

AMENDMENT AND RELINQUISHMENT AGREEMENT

BETWEEN

THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ

AND

DNO IRAQ AS

**Relating to the Production Sharing Contract for the Tawke Block,
the Production Sharing Contract for the Dohuk Block and
the Production Sharing Contract for the Erbil Block**

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AMENDMENT AND RELINQUISHMENT AGREEMENT

THIS AMENDMENT AND RELINQUISHMENT AGREEMENT is made and entered into on this 10th day of September 2008, hereafter referred to as the "Agreement Date", between the following parties:

THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ, hereafter referred to as the "KRG"; and

DNO IRAQ AS, a company established and existing under the laws of Norway, whose registered office is at Stranden 1, Aker Brygge, PO Box 1345 Vika, 0113 Oslo, Norway, and a wholly owned subsidiary of DNO International ASA (hereafter referred to as "DNO");

hereafter collectively referred to as the "Parties".

WHEREAS:

(a) The Parties, on 13 March 2008, executed production sharing contracts for the Tawke Block in the Kurdistan Region (hereafter referred to as the "Tawke Contract"), the Dohuk Block in the Kurdistan Region (hereafter referred to as the "Dohuk Contract"), and the Erbil Block in the Kurdistan Region (hereafter referred to as the "Erbil Contract") (collectively referred to as the "Contracts");

(b) DNO has discharged the Minimum Exploration Obligations of the Contractor for the First Sub-Period of the Exploration Period as set out in the Dohuk Contract, including an initial seismic program;

(c) The seismic program in respect of the First Sub-Period of the Exploration Period as set out in the Dohuk Contract has shown a number of petroleum structures, all of which require further exploration, including drilling;

(d) The KRG has advised DNO that the Contracts are in conformity with the Kurdistan Region Law except for the Contract Area for the Dohuk Contract which covers a greater surface area than the contract area customarily included in other production sharing contracts awarded by the KRG, and consequently DNO is required to relinquish part of the Contract Area for the Dohuk Contract;

(e) Further to such requirement of the KRG, DNO agrees, in accordance with Article 7.4 of the Dohuk Contract, to relinquish part of the Contract Area, and in recognition of DNO's agreement to relinquish, KRG is willing to add part of the relinquished area to the Contract Area of the Tawke Contract; and

(f) The KRG and DNO are entering into this Agreement to amend the terms of the Tawke Contract, Dohuk Contract and Erbil Contract, and to set out rights and obligations to each other that are separate from and in addition to the rights and obligations set out in those Contracts.

NOW THEREFORE, in consideration of the mutual covenants set out in this Agreement, the Parties agree that:



Dohuk Contract

1. The Parties agree that the Contract Area for the Dohuk Contract shall include only the petroleum structure known as the "Summail Structure" and certain surrounding areas including the "Summail Extension Area".
2. The Contract Area set out in Article 3 of the Dohuk Contract and Annex A thereof (hereafter referred to as the "Original Dohuk Contract Area"), and also set out in Annex A of this Agreement, is hereby amended so that the Dohuk Contract Area is as detailed and indicated on the map and coordinates attached in Annex B.
3. Areas set out in the Original Dohuk Contract Area that are not part of the area as detailed and indicated on the map and coordinates attached in Annex B, are hereby relinquished. Those relinquished areas are, for illustrative purposes, marked "Relinquishment Area" and "West Dohuk Structure" in the map attached in Annex C.
4. Notwithstanding the provisions of Article 7.4 of the Dohuk Contract,
 - (a) the relinquishment referred to in Article 3 is effective as of the Agreement Date; and
 - (b) in consideration of such relinquishment the KRG waives the right to receive from DNO, and releases DNO from any liability to pay, any outstanding minimum financial amounts for the relinquished areas referred to in Article 10.3 of the Dohuk Contract in respect of the Second Sub-Period of the Exploration Period of the Dohuk Contract.
5. As further consideration for the relinquishment, DNO shall drill a well on the area not relinquished in accordance with Article 3, provided that the Government agrees that DNO may drill such well at anytime prior to the 25 June 2010 being the end of the first one (1) year extension of the Second Sub-Period referred to in Article 6.6, and DNO shall be hereby deemed to have given notice of such one year extension under Article 6.6 and the additional well mentioned above is the proposed minimum work obligation for such extension.
6. The part of the area set out in the Original Dohuk Contract Area that are not part of the area as detailed and indicated on the map and coordinates attached in Annex B, and that are marked on the map attached in Annex C as "West Dohuk Structure", shall be part of the Contract Area of the Tawke Contract in accordance with Articles 9 to 12 below.
7. Notwithstanding any provision of the Dohuk Contract or the Tawke Contract, Petroleum Costs incurred by DNO pursuant to the Dohuk Contract up to and including the Agreement Date (hereafter referred to as "Transferred Dohuk Petroleum Costs") shall not be recoverable in accordance with the Dohuk Contract, and shall be recoverable as Petroleum Costs in accordance with the Tawke Contract. Petroleum Costs incurred by DNO from the Agreement Date pursuant to the Dohuk Contract (as that Contract is amended by this Agreement) shall, from the Agreement Date, be recoverable in accordance with the Dohuk Contract.
8. DNO shall provide to the KRG, within thirty (30) days of the Agreement Date and for no consideration:



- (a) an electronic copy; and
- (b) three (3) sets of hard copies,

of all data, in any form, whether written, graphic or otherwise, in the possession of DNO relating to areas set out in the Original Dohuk Contract Area that are relinquished in accordance with Article 3 above, together with a statement in a form to be approved by the KRG that DNO is bound by confidentiality obligations to the KRG in respect of such data, and agrees that the KRG may use such data at its sole discretion. DNO shall have the right to retain a copy of any such data solely for its internal use and solely for the purpose of aiding the interpretation of the geology of areas of the Dohuk Contract and the Tawke Contract as amended by this Agreement.

Tawke Contract

9. The Parties intend that the Contract Area for the Tawke Contract should include the petroleum structure known as the "West Dohuk Structure". The area of the West Dohuk Structure is detailed and indicated on the map and coordinates attached in Annex E (hereafter referred to as the "West Dohuk Structure Area").

10. The Contract Area set out in Article 3 of the Tawke Contract and Annex A thereto (hereafter referred to as the "Original Tawke Contract Area"), and also set out in Annex D of this Agreement, is hereby amended so that it extends over an area as detailed and indicated on the map and coordinates attached in Annex F.

11. DNO shall be obliged, in addition to the Minimum Exploration Obligations of the Second Sub-Period of the Exploration Period of the Tawke Contract, to drill a well on the West Dohuk Structure Area such well to be drilled prior to 25 June 2010 being the end of the first one (1) year extension of the Second Sub-Period referred to in Article 6.6, and DNO shall be hereby deemed to have given notice of such one year extension under Article 6.6 and the additional well mentioned above is the proposed minimum work obligation for such extension.

12. Notwithstanding Article 25 of the Tawke Contract and any other provision thereof, Transferred Dohuk Petroleum Costs shall be recoverable from production from the Tawke Contract Area and shall for the purposes of the Tawke Contract be deemed to be Petroleum Costs.

Third Party Participation

13. Article 4.7 of the Tawke Contract is amended so that it provides as follows:

"The **GOVERNMENT** may exercise the Option of Third Party Participation at any time prior to the earlier of

- (a) 31 December 2008, or
- (b) the date on which Crude Oil produced from the Contract Area is first exported from the Kurdistan Region and from Iraq in accordance with an authorisation from the KRG and the KRG shall provide any other authorisations, approvals and consents that may be necessary to export such Crude Oil from the Kurdistan Region and Iraq;



by notifying the extant **CONTRACTOR** Entities, in writing, of a company which has, or companies which have, adequate resources and capacity to discharge the obligations of a **CONTRACTOR** Entity under this Contract and a Joint Operating Agreement in respect thereof.”

14. Article 4.7 of the Dohuk Contract is amended so that it provides as follows:

“The **GOVERNMENT** may exercise the Option of Third Party Participation at any time prior to the earlier of

- (a) 31 December 2008, or
- (b) the date on which Crude Oil produced from the area of the Production Sharing Contract in respect of the Tawke Block concluded between the **GOVERNMENT** and **DNO Iraq AS** on 13 March 2008 is first exported from the Kurdistan Region and from Iraq in accordance with an authorisation from the KRG and the KRG shall provide any other authorisations, approvals and consents that may be necessary to export such Crude Oil from the Kurdistan Region and Iraq;

by notifying the extant **CONTRACTOR** Entities, in writing, of a company which has, or companies which have, adequate resources and capacity to discharge the obligations of a **CONTRACTOR** Entity under this Contract and a Joint Operating Agreement in respect thereof.”

15. Article 4.7 of the Erbil Contract is amended so that it provides as follows:

“The **GOVERNMENT** may exercise the Option of Third Party Participation at any time prior to the earlier of

- (a) 31 December 2008, or
- (b) the date on which Crude Oil produced from the area of the Production Sharing Contract in respect of the Tawke Block concluded between the **GOVERNMENT** and **DNO Iraq AS** on 13 March 2008 is first exported from the Kurdistan Region and from Iraq in accordance with an authorisation from the KRG and the KRG shall provide any other authorisations, approvals and consents that may be necessary to export such Crude Oil from the Kurdistan Region and Iraq;

by notifying the extant **CONTRACTOR** Entities, in writing, of a company which has, or companies which have, adequate resources and capacity to discharge the obligations of a **CONTRACTOR** Entity under this Contract and a Joint Operating Agreement in respect thereof.”

Water Purification Project

16. The KRG shall provide the bank account details of a Government account in sufficient time to allow DNO to meet its obligations in the following paragraphs.

17. DNO shall, in accordance with Article 18 below, pay to the above referenced Government account a Water Project Payment of one hundred and fifty million Dollars

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(\$150,000,000) (hereafter referred to as the "Water Project Payment") which payment shall be further transferred by the KRG into a segregated account, the sole purpose of which is to support and finance the water purification system in the Dohuk Governorate for the benefit of the people of the Dohuk Governorate (hereafter the "Water Project Account").

18. The Water Project Payment shall be payable in monthly instalments as provided in Article 19 below following the date that cumulative production from the Tawke, Dohuk and Erbil Contract Areas of Export Production in accordance with an authorisation from the KRG at an average of thirty thousand barrels of Crude Oil per day (30,000 bpd) (hereafter referred to as the "First Instalment Trigger Date").

19. Within thirty (30) days of the First Instalment Trigger Date, DNO shall pay to the Government account specified in Article 16 above an initial instalment of twelve million five hundred thousand Dollars (\$12,500,000). DNO shall pay further instalments every thirty (30) days thereafter until the Water Project Payment has been paid in full (hereafter referred to as an "Instalment Month"). Except as provided in Article 20 below, each such further instalment shall be twelve million five hundred thousand Dollars (\$12,500,000). All such payments shall be made in accordance with Article 32.7 of the Contract.

20. A further instalment of the Water Project Payment may be reduced in accordance with this Article as follows:

- (a) Where, in any Instalment Month, the collective production of Export Production from the Tawke, Dohuk and Erbil Contract Areas, is less than an average of thirty thousand barrels of Crude Oil per day (30,000 bpd), the instalment in respect of that Instalment Month payable to the KRG shall be reduced from twelve million five hundred thousand Dollars (\$12,500,000) proportional to the shortfall in Export Production for that Instalment Month;
- (b) Further, and in addition, if the Revenues (as defined in Article 26.4 of the Tawke Contract) received in such Instalment Month by DNO in respect of its CONTRACTOR interest share is less than forty million Dollars (\$40,000,000.00) the instalment shall be reduced by a fraction of which the numerator shall be the Revenues actually received by DNO and the denominator shall be forty million Dollars (\$40,000,000.00). If DNO has made the monthly instalment payment prior to the actual Revenues received having been determined, any amount shown to have been overpaid by DNO in such Instalment Month if such reduction had been made shall be deducted from any amount due for the following Instalment Month.

21. A failure by DNO to pay an installment of the Water Project Payment when it is due and owing as herein provided shall entitle the KRG, at its sole discretion, to receive automatically and immediately the amount of Profit Petroleum in respect of any or all of the Tawke, Dohuk and Erbil Contracts equivalent in value to the amount of the installment not paid. For the purposes of this Article 21, the value of all Profit Petroleum received by KRG as provided in this Article 22 shall be either (1) the actual price received by the KRG adjusted for transportation costs provided such price is an international export price obtained from an arm's length purchaser; or (2) if the price obtained is not in accordance with (1), it shall be the International Market Price as defined in Article 27.2 of the Tawke Contract for the month or months in which the Profit Petroleum is received adjusted as provided in the said Article 27.2.

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Water Project Account

22. The KRG covenants and agrees that:
- (a) it shall establish or maintain the Water Project Account;
 - (b) the Water Project Payment shall be paid into the Water Project Account;
 - (c) it shall provide in a form reasonably satisfactory to the Parties on a quarterly basis a written accounting of the application of the Water Project Payment, from the Water Project Account to the water purification system in the Dohuk Government together with a reconciliation of such payments in order to allow DNO to identify the projects to which such payments has been applied; and
 - (d) Each Party shall be entitled, notwithstanding any provision to the contrary, either express or implied within this Agreement or the Contract, to disclose the details of the payments and applications of the Water Project Payment in its public reports.

Water Purification Project

23. The Parties shall, within thirty (30) days of the payment of the initial instalment of the Water Project Payment referred to in Article 19 above, establish a Management Committee for the oversight of the capacity building projects referred to in Article 17 above. The Management Committee shall include representatives of the Parties.

Corporate Social Responsibility

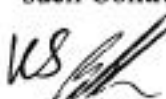
24. The Parties confirm their mutual commitment to the goal of promoting respect for and compliance with human rights principles, including those set forth in the Universal Declaration of Human Rights, The United Nations Basic Principles on the use of Force and Firearms by Law Enforcement Officials, United Nations Code of Conduct for Law Enforcement Officials, and in a manner consistent with the laws of the Kurdistan Region and Iraq and the Voluntary Principles on Security and Human Rights, being those principles for oil and mining companies developed by the United States and the United Kingdom governments as a result of discussions with companies and non-governmental organizations as published December 20, 2000.

25. The Parties confirm their mutual support for the goals of the Extractive Industries Transparency Initiative and in particular the goal of creating a standard for revenue transparency in the oil, gas and mineral sectors.

Other provisions

26. For the avoidance of doubt, if DNO assigns any interest to a third party pursuant to the Tawke Contract and/or the Dohuk Contract, the third party shall have all rights, obligations and liabilities of DNO under, and be subject to, this Agreement.

27. (a) Words and phrases in this Agreement which are capitalised and not defined in this Agreement are defined in one or all of the Tawke Contract, Dohuk Contract and Erbil Contract, and shall have the same meaning as given to it in such Contracts.



- (b) "Export Production" means Petroleum produced under the Tawke Contract, the Dohuk Contract and/or the Erbil Contract and which is transported and exported from Iraq and sold at a price equal to Brent or other recognised marker price adjusted only for quality and transportation costs.

28. The following Articles of the Tawke, Dohuk and Erbil Contracts are hereby incorporated by reference into this Agreement and shall apply to and be binding upon the Parties hereto *mutatis mutandis*:

Article 36 – Information and Confidentiality

Article 39 – Assignment and Change of Control

Article 40 – Force Majeure

Article 41 – Waiver of Sovereign Immunity

Article 42 – Arbitration and Expert Determination

Article 43 – Governing Law, Fiscal Stability and Amendments

Article 44 – Notices

Article 46 – Application of Corruption Laws

29. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors, assigns and legal representatives.

A handwritten signature in black ink, appearing to be 'US' followed by a stylized name or initials.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day, month and year hereinabove first written.

For and on behalf of the KRG:

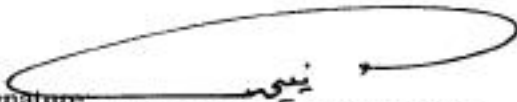
For and on behalf of DNO:

**THE KURDISTAN REGIONAL
GOVERNMENT OF IRAQ**

DNO IRAQ AS


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

Helge Eide
DNO Iraq AS
Chairman

Signature: .....

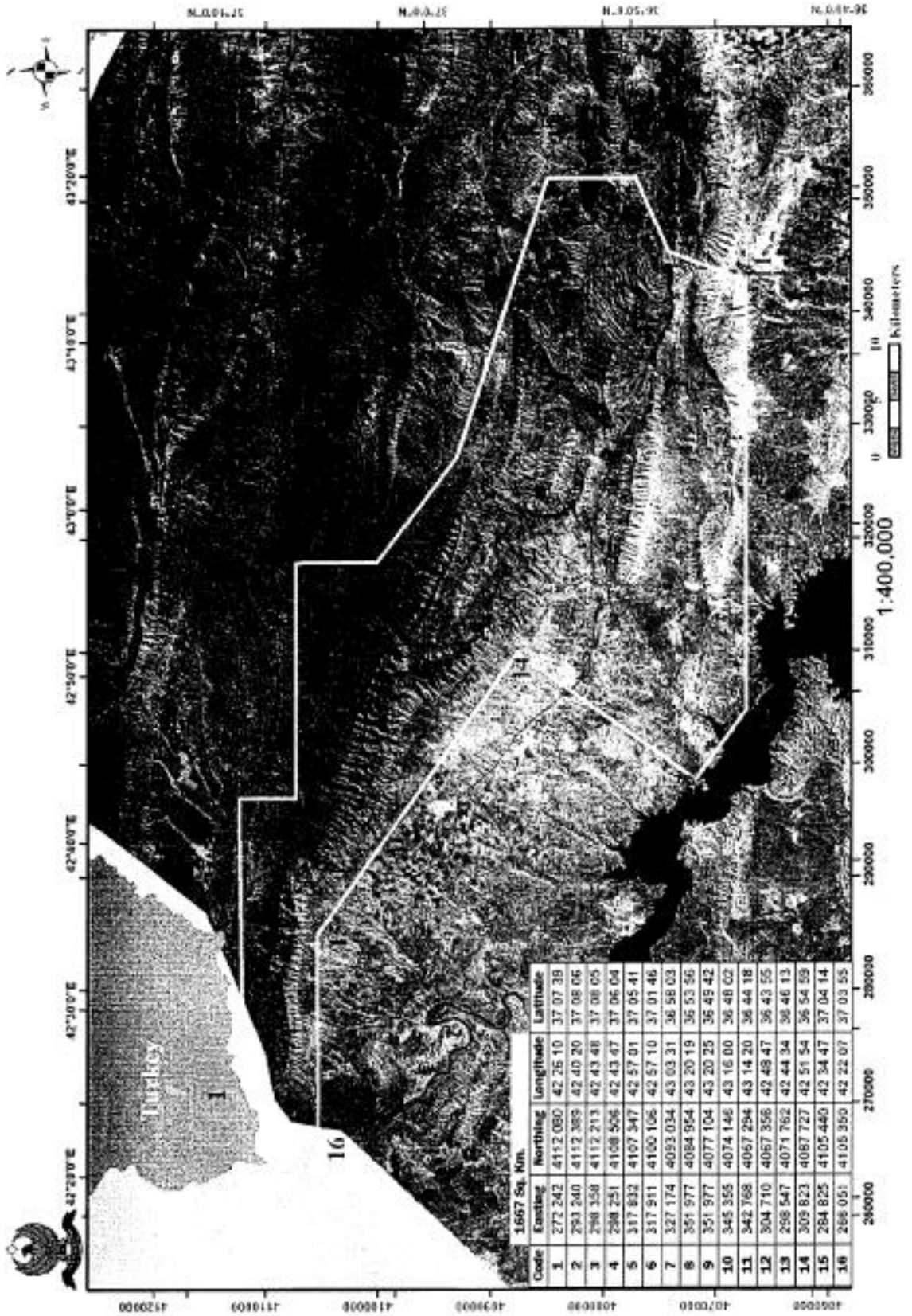
Signature: .....

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

Signature: .....

ANNEX A

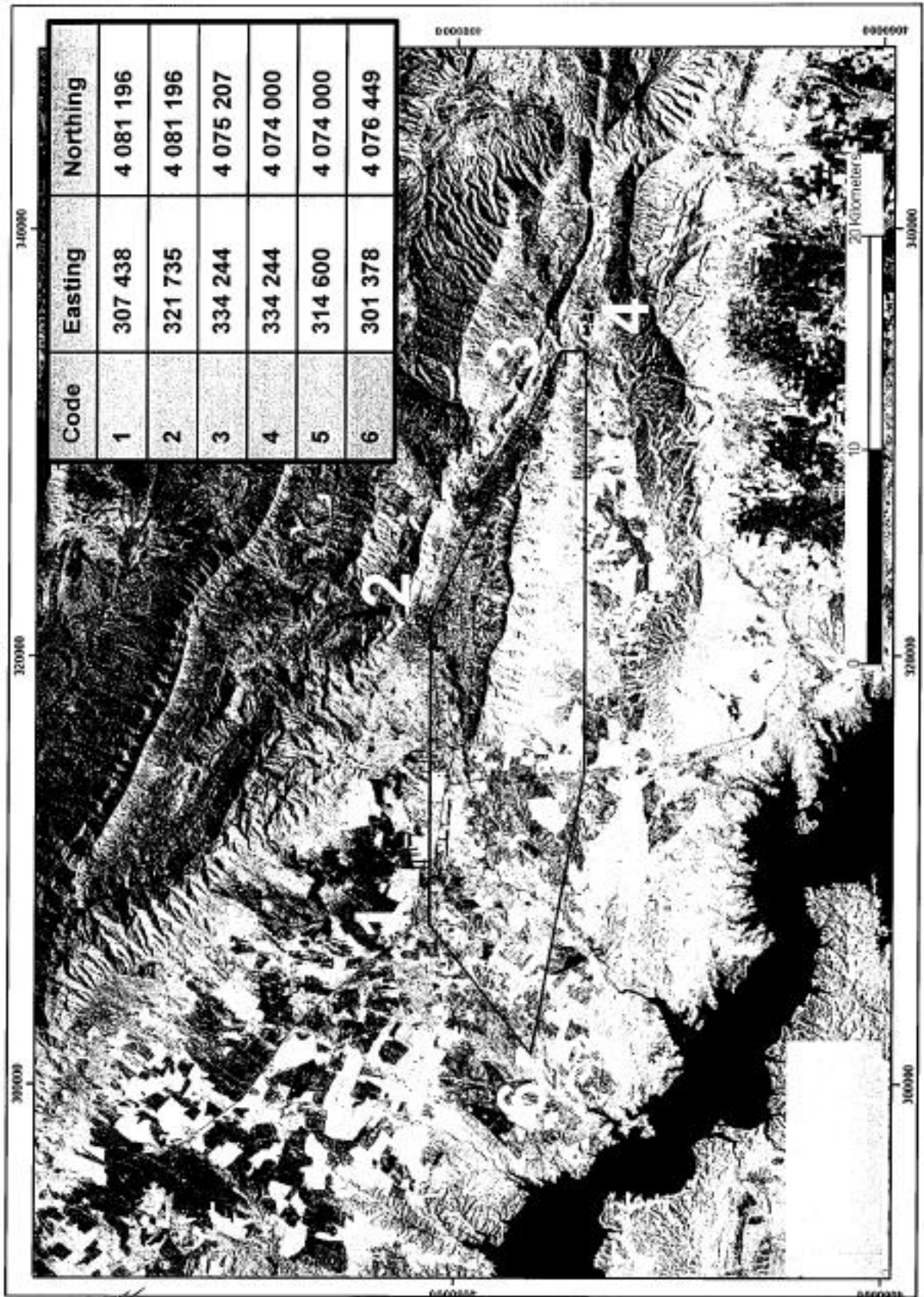
Map showing Coordinates of March 2008 Dohuk Contract Area



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ANNEX B

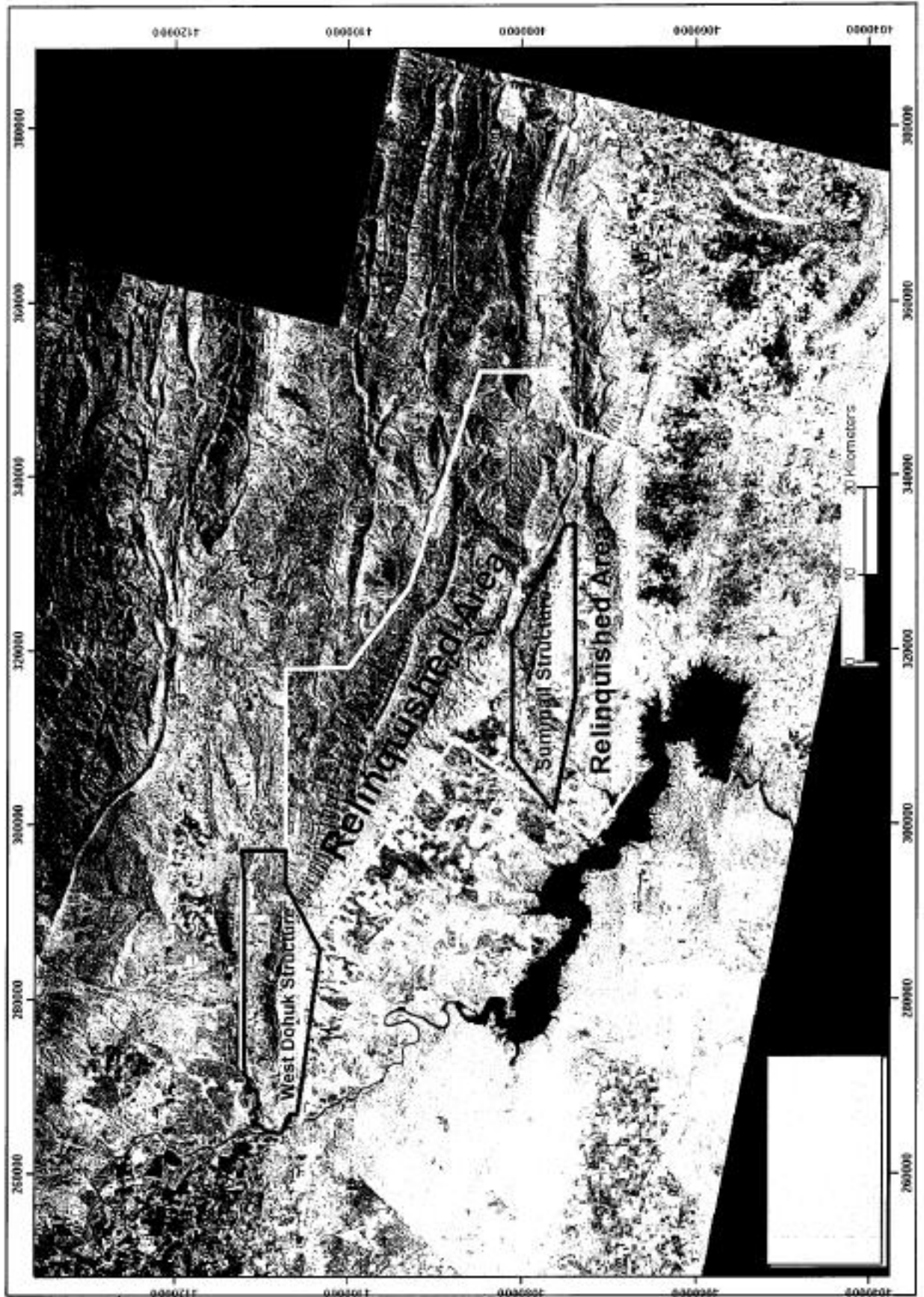
Dohuk Contract Area



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ANNEX C

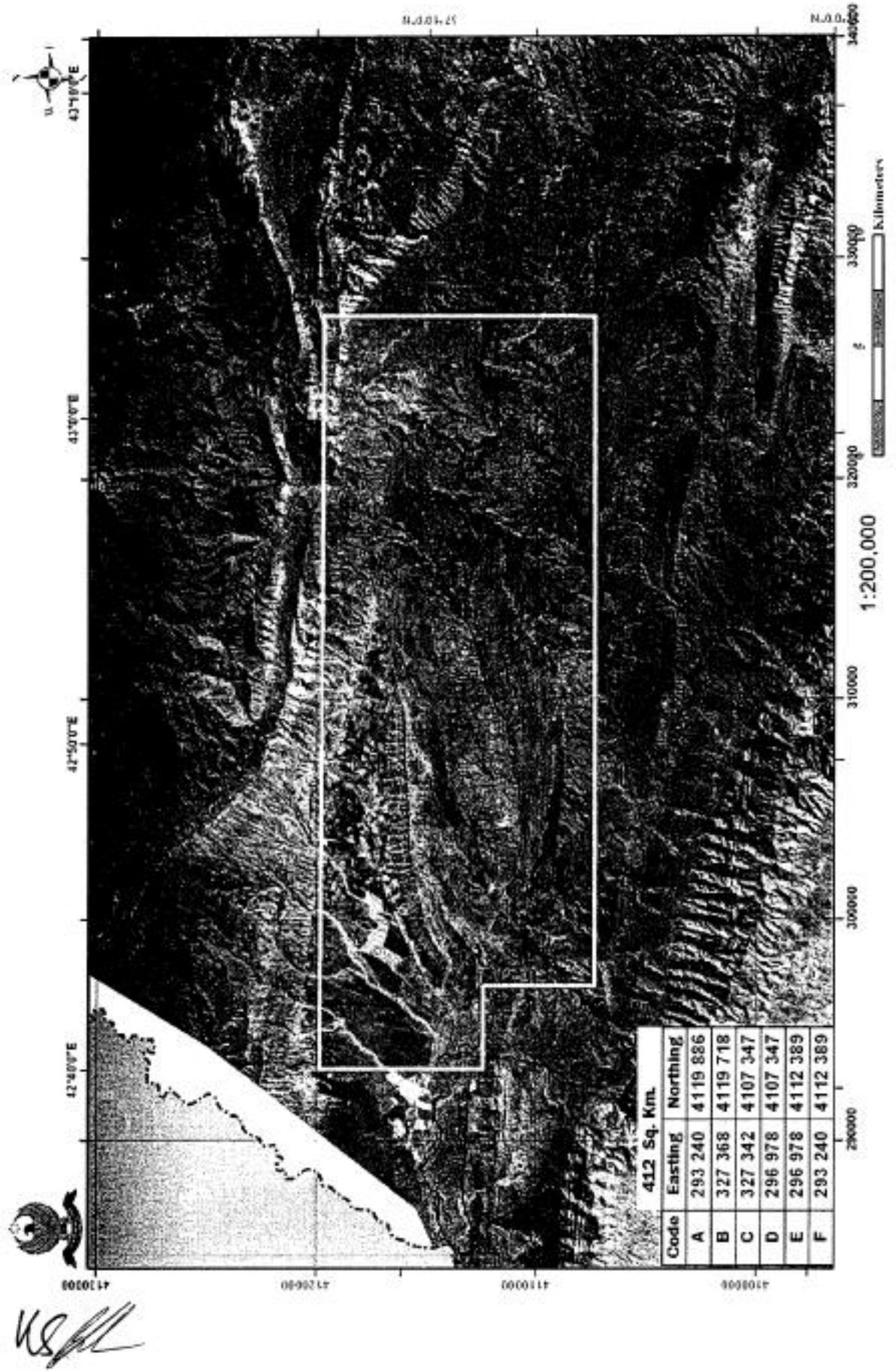
Map showing Boundaries of Relinquished Areas and New Contract Areas



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ANNEX D

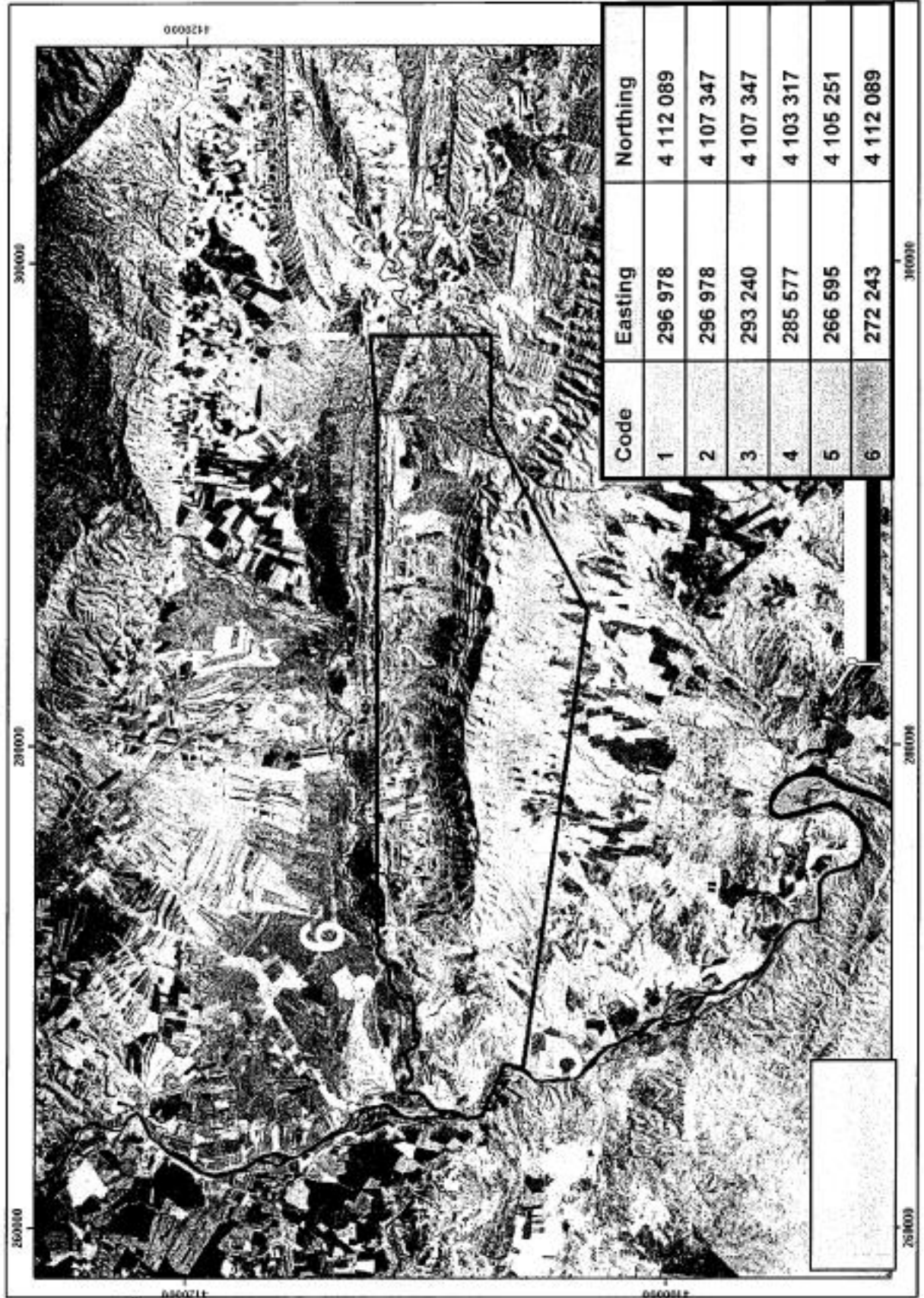
Map showing Coordinates of March 2008 Tawke Contract Area



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ANNEX E

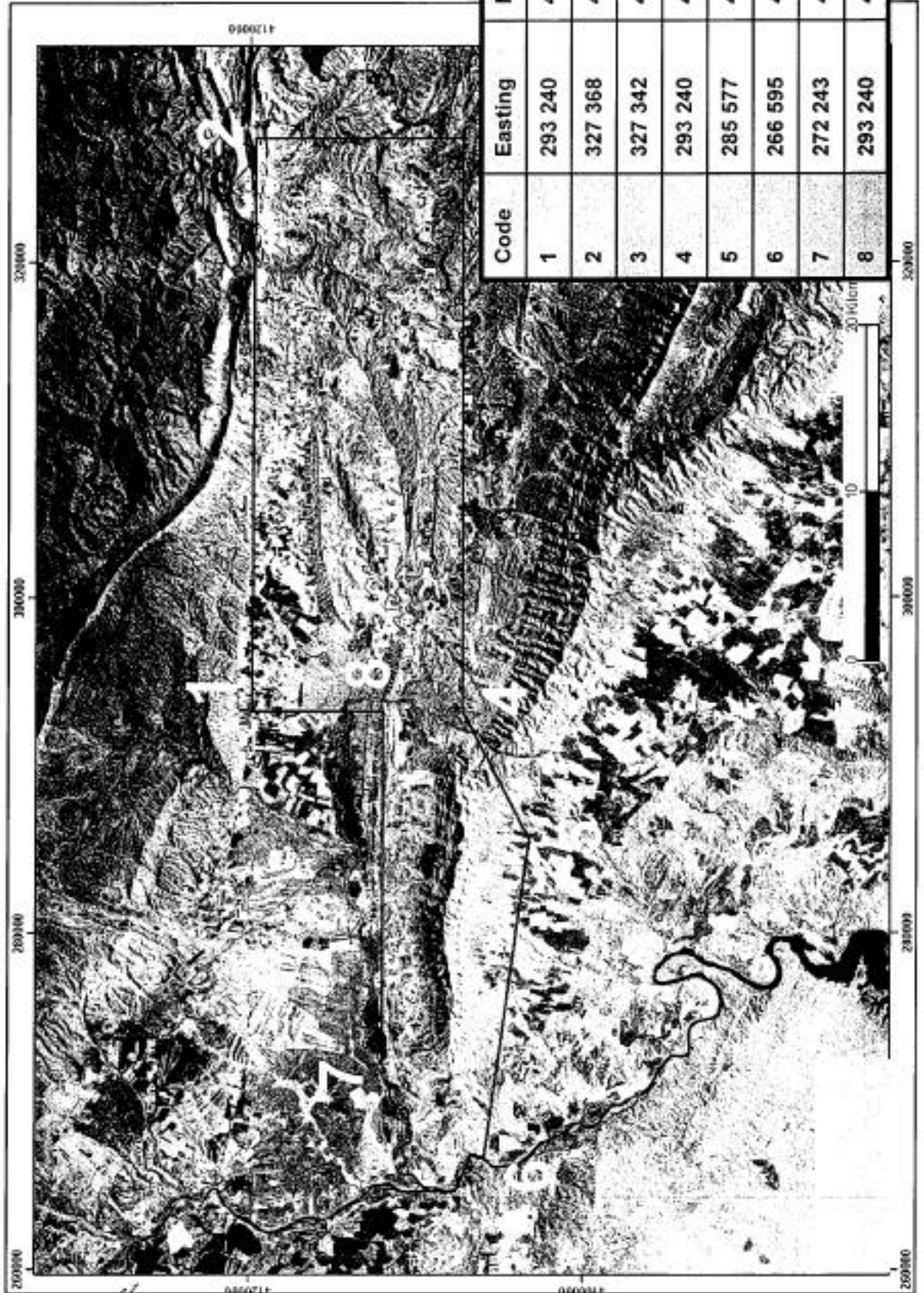
Map showing Coordinates of West Dohuk Structure to be added to Tawke Contract Area as of September 2008



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ANNEX F

Amended Original Tawke Contract Area



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