and without impeding the Production of Crude Oil and without affecting the shares of Crude Oil and Natural Gas otherwise to be allocated under the other provisions of this Agreement, but if such Excess Associated Natural Gas is not so utilised at any time or from time to time, then such Excess Associated Natural Gas shall be disposed of by the Operator in accordance with Article 15.1 b) i).
- e) The price of Associated Natural Gas produced from the Agreement Area shall be determined by the Parties based on general pricing principles taking into consideration such factors as sales prices of internationally transported gas delivered in Western Europe, quality and quantity of the Associated Natural Gas (including the equivalent substitute energy value) and the economics of Development.
- d) Investments made in conjunction with the utilisation of both Associated Natural Gas and Excess Associated Natural Gas, together with investments incurred after approval of a Development Plan in carrying out feasibility studies on the utilisation of Excess Associated Natural Gas, shall be charged to Operation Expenses.

15.2 Non-associated Natural Gas

When any Non-associated Natural Gas is discovered within the Agreement Area, the Parties shall implement a new agreement regarding the Appraisal and possible development and marketing of the Non-associated Natural Gas in the domestic and international markets. If the Parties cannot reach a new agreement within six (6) months or any period mutually agreed upon, the Government will own and will or cause to appraise, develop or produce such Non-associated Natural Gas. The Government will take all necessary measures

to avoid any effect, which may hamper the Petroleum Operations of the Contractor while producing Crude Oil.

- 15.3. The Parties will agree on the shares of the Government and the Contractor for the revenues generated from the sale of Associated and Non-associated Natural Gas after deduction of recoverable Costs and Expenses. Such sharing of the Profit Natural Gas will depend on the feasibility of the development of the Natural Gas.

ARTICLE 16

TAX/FISCAL REGIME

- 16.1 This Article shall apply to each Contractor Party individually.
- 16.2 It is expressly agreed and understood that the Government shall be liable for payment of the Taxes of the Contractor and the Contractor Parties in respect of the payment to the appropriate Taxation or other Governmental authorities, courts or other judicial bodies in the Kurdistan Region of all or any duties or Taxes which may be levied, charged, calculated or assessed against all or any of the Operator, the Contractor and each or any of the Contractor Parties
- 16.3 The obligations of the Government pursuant to Article 16.2 shall be deemed to have been satisfied by the delivery to each Contractor Party, within a period not to exceed ninety (90) days after the end of each Agreement Year, of a duly authorised certificate issued by the relevant taxation authorities in accordance with Current Legislation, together with such other documentary evidence as the Operator, the Contractor and/or the Contractor Parties may require, in each case and at a minimum detailing:
- (i) the categories of income and revenue including but not restricted to, income from petroleum operations, gains (either revenue or capital) on the disposal of assets (including any such gain on the assignment or disposal of an interest in the PSA) and interest income;
 - (ii) the net assessable profit or result subject to Tax either as a single balance or detailed separately according to appropriate the categorisation or classification;
 - (iii) the rate of Tax applicable to the balance(s) detailed in (ii) above;
 - (iv) the amount of Tax calculated after application of the rate detailed in (iii) above; and
 - (v) a statement to the effect detailing that the Taxes calculated and assessed in this certificate has (or will be) been paid by the Government on behalf of the Operator, the Contractor and/or the Contractor Parties (as applicable) and no further Tax liability exists in respect of the Agreement Year

For the avoidance of doubt, the allocation of Taxes for the purpose of the issuance of tax certificates between the Operator, the Contractor and/or the Contractor Parties will be calculated based on the Operator, the Contractor and/or the Contractor Parties' percentage share of the total petroleum liftings (both Cost Oil and Profit Oil) in the Agreement Year having regard to any adjustments to such in respect of the carry arrangement detailed in Articles 7.3 and 7.4.

In the event that the Government has not issued the relevant tax certificate within ninety (90) days as required above, the Operator, the Contractor, the Contractor Parties on behalf of the Operator, the Contractor and the Contractor Parties themselves may at their discretion submit their calculation of the Tax and draft of the tax certificate. If the Government has failed duly to authorise the draft tax certificate prepared by the Operator, the Contractor and/or the Contractor Parties within a further (30) days thereafter, the draft certificate as prepared by the Operator, the Contractor and/or the Contractor Parties will automatically be deemed to be a duly authorised certificate issued by the Government.

- 16.4. Each Contractor Party shall maintain its tax books and records both in local currency and in U.S.\$.
- 16.5 Employees of the Contractor, Contractor Parties, their Affiliates and Subcontractors, and those employees assigned by the Contractor to the Operator who are not citizens or residents of the Kurdistan Region or of Iraq ("Foreign Employees") shall not be liable to the Kurdistan Region for personal income tax imposed by the Kurdistan Regional Government in accordance with Tax legislation. However, where Iraq has entered into a Double Tax Treaty which has the effect of relieving a Foreign Employee from personal income tax in their home nation, that Foreign Employee shall be liable for personal income tax to the Kurdistan Region in accordance with such Double Tax Treaty.
- 16.6 Foreign Employees who perform work in the Kurdistan Region and their employers that would otherwise be covered by and subject to social insurance, pension fund contributions and similar payments under the social security system of the Kurdistan Regional Government will be exempt from those payments.

ARTICLE 17

ACCOUNTING, FINANCIAL REPORTING AND AUDIT

- 17.1 The Contracting Parties will keep two separate accounts in line with the Accounting Procedures as for respectively Taq Taq Development Block and Exploration Block in order to have separation for the calculation of Available Petroleum, Royalty, Cost Petroleum and Profit Petroleum to be shared among the Contracting Parties pursuant to their respective Participating Interests.

- 17.2. The Contractor shall maintain books and accounts of Petroleum Operations in accordance with the Accounting Procedure attached hereto as Annex B. These shall be maintained in Iraqi Dinars and in U.S.\$ in accordance with generally accepted international petroleum industry accounting principles. All books and accounts, which are made available to the authorities in accordance with the provisions of the Accounting Procedure, shall be prepared in the English language.
- 17.3 The Accounting Procedure specifies the procedure to be used to verify and establish promptly and finally Contractor's Costs and Expenses under Article 10 of this Agreement.
- 17.4 Sales revenues, expenditures, financial results, tax liabilities, and loss carry-forwards of each Contractor Party shall be determined in accordance with the rules, rights, and obligations set forth in this Agreement in so far as such sales revenues, expenditures, financial results, tax liabilities, and loss carry-forwards are related to Petroleum Operations under this Agreement.
- 17.5 On an annual basis Contractor shall submit to the Governmental agency an internationally recognised auditor's report on Costs and Expenses incurred, that under Article 10 should be compensated by Cost Recovery Petroleum, the report shall also include a profit calculation pursuant to provisions of Article 16 of this Agreement. The Government shall have the right to audit the books and accounts maintained by Contractor.

ARTICLE 18

CURRENCY, PAYMENTS AND EXCHANGE CONTROL

- 18.1 The Contractor and each Contractor Party, and their Affiliates, Subcontractors and the Operator shall have the right to open, maintain, and operate Foreign Exchange bank accounts both in and outside of the Kurdistan Region and local currency bank accounts inside the Kurdistan Region. Such operations performed in the Kurdistan Region will comply with Current Legislation.
- 18.2 The Contractor and each Contractor Party, and their Affiliates shall have the right to transfer all funds received in and converted to Foreign Exchange in the Kurdistan Region without payment of Taxes, fees, duties or imposts to bank accounts outside the Kurdistan Region in accordance with the Current Legislation.
- 18.3 The Contractor and each Contractor Party, and their Affiliates and Foreign Subcontractors shall have the right to hold, receive and retain outside the Kurdistan Region and freely use all funds received and derived from Petroleum Operations by them outside the Kurdistan Region without any obligation to repatriate or return the funds to the Kurdistan Region, including but not limited to all payments received from export sales of the Contractor Parties' share of Petroleum and any sales proceeds from an assignment of their interest in this Agreement.

- 18.4 The Contractor and each Contractor Party, and their Affiliates, Foreign Subcontractors and the Operator have the right to import into the Kurdistan Region funds required for Petroleum Operations under this Agreement in Foreign Exchange.
- 18.5 The Contractor and each Contractor Party, and their Affiliates and Foreign Subcontractors shall have the right to pay outside of the Kurdistan Region for goods, works and services of whatever nature in connection with the conduct of Petroleum Operations under this Agreement without having first to transfer to the Kurdistan Region the funds for such payments.
- 18.6 Whenever such a need arises the Contractor and each Contractor Party and their Affiliates, Foreign Subcontractors and the Operator shall be entitled to purchase local currency with Foreign Exchange and convert local currency into Foreign Exchange in accordance with provisions stipulated in legislation.
- 18.7 The Contractor and each Contractor Party, and their Affiliates and Foreign Subcontractors shall have the right to pay outside the Kurdistan Region the principal and interest on loans used for funding Petroleum Operations without having to first transfer to the Kurdistan Region the funds for such payment.
- 18.8 The Contractor and each Contractor Party and their Affiliates, and the Operator shall have the right to pay, wages, salaries, allowances and benefits of their foreign personnel working in the Kurdistan Region in Foreign Exchange partly or wholly outside of the Kurdistan Region.
- 18.9 Conversions of currency shall be recorded at the rate actually experienced in that conversion. Expenditures and sales revenues in currency other than the U.S.\$ shall be translated to U.S.\$ at the rates officially published by the Central Bank of Iraq at the close of business on the first business day of the current month.

ARTICLE 19
IMPORT AND EXPORT

- 19.1 The Contractor, each Contractor Party and Affiliates and their agents and the Operator shall have the right to import into, export and re-export from the Kurdistan Region in accordance with the Current Legislation in force on the date this Agreement is signed.
- 19.2 The Contractor, each Contractor Party and Affiliates and their agents shall have the right to sell any materials or equipment or goods which were used in Petroleum Operations provided that such items are no longer needed for Petroleum Operations and the costs of such items have not been and are not intended to be included as Costs and Expenses recoverable from Cost Recovery Petroleum.

- 19.3 The Contractor, each Contractor Party, their customers and their carriers shall have the right to export the share of Petroleum on behalf of the Contractor or each Contractor Party in accordance with Current Legislation in force on the date this Agreement is signed.
- 19.4 Foreign Employees and family members of the Contractor, Contractor Parties and their Affiliates, its agents and Foreign Subcontractors, shall have the right to import into and re-export from the Kurdistan Region household goods and personal property at any time in accordance with the Current Legislation.

ARTICLE 20

EXPORT OF HYDROCARBONS, TRANSFER OF OWNERSHIP, AND REGULATIONS FOR DISPOSAL

- 20.1 The Government shall make good faith efforts to ensure that the Contractor has access to capacity in export facilities controlled by the Government on terms which are equivalent to those which would be available to a bona fide arm's length user.
- 20.2 The transfer of title to each Contractor Party of its share of Petroleum shall be effective upon the lifting of that share by such Party at the Measurement Point or, at the Parties' option, at some other point, as designated by the Co-ordination Committee.
- 20.3 The Parties shall each be entitled to designate (at their own cost) an employee, independent company or consultant who shall check the lifting of Petroleum from the Measurement Point or at such other point as may be designated in accordance with Article 20.2.
- 20.4 If one of the Parties is unable to lift its share of Petroleum in due time, with the result that Petroleum Operations may be interfered with or in any way disrupted, then after giving such notice as is practical in the circumstances any other Party may dispose of it, and subsequently give back to such Party an equivalent amount of Petroleum (taking into account any costs incurred).

ARTICLE 21

OWNERSHIP OF ASSETS

- 21.1 Ownership of any asset, whether fixed or moveable, acquired by or on behalf of the Contractor in connection with Petroleum Operations hereunder shall vest in the Government without consideration if (i) both the costs of such asset have been recovered by the Contractor under this Agreement, and (ii) either the Agreement has come to an end or, if earlier, when the asset is no longer required for Petroleum Operations by the Contractor. The Contractor shall enjoy continued free, exclusive and unrestricted use of all assets at no cost or loss of benefit to the Contractor until the termination of this Agreement or if

earlier until they are no longer required for Petroleum Operations. The Contractor shall bear the custody and maintenance of such assets and all risks of accidental loss or damage thereto while they are required for Petroleum Operations, provided however that all costs necessary to operate, maintain and repair such assets and to replace or repair any damage or loss shall be recoverable as Operation Expenses from Cost Recovery Petroleum in accordance with the provisions of Article 10.

- 21.2 Whenever the Contractor relinquishes any part of the Agreement Area, all moveable property located within the portion of the Agreement Area so relinquished may be removed to any part of the Agreement Area that has been retained for use in Petroleum Operations.
- 21.3 The provisions of Article 21.1 and 21.2 shall not apply to materials or other property that are rented or leased to the Contractor, Contractor Parties and their Affiliates or Operator or which belong to employees of the Contractor, Contractor Parties and their Affiliates or Operator.

ARTICLE 22

INSURANCE, ENVIRONMENT, HEALTH, SAFETY AND LIABILITY

- 22.1 The Contractor shall obtain and maintain such types and amounts of insurance for the Petroleum Operations as are reasonable and such that they comply with the Current Legislation and accepted international Petroleum industry practice and standards.
- 22.2 The insurance, which may be obtained, may cover:
- a) destruction and damage to any property held for use during Petroleum Operations and classified as fixed capital and/or leased or rented property and/or interests in pipelines operated by the Contractor;
 - b) destruction of Crude Oil in storage;
 - c) liability to third Parties;
 - d) liability for pollution and expenses for cleaning up in the course of Petroleum Operations;
 - e) expenses for wild well control;
 - f) liability incurred by the Contractor in hiring land drilling rigs, vessels and aircraft serving the Petroleum Operations; and
 - g) losses and expenses incurred during the transportation and storage in transit of goods shipped from areas outside the Agreement Area.
- 22.3 In any insurance agreements, the amount for which the Contractor itself is liable (the "deductible amount") shall be reasonably determined between the

Contractor and the insurer and such deductible amount shall in the event of any insurance claim be considered as Costs and Expenses of Petroleum Operations recoverable from Cost Recovery Petroleum.

- 22.4 It is understood that, in order to meet their insurance obligations, insurance providers used by Contractor may conclude reinsurance and co-insurance agreements with any other insurance enterprises and organisations.
- 22.5. Notwithstanding the other provisions of this Agreement, the Contractor shall indemnify and hold harmless the Government against all losses, damages and liability arising under any claim, demand, action or proceeding brought or instituted against the Government by any employee of the Contractor or any Subcontractor or dependent thereof, for personal injuries, industrial illness, death or damage to personal property sustained in connection with, related to or arising out of the performance or non-performance of this Agreement regardless of the fault or negligence in whole or in part of any entity or individual; provided, however, that such losses, damages and liabilities are not caused by or do not arise out of the performance or non-performance of this Agreement by the Government and the Government shall indemnify and hold the Contractor (including for this purpose any Affiliate, the Operating Company and all Subcontractors) harmless against all such damage, losses and liabilities.
- 22.6 The Contractor (including for this purpose any Affiliate of any Contractor Parties, the Operating Company and all Subcontractors) shall indemnify the Government for all loss or damage suffered by the Government arising out of the Contractor's Petroleum Operations if such Petroleum Operations were not in accordance with international Petroleum industry practices or applicable laws, rules and regulations and, notwithstanding the foregoing, for any loss or damage to the environment or any cultural or national monument arising out of conduct of the Petroleum Operations; provided, however, that the Contractor (including for this purpose any Affiliate, the Operating Company and all Subcontractors) shall have no liability hereunder if and to the extent any loss and damage is caused by or arises out of any breach of this Agreement (and any other agreements that may be entered into by and between the Contractor and the Government in respect of the Petroleum Operations) or breach of duty by the Government. Notwithstanding the foregoing, the Contractor (including for this purpose any Affiliate, the Operator and all Subcontractors) shall not be liable to the Government for any punitive or exemplary damages or any other indirect or consequential damages.
- 22.7 The Contractor shall not be responsible to the Government for, and shall bear no cost, expense or liability of the Government for, any claim, damage or loss to the extent such claim, damage or loss does not arise out of a failure to conduct Petroleum Operations as provided in Article 22.6. In amplification of the foregoing, the Contractor shall not be responsible for any environmental condition or damage existing in the Agreement Area prior to the commencement of Petroleum Operations or caused by a Force Majeure event during the term of this Agreement. Existing environmental conditions will be

evidenced by an independent Third Party environmental baseline study of existing environmental conditions to be commissioned by the Contractor, at its own cost and expense (which shall be included as Costs and Expenses for the purposes of determining Cost Recovery Petroleum, subject to prior approval by the Co-ordination Committee) and shall be completed prior to the commencement of the relevant Petroleum Operations in accordance with international Petroleum industry practices and Current Legislation related to the environmental issues. Such baseline study shall be submitted to the Government and shall be incorporated in the Environmental Impact Assessment to be prepared by the Contractor in accordance with the environmental laws for the purpose of obtaining a permit for Petroleum Operations from the Authority, which permit and any other permits, authorisations and consents which are or may be applicable under the Current Legislation, shall not be unreasonably withheld. The Government agrees to provide Contractor with all authorisations, permits, certificates and other documents necessary for Petroleum Operations. If in the course of the Petroleum Operations, the Government provides other areas for the Contractor's activities, then new environmental baseline studies shall be included in the Development Plan that includes these areas. The Government shall indemnify the Contractor against any claim, damage or loss arising from such pre-existing environmental condition or damage, subject however, to the Contractor having taken reasonable and appropriate precautions in conducting Petroleum Operations, it being understood that in pursuing Petroleum Operations the Contractor has assumed the risk of working in the Agreement Area, and provided, further, that such indemnification shall not extend to any natural pre-existing condition.

- 22.8 In conducting Petroleum Operations, the Contractor shall operate according to international Petroleum industry practices and use best endeavours to minimise potential disturbances to the environment, including the surface, subsurface, sea, air, flora, fauna, other natural resources and property. The order of priority for actions shall be protection of life, environment and property.
- 22.9 The Contractor shall take all necessary steps to respond to, and shall promptly notify the Government of, all emergency and other events (including explosions, leaks and spills), occurring in relation to the Petroleum Operations which are causing or likely to cause material environmental damage or material risk to health and safety. Such notice shall include a summary description of the circumstances and steps taken and planned by the Contractor to control and remedy the situation. The Contractor shall provide such additional reports to the Government as are necessary in respect of the effects of such events and the course of all actions taken to prevent further loss and to mitigate deleterious effects.
- 22.10 In the event of emergency situations as set forth in 22.9, above, at the request of the Contractor, the Government, without prejudice and in addition to any indemnification obligations the Government may have hereunder, shall assist the Contractor, to the extent possible, in any emergency response, remedial or repair effort by making available any labour, materials and equipment in

reasonable quantities requested by the Contractor which are not otherwise readily available to the Contractor and by facilitating the measures taken by the Contractor to bring into the Kurdistan Region personnel, materials and equipment to be used in any such emergency response or remedial or repair effort. The Contractor shall reimburse the Government's reasonable and necessary costs incurred in such efforts, which reimbursed amounts shall be considered Costs and Expenses.

- 22.11 The Contractor shall not be liable to the Government or Third Parties for any damages caused by contamination entering the Agreement Area as a result of Government, or Third Party activities beyond or within the boundaries of the Agreement Area. The Government shall be legally and financially responsible for any loss, damage and liability, including remedy of environmental conditions, which may be required for safe conduct of the Petroleum Operations, caused by the Government's activities beyond or within the Agreement Area.
- 22.12 The Contractor shall not be liable for any loss or damage, including but not limited to spillage, explosion, contamination or similar environmental damage, in respect of any storage facilities, pipelines or means of transportation which are not under the direct possession and control of the Contractor or its Affiliates or its Subcontractors or the Operating Company. In addition to the foregoing, the Contractor or Contractor Parties shall not be liable for any damage whatsoever in respect of the Government share of Petroleum, storage or transportation thereof once the Government has taken custody of the Government share of Petroleum.
- 22.13. The Government shall make best efforts to ensure the safety and security of the Contractor's property and personnel in Iraq and to protect them from loss, injury and damage resulting from war (declared or undeclared), civil conflict, sabotage, blockade, riot, terrorism, unlawful commercial extortion, or organised crime. Notwithstanding anything to the contrary contained herein, the Contractor acknowledges and agrees that the obligations undertaken by the Government in this Article 22.13 are no greater than the general obligations of the Government towards citizens of the Kurdistan Region in respect to the perils named above. Furthermore, the Contractor agrees that it shall have no claim for legal or equitable relief for failure of the Government to comply with the provisions of this Article 22.13, except as may be permitted by law.
- 22.14 The Parties agree that, where the field equipment is damaged or destroyed by act of war or terrorism, and where there was not willful misconduct by the Contractor, the loss of the Contractor will be indemnified by considering such loss as recoverable Cost and Expenses.
- 22.15 Except as set forth in Article 28 hereof, it is understood and agreed that the Government shall not seek or declare any cancellation or termination of this Agreement and/or the License as a result of the occurrence of any emergency event described in this Article 22.

ARTICLE 23

PERSONNEL

- 23.1 The Contractor shall be entitled to bring Foreign Employees into the Kurdistan Region in connection with the performance of Petroleum Operations. The entry into the Kurdistan Region of such personnel is hereby authorised, and the Government's authorised body shall issue at the Contractor's request the required documents, such as entry and exit visas, work permits and residence cards. At the Contractor's request, the Government shall facilitate all immigration formalities at the points of exit and entry into the Kurdistan Region for the employees and family members of the Contractor, Contractor Parties its Affiliates, Subcontractors, Operator, agents and brokers. The Contractor (or Operator on its behalf) shall contact the appropriate offices of the Government to secure the necessary documents, and to satisfy the required formalities.
- 23.2 The employees working within the scope of Petroleum Operations shall be placed under the authority of the Contractor, the Affiliates of the Contractor Parties, its Subcontractors, agents or brokers or the Operator, each of which shall act individually in their capacity as employers. The works, hours, wages, and all other conditions relating to their employment shall be determined by the relevant employer of such employees. In relation to employees who are citizens of the Kurdistan Region, their employment shall be in accordance with the Current Legislation. To the extent that any expatriate personnel are engaged under an Agreement subject to the Current Legislation, that Agreement shall comply with the provisions of the Current Legislation. The Contractor, Contractor Parties and their Affiliates, its Subcontractors, agents or brokers however, shall enjoy full freedom in the selection and assignment of their employees.

ARTICLE 24

FORCE MAJEURE

- 24.1 If as a result of Force Majeure, the Contractor is rendered unable, wholly or in part, to carry out its obligations under this Agreement, other than the obligation to pay any amounts due, then the obligations of Contractor, so far as and to the extent that the obligations are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused, but for no longer period. The Contractor shall notify the Parties of the Force Majeure situation within seven (7) days of becoming aware of the circumstances relied upon and shall keep the Government informed of all significant developments. Such notice shall give reasonably full particulars of the said Force Majeure, and also estimate the period of time, which the Contractor will probably require to remedy the Force Majeure. The Contractor shall use all reasonable diligence to remove or overcome the Force Majeure situation as quickly as possible in an economic manner. The period of any such non-performance or delay, together with such period as may be necessary for the restoration of any

damage done during such delay, shall be added to the time given in this Agreement for the performance of any obligation dependent thereon (and the continuation of any right granted) and to the term of this Agreement.

- 24.2. For the purposes of this Agreement, "Force Majeure" shall mean a circumstance which is irresistible or beyond the reasonable control of the Contractor, and shall be in accordance with the principles of the international Petroleum industry.

ARTICLE 25

ASSIGNMENTS AND GUARANTEES

- 25.1 No assignment, mortgage or charge or other encumbrance shall be made by the Contractor or by a Contractor Party of its rights obligations and interests arising under this Agreement other than in accordance with the provisions of this Article 25. Any purported assignment made in breach of the provisions of this Article 25 shall be null and void.
- 25.2. Save in the case of any assignment made pursuant to the provisions of Articles 25.4 the following shall apply. Any Contractor Party wishing to assign all or part of its rights and interests hereunder or in any circumstances where there is deemed to be an assignment, the Party wishing to make the assignment shall first give written notice to the other Parties specifying the proposed terms and conditions of the assignment.

Following receipt of those terms and conditions, for a period of thirty (30) days each Party shall have the preferential right to match the terms and conditions of the proposed assignment or deemed assignment. This right may be exercised by any Party giving written notice of its intention to match the relevant terms and conditions (the "Acceptance") and thereafter the relevant Parties shall negotiate all necessary documentation in good faith. If within a further period of ninety (90) days from receipt of the Acceptance the relevant parties have not reached final agreement the Party seeking to assign may within a further period of thirty (30) days complete an assignment to a Third Party on the same terms and conditions. For the avoidance of doubt any assignment to a Third Party shall be subject to the assigning Party and the Third Party complying with the provisions of this Article 25.

- 25.3 A Contractor Party may assign all or part of its rights, obligations and interests arising from this Agreement to a Third Party provided that the Third Party :
- a) has the technical and financial ability to perform the obligations to be assumed by it under the Agreement; and
 - b) as to the interest assigned to it, accepts and assumes all of the terms and conditions of the Agreement.

Any such assignment shall be subject to the prior written consent of the Government, which consent shall not be unreasonably withheld or delayed. By way of clarification, and not in limitation of the foregoing provisions of this Article 25.3, the Government shall not be considered to be acting unreasonably in declining to consent to any such assignment if the assignment to such proposed assignee is deemed contrary to the Government's interests, as evidenced by a writing to that effect signed by the representative of the Government.

If within thirty (30) Days following notification of an intended assignment, accompanied by a copy of the proposed deed of assignment and related documentation with respect to the proposed assignee, including certified financial statements and other evidence to the Government's reasonable satisfaction of the matters set forth in Article 25.3 and such documentation, which shall include evidence of the identity of owners of the assignee, provided in the case of a company the stock of which is registered on a recognised stock exchange, a copy of the documents identifying the significant owners, as such concept is defined or used in the applicable laws pursuant to which such company registered its stock, will satisfy the foregoing requirements, and its direct and indirect parent companies, including the identity of the owners of the ultimate parent, subject to the foregoing proviso, as may be reasonably necessary for the Government, and as requested by the Government, to make a determination of the Government's interests as described above, the Government has not given its written decision concerning such assignment, then it shall be deemed that the Government has declined to give such consent; provided that thereafter if upon the further written request of the Contractor for a written decision, the Government has not given a written response of any kind within fifteen (15) Days after such further request, then the assignment shall be deemed approved and the Contractor Party shall execute an assignment, in a form acceptable to the Government, accepting such assignment. This second request from the Contractor shall cite the provisions of this paragraph and the Contractor shall obtain confirmation from the Government that the request has been received. In the event of the transfer of rights and obligations under the Agreement to a Third Party, Contractor shall pay all costs associated with such transfer incurred by the Agency and any tax or charge due on such transfer under the Current Legislation.

- 25.4 A Contractor Party may assign all or part of its rights, obligations and interests arising from this Agreement to another Contractor Party or its Affiliate, without prior consent of the Governorate, provided that any such Affiliate:
- a) has the technical and financial ability to perform the obligations to be assumed by it under the Agreement; and
 - b) as to the interest assigned to it, accepts and assumes all of the terms and conditions of the Agreement.

Any such assignment conducted in accordance with Article 25.4 will be exempt from any and all Taxes including capital gain tax, registration or stamp duties.

- 25.5 Each reference in this Agreement to the Contractor shall be treated as including each assignee to which an assignment has been made pursuant to this Article 25.
- 25.6 Subject to the approval of the Government in the event of there being any proposed assignment in accordance with the terms of this Article 25 then to the extent of the interest assigned the assignor shall be released from all further obligations and liabilities arising under the Agreement after the effective date of the assignment. The assignee shall thereafter be liable for the obligations arising from such interest in the Agreement except to the extent provided in the Agreement.

ARTICLE 26

AGREEMENT ENFORCEMENT AND STABILISATION, AND REPRESENTATIONS AND WARRANTIES

- 26.1 In the course of performing the Petroleum Operations, the Operator and the Parties shall be subject to all applicable laws, decrees, rules and regulations.
- 26.2 The Government agrees and commits to Contractor, for the duration of this Agreement, to maintain the stability of the fiscal conditions of this Agreement.
- 26.3 The Parties agree to co-operate in every possible way in order to achieve the objectives of this Agreement. The Government and its subdivisions shall facilitate the exercise of the Contractor's activities by granting it all decrees, permits, resolutions, licenses and access rights and making available to it all appropriate existing facilities and services under the control of the Government so that the Parties may derive the greatest benefit from Petroleum Operations for their own benefit and for the benefit of the Federal Region of Kurdistan.
- 26.4 If at any time after this Agreement has been signed there is a change in the any laws applicable for the time being in the Kurdistan Region, or other regulations or other provisions of effective Current Legislation related to fiscal or Taxation or exchange control matters, which to a material degree adversely affect the economic position of the Contractor or any Contractor Party hereunder, the terms and conditions of this Agreement shall be altered so as to restore the Contractor to the same overall economic position as that which the Contractor would have been in, had this Agreement been given full force and effect without amendment.
- 26.5 If the Contractor believes that its economic position has been adversely affected, under Article 26.4 it may give notice to the Government describing how its position has been so affected and the Parties shall thereafter promptly

meet with a view to reaching agreement on the remedial action to be taken. If matters have not been resolved within ninety (90) days or as otherwise agreed the matter may be referred to arbitration by any Party in accordance with the provisions of Article 29.

26.7 The Contractor and Genel represent and warrant that:

- 26.7.1 The Contractor possesses the technical expertise and financial resources to fulfill the obligations of Contractor under this Agreement;
- 26.7.2 The execution, delivery and performance by Genel, Genel International and Addax of this Agreement are within the corporate powers of respectively Genel, Genel International and Addax;
- 26.7.3 Genel, Genel International and Addax, have respectively obtained all corporate consents, approvals, authorizations and resolutions in accordance with their corporate statutes and the applicable laws to empower Genel, Genel International and Addax respectively to execute this Agreement, and (as applicable in the case of Genel International and Addax) to undertake each and all of the obligations of Contractor hereunder.

ARTICLE 27

NOTICES AND CONFIDENTIALITY

- 27.1 Except as otherwise specifically provided, all notices authorised or required between the Parties by any of the provisions of this Agreement, shall be in writing in English and delivered in person or by registered mail or by courier service or by any electronic means of transmitting written communications which provides confirmation of complete transmission, and addressed to such Parties as designated below. The originating notice given under any provision of this Agreement shall be deemed delivered only when received by the Party to whom such notice is directed, and the time for such Party to deliver any notice in response to such originating notice shall run from the date the originating notice is received. The second or any responsive notice shall be deemed delivered when received. "Received" for purposes of this Article with respect to written notice delivered pursuant to this Agreement shall be actual delivery of the notice to the address of the Party to be notified, specified in accordance with this Article. Each Party shall have the right to change its address at any time and/or designate that copies of all such notices be directed to another person at another address, by giving written notice thereof to all other Parties. The addresses for service of notices on each of the parties are as follows: -

Contractor: Genel Energy International Limited

Address:

c/o: Turan Emeksiz Sok. Park Sitesi N0: 3/15 Kavaklıdere ANKARA

Phone: +90 312 427 4989

Facsimile: + 90 312 427 4966

Addax Petroleum International Limited
c/o Addax Petroleum Services Ltd, 16, avenue Eugene-Pittard, 1206 Geneva,
Switzerland
Phone +41 22 702 94 00
Facsimile +41 22 702 95 90
Attn Corporate Secretary

Government

Ministry of Natural Resources of Kurdistan

Address: Prime Minister's Headquarters, Erbil
Phone:

- 27.2 Subject to the provisions of the Agreement, the Parties agree that all information and data acquired or obtained by any Party in respect of Petroleum Operations shall be considered confidential and shall be kept confidential and not be disclosed during the term of the Agreement to any person or entity not a Party to this Agreement, the Contractor shall not (without the consent of the Government) disclose any and all parts of this Agreement or any information related to this Agreement, to any governmental authority other than the Ministry of Natural Resources of the Government; and subject thereto, except:
- a) To an Affiliate, provided such Affiliate maintains confidentiality as provided herein;
 - b) To a governmental agency or other entity when required by the Agreement;
 - c) To the extent such data and information is required to be furnished in compliance with any applicable laws or regulations, or pursuant to any legal proceedings or because of any order of any court binding upon a Party;
 - d) To prospective or actual Contractors, consultants and attorneys employed by any Party where disclosure of such data or information is essential to such Contractor's, consultant's or attorney's work;
 - e) To a bona fide prospective transferee of a Party's participating interest (including an entity with whom a Party or its Affiliates are conducting bona fide negotiations directed toward a merger, consolidation or the sale of a majority of its or an Affiliate's shares);
 - f) To a bank or other financial institution to the extent appropriate to a Party arranging for funding;
 - g) To the extent that any data or information which, through no fault of a Party, becomes a part of the public domain.
- 27.3 Disclosure as pursuant to Article 27.2 (d), (e), and (f) shall not be made unless prior to such disclosure the disclosing Party has obtained a written undertaking from the recipient party to keep the data and information strictly confidential for at least three (3) years and not to use or disclose the data and information except for the express purpose for which disclosure is to be made.

ARTICLE 28
TERMINATION AND BREACH

- 28.1 At any time, if in the opinion of the Contractor, circumstances do not warrant continuation of the Petroleum Operations, the Contractor may, by giving written notice to that effect to the Government relinquish its rights and be relieved of its obligations pursuant to this Agreement except for the Contractor's obligations to complete the Minimum Work Program, and except such rights and obligations as related to the period prior to such relinquishment. Neither this Agreement nor any of the rights granted hereunder nor the Operator's right may be terminated as a result of any act or omission of the Operator save in the case where the Operator has carried out an act or omitted to do something at the specific request of the Contractor and the Operator has previously advised the Contractor prior to carrying out the act or omitting to do something that to carry out that act or to omit to do the relevant thing may result in this Agreement being terminated.
- 28.2 The Government is entitled to terminate this Agreement by giving ninety (90) days' advance written notice thereof to all Parties, when the Contractor commits a material breach in relation to its obligations indicated in the Agreement or if the Contractor has not accomplished its warranties according to Article 26.7. Where the Government is satisfied with the remedy plan presented by the Contractor after reviving the termination notice, the remedy period may be extended for a term as approved by the Government. The termination notice will be effective at the end of the arbitration procedure in case the claim of material breach is applied to arbitration as stipulated in Article 29.

ARTICLE 29
DISPUTE RESOLUTION

- 29.1 The construction, validity and performance of this Agreement shall be governed by Current Legislation and the laws of England.
- 29.2 Any arbitral tribunal constituted pursuant to this Agreement shall apply the provisions of this Agreement as supplemented and interpreted by general principles of Current Legislation and the laws of England as are in force on the Effective Date. Where these principles are in conflict with each other, the laws of England shall prevail.
- 29.2. All disputes between the Parties arising in out of or relating to this Agreement, or to the breach, termination or validity thereof, which the Parties are unable to resolve amicably, shall be referred by either Party to arbitration in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) in force on the Effective Amendment Date.

- 29.3 A Party need not exhaust administrative or judicial remedies prior to commencement of arbitral proceedings.
- 29.4 For the purpose of an arbitration under the UNCITRAL Rules:
- a) the appointing Authority shall be the International Court of Arbitration of the International Chamber of Commerce;
 - b) there shall be a single arbitrator appointed in accordance with said Rules;
 - c) The seat and venue of the arbitration will be London, United Kingdom and will be conducted in the English language.
- 29.5 Articles 29.2, 29.3 and 29.4 shall have no application to a dispute or disagreement which has, in accordance with the provisions of this Agreement, been referred for the opinion of an internationally recognised independent expert appointed pursuant to Article 6.
- 29.6 This clause shall survive with this Agreement until all rights and obligations amongst the Parties in connection with this Agreement have ceased.
- 29.7 The award of the arbitration tribunal will be final and binding upon the Parties.

ARTICLE 30

TEXT

This Agreement shall be executed in two (2) originals in the English language, which will be duly certified by a competent authorised body selected by the Government.

ARTICLE 31

APPROVAL

- 31.1 The Parties acknowledge that this Agreement, together with its Annexes, constitutes the revised agreement between the Parties.
- 31.2 Pending enactment of the Petroleum Act the Government shall provide a letter from the Council of Ministers of the Kurdistan Region, executed by the Prime Minister of the Kurdistan Region that all requisite measures have been taken in the Kurdistan Region to ratify this Agreement as a binding and enforceable obligation of the Government and (ii) the Government will take all appropriate measures to uphold the enforceability of this Agreement as a legal instrument throughout the Republic of Iraq.
- 31.3 This Agreement shall enter into force and effect in its entirety on the Effective Date,

SIGNED this 21st day of November 2006 in four (4) counterparts in the English language.

Minister of the Ministry of
Natural Resources of
The Kurdistan Region

Dr. Ashti A. Hawrami



For Contractor
GENEL ENERJI A.S.

Mehmet Sepil
CEO and Director



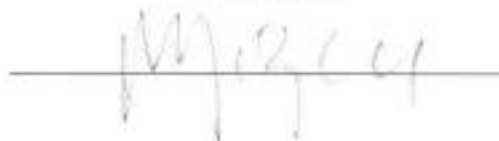
Addax Petroleum International Ltd

James Pearce
COO



Genel Energy International Ltd

Murat Yazici
Director



ANNEX A

Coordinates and Map indicating Taq Taq Development Block and Exploration Block

ANNEX B

Accounting Procedure

ANNEX C

Novation Agreement