

DATED

August 2009

ASSIGNMENT, NOVATION AND AMENDMENT AGREEMENT

relating to

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

between

THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ

and

NIKORESOURCES (KURDISTAN) LTD.

and

GROUNDSTAR RESOURCES KURDISTAN LTD.

and

VAST EXPLORATION (KURDISTAN) INC.

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THIS ASSIGNMENT, NOVATION AND AMENDMENT AGREEMENT is entered into on 23 August 2009 (the "Completion Date").

BETWEEN

PARTIES

- (1) **THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ**, duly represented by the Minister of Natural Resources, Dr. Ashti Hawrami, and hereinafter referred to as the "Assignor";
- (2) **NIKORESOURCES (KURDISTAN) LTD.**, a company established and existing under the laws of Cyprus, whose registered office is at 51 Kennedy Avenue, 5th Floor, Office 51, 1076 Nicosia Cyprus, duly represented by its Chief Operating Officer, William Hornaday, and hereinafter referred to as the "First Assignee";
- (3) **GROUNDSTAR RESOURCES KURDISTAN LTD.**, a company established and existing under the laws of Cyprus, whose registered office is at 11 Kyriacou Matsi, Nikis Centre, 4th Floor, 1082 Nicosia Cyprus, duly represented by its President and Chief Executive Officer, Kam Fard, and hereinafter referred to as "Groundstar"; and
- (4) **VAST EXPLORATION (KURDISTAN) INC.**, a company established and existing under the laws of Barbados, and having its registered office at Suite 203, Lauriston House, Lower Collymore Rock Drive, Bridgetown, St. Michael, Barbados, duly represented by its Director, Stalin Bharti, and hereinafter referred to as the "Second Assignee".

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

BACKGROUND

- (A) A Production Sharing Contract (hereafter referred to as the "Contract") in respect of Petroleum Operations relating to the Qara Dagh Block in the Kurdistan Region of Iraq was executed on 14 May 2008 between the Assignor, and the First Assignee, Groundstar, and the Second Assignee as Contractor;
- (B) Article 4.6 of the Contract provides for an option, held by the Assignor, of assigning an interest in the Contract, defined in the Contract as the Third Party Interest, of up to twenty per cent (20%);
- (C) The Parties wish to amend the Contract so that the option of assigning the Third Party Interest shall continue for eighteen (18) months from the Effective Date;

- (D) The Assignor wishes to assign part of the Third Party Interest, namely an undivided interest of ten per cent (10%) as a Contractor Entity in all of the rights, duties, obligations and liabilities under and in the Contract (save as provided in and subject to Article 4 of the Contract) pursuant to Article 4.6 of the Contract (hereafter the "First Assigned Interest"), and the First Assignee wishes to accept such rights, duties, obligations and liabilities under and in the Contract in so far as they relate to the First Assigned Interest; and
- (E) The Assignor wishes to assign part of the Third Party Interest, namely an undivided interest of ten per cent (10%) as a Contractor Entity in all of the rights, duties, obligations and liabilities under and in the Contract (save as provided in and subject to Article 4 of the Contract) pursuant to Article 4.6 of the Contract (hereafter the "Second Assigned Interest"), and the Second Assignee wishes to accept such rights, duties, obligations and liabilities under and in the Contract in so far as they relate to the Second Assigned Interest; and
- (F) Subject to this Agreement, the Assignor wishes to be released and discharged from the Contract in relation to the assignment of the Third Party Interest, and the novation of the Contract, and the First Assignee, the Second Assignee and Groundstar wish to release and discharge the Assignor in relation to the Third Party Interest upon the terms of the undertakings of the First Assignee and the Second Assignee (hereafter the "Assignees") to perform the Contract and be bound by the terms of the Contract in relation to, respectively, the First Assigned Interest and the Second Assigned Interest (hereafter the "Assigned Interests").

AGREED TERMS

1. DEFINITIONS AND INTERPRETATION

- 1.1 Unless otherwise defined herein (including the recitals) capitalised terms have the meanings ascribed to them in the Contract. Article 1.2 of the Contract shall apply hereto *mutatis mutandis*.

2. NOVATION

- 2.1 With effect on and from the Completion Date, the Assignor shall assign and transfer all the Assignor's rights, duties, obligations and liabilities arising in connection with the First Assigned Interest under the Contract to the First Assignee and the First Assignee shall become a party to the Contract subject to the terms of this Agreement, and the First Assignee shall accede to the Contract.
- 2.2 With effect on and from the Completion Date, the Assignor shall assign and transfer all the Assignor's rights, duties, obligations and liabilities arising in connection with the Second Assigned Interest under the Contract to the Second Assignee and the Second Assignee shall become a party to the Contract subject to the terms of this Agreement, and the Second Assignee shall accede to the Contract.

- 2.3 With effect from the Completion Date, subject to Article 2.5 and Article 3 below, the First Assignee undertakes to each of the Assignor, the Second Assignee and Groundstar to perform all of the First Assignee's obligations under the Contract and be bound by the terms of the Contract in every way as if the First Assignee had been a party to the Contract as a Contractor Entity in respect of the First Assigned Interest, on and from the Effective Date, provided that the First Assignee will not be liable for:
- (a) any proportion of Government Interest share of the Contractor's Petroleum Costs in respect of the First Assigned Interest; or
 - (b) the Excluded Payments (as defined in Article 4.2) prior to, as at, or following the Completion Date.
- 2.4 With effect from the Completion Date, subject to Article 2.5 and Article 3 below, the Second Assignee undertakes to each of the Assignor, the First Assignee and Groundstar to perform all of the Second Assignee's obligations under the Contract and be bound by the terms of the Contract in every way as if the Second Assignee had been a party to the Contract as a Contractor Entity in respect of the Second Assigned Interest, on and from the Effective Date, provided that the Second Assignee will not be liable for:
- (a) any proportion of Government Interest share of the Contractor's Petroleum Costs in respect of the Second Assigned Interest; or
 - (b) the Excluded Payments (as defined in Article 4.2) prior to, as at, or following the Completion Date.
- 2.5 Nothing in this Agreement shall affect or prejudice any claim or demand which any Party may have in connection with the Assigned Interests against another Party relating to matters prior to the Completion Date.
- 2.6 It is hereby agreed that the Contract shall continue in full force and effect and that, as from the Completion Date, its terms have only changed to the extent set out in this Agreement.
- 2.7 Each of the Assignees, together with Groundstar (as Contractor Entities under the Contract) jointly and severally covenant with and in favour of the Assignor that they will perform and observe the terms and conditions contained in the Contract and on the part of the Contractor to be performed and observed.

3. AMENDMENTS TO THE CONTRACT

- 3.1 The Parties agree that the following amendments set out in this Article 3 shall be made to the Contract with effect from the Completion Date.
- 3.2 On the Completion Date, the participating interest of the First Assignee as a Contractor Entity shall, by virtue of this Agreement and pursuant to the provisions of the Contract, be increased from twenty-seven percent (27%) to thirty-seven percent (37%).

3.3 On the Completion Date, the participating interest of the Second Assignee as a Contractor Entity shall, by virtue of this Agreement and pursuant to the provisions of the Contract, be increased from twenty-seven percent (27%) to thirty-seven percent (37%).

3.4 Amendments to the Contract

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

"Nikoresources (Kurdistan) Ltd., Vast Exploration (Kurdistan) Inc. and Groundstar Resources Kurdistan Ltd., as the CONTRACTOR Entities as at the Effective Date, own an undivided interest in the Petroleum Operations in respect of the entire Contract Area in the following percentages at the Effective Date:

Nikoresources (Kurdistan) Ltd.	37%
Vast Exploration (Kurdistan) Inc.	37%
Groundstar Resources Kurdistan, Inc.	6%"

(b) In Article 4.6 of the Contract, the words "eight (8) month" shall be deleted and replaced with the words "eighteen (18) month".

(c) In Article 4.7 of the Contract, the words "eight (8) months" shall be deleted and replaced with the words "eighteen (18) months".

(d) In Article 4.11 of the Contract, the words "eight (8) Month" shall be deleted and replaced with the words "eighteen (18) month".

4. PAYMENT PROVISIONS

4.1 (a) On the Completion Date, each Assignee shall be liable for and shall be obliged only to pay its participating interest share of Petroleum Costs accrued on and from the Effective Date. For the avoidance of doubt, in accordance with Article 4.10(b) of the Contract, such share of Petroleum Costs shall not, in respect of each Assigned Interest, include any proportion of any Government Interest share of any Petroleum Cost; i.e. each Assigned Interest share of Petroleum Costs shall be ten percent (10%) of such Petroleum Costs.

(b) Of the amount of Petroleum Costs accrued on and from the Effective Date in respect of each Assigned Interest (as provided in Article 4.1(a) above) for the period up to and including the date referred to in Annex A, ten per cent (10%) shall be payable by each Assignee to Groundstar within thirty (30) days of the Completion Date to the Groundstar bank account set out in Annex A.

(c) The payments by the Assignees of the amount of Petroleum Costs referred to in Article 4.1(b) shall be subject to Groundstar's right of

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audit under the Joint Operating Agreement in order to verify the correctness of such amount.

- (d) Pursuant to Article 4.10(d) of the Contract, from the Completion Date, the Assignees shall pay the cash calls in accordance with the Joint Operating Agreement.
- (e) In addition to the Assignees' obligations to pay Petroleum Costs as stated in Articles 4.1(b) and (d), each Assignee shall be liable to pay the Groundstar ten per cent (10%) of its Assigned Interest share of all other operating costs, expenditures and the Operator's administration and overhead charges, which are not Petroleum Costs, and which are payable under the Joint Operating Agreement on and from the Completion Date.

4.2 The Parties agree that each Assignee shall not, in respect of either Assigned Interest, be liable to Groundstar for any Signature Bonus or Capacity Building Bonus (the "Excluded Payments").

5. REPRESENTATIONS, WARRANTIES AND COVENANTS

5.1 Each Assignee represents and warrants that as at the Completion Date it is financially and technically capable of fulfilling its duties and obligations in respect of the Assigned Interest under the Contract; and each Assignee agrees to provide within seven (7) days of the Completion Date, if so required by the Government in accordance with Article 9.1 of the Contract, a guarantee to the Assignor pursuant to Article 9.1 of the Contract to cover its Assigned Interest share of the outstanding Minimum Financial Commitment for the First Sub-Period in a form acceptable to the Assignor.

5.2 Groundstar hereby confirms to each of the Assignees that as at the Completion Date it has received reasonable evidence of each Assignee's technical and financial capability to discharge the obligations of a Contractor Entity in respect of each Assigned Interest under the Contract and a Joint Operating Agreement in respect thereof.

5.3 The Assignor covenants and agrees that it will not grant to any third party any rights which would conflict or be inconsistent with the rights granted hereunder and under the Contract or other than as provided under the Contract, and that the Option of Third Party Participation has been fully exercised pursuant to the Contract.

5.4 (a) Each of the Assignor and Groundstar represents and warrants to each Assignee that as at the Completion Date it has the power and authority to enter into this Agreement.

(b) The Assignor hereby represents and warrants to each Assignee that it has not entered into any other agreements, deeds, instruments, arrangements, or undertakings of any nature with any other third party in which it agrees to transfer or grant rights with respect to each Assigned Interest being transferred hereunder to such third party and

that each Assigned Interest is free and clear of all liens, claims and any other encumbrance whatsoever.

6. **MISCELLANEOUS**

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

7. **POWERS OF ATTORNEY**

7.1 Notwithstanding any provision of Article 39 of the Contract, Groundstar hereby irrevocably appoints the Assignor (or any other person which at any time during the term of the Contract may be nominated by the Assignor) as its true and lawful attorney with full power to act alone and with full power of substitution for the purpose of executing in its name, and so far as is permitted by law, any instrument of assignment and/or novation whereby all rights and obligations of each Assignee in relation to its Assigned Interest, whether under the Contract or any joint operating agreement, are transferred

- (a) from an Assignee to the Assignor; and/or
- (b) from an Assignee to a third party.

7.2 Groundstar confirms that the power of attorney granted is irrevocable and will survive its insolvency, dissolution, winding-up or bankruptcy and extend to bind its trustees, administrators, successors and assigns. Groundstar waives any and all defences which may be available to contest, negate or disaffirm the action of the Assignor taken under such power of attorney. The Parties agree and acknowledge that this power of attorney shall be terminated and of no effect in relation to an Assigned Interest from and after the date that the relevant Assignee has paid to the Assignor any capacity building payment, or has provided to the Assignor any shares, that may be required in accordance with any contract between that Assignee and the Assignor.

7.3 Notwithstanding any provision of Article 39 of the Contract, the First Assignee hereby irrevocably appoints the Assignor (or any other person which at any time during the term of the Contract may be nominated by the Assignor) as its true and lawful attorney with full power to act alone and with full power of substitution for the purpose of executing in its name, and so far as is permitted by law, any instrument of assignment and/or novation whereby all rights and obligations of the Second Assignee in relation to the Second Assigned Interest, whether under the Contract or any joint operating agreement, are transferred

- (a) from the Second Assignee to the Assignor; and/or
- (b) from the Second Assignee to a third party.

7.4 The First Assignee confirms that the power of attorney granted is irrevocable and will survive its insolvency, dissolution, winding-up or bankruptcy and extend to bind its trustees, administrators, successors and assigns. The First Assignee waives any and all defences which may be available to contest,

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negate or disaffirm the action of the Assignor taken under such power of attorney. The Parties agree and acknowledge that this power of attorney shall be terminated and of no effect from and after the date that the Second Assignee has provided to the Assignor any shares that may be required in any contract between the Second Assignee and the Assignor.

7.5 Notwithstanding any provision of Article 39 of the Contract, the Second Assignee hereby irrevocably appoints the Assignor (or any other person which at any time during the term of the Contract may be nominated by the Assignor) as its true and lawful attorney with full power to act alone and with full power of substitution for the purpose of executing in its name, and so far as is permitted by law, any instrument of assignment and/or novation whereby all rights and obligations of the First Assignee in relation to the First Assigned Interest, whether under the Contract or any joint operating agreement, are transferred

(a) from the First Assignee to the Assignor; and/or

(b) from the First Assignee to a third party.

7.4 The Second Assignee confirms that the power of attorney granted is irrevocable and will survive its insolvency, dissolution, winding-up or bankruptcy and extend to bind its trustees, administrators, successors and assigns. The Second Assignee waives any and all defences which may be available to contest, negate or disaffirm the action of the Assignor taken under such power of attorney. The Parties agree and acknowledge that this power of attorney shall be terminated and of no effect from and after the date that the First Assignee has paid to the Assignor any capacity building payment that may be required in any contract between the First Assignee and the Assignor.

8. COUNTERPARTS

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


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

For and on behalf of the First Assignee:

NIKORESOURCES (KURDISTAN) LTD.

Signature 

For and on behalf of Groundstar:

GROUNDSTAR RESOURCES KURDISTAN LTD.

Signature 

For and on behalf of the Second Assignee:

VAST EXPLORATION (KURDISTAN) INC.

Signature 

For and on behalf of the Assignor:

THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ

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

Signature 

Ashti Hawrami

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Annex A

1. The First Assigned Interest share of Petroleum Costs from the Effective Date of 14 May 2008 until 30 June 2009, is an amount equal to three million, six hundred and fifty-eight thousand, three hundred and thirty-two Dollars (US \$3,658,332), of which ten per cent (10%), namely three hundred and sixty-five thousand, eight hundred and thirty-three Dollars (\$365,833) is for the account of Groundstar.

2. The bank account details of Groundstar to which payment in the amount of three hundred and sixty-five thousand, eight hundred and thirty-three Dollars (\$365,833) by the First Assignee is to be made are as follows:

Bank: *Barclay's Wealth*

Bank Account name: *Groundstar Resources Kurdistan Ltd.*

IBAN Number: *CY64 1080 0001 0020 2480 7664 3355*

Sort Code: *7664 3355*

SWIFT: *BARCCYNN*

3. The Second Assigned Interest share of Petroleum Costs from the Effective Date of 14 May 2008 until 30 June 2009, is an amount equal to three million, six hundred and fifty-eight thousand, three hundred and thirty-two Dollars (US \$3,658,332), of which ten per cent (10%), namely three hundred and sixty-five thousand, eight hundred and thirty-three Dollars (\$365,833) is for the account of Groundstar.

4. The bank account details of Groundstar to which payment in the amount of three hundred and sixty-five thousand, eight hundred and thirty-three Dollars (\$365,833) by the Second Assignee is to be made are as follows:

Bank: *Barclay's Wealth*

Bank Account name: *Groundstar Resources Kurdistan Ltd.*

IBAN Number: *CY64 1080 0001 0020 2480 7664 3355*

Sort Code: *7664 3355*

SWIFT: *BARCCYNN*

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