

**TPI ASSIGNMENT, NOVATION, AND SECOND AMENDMENT  
AGREEMENT**

relating to

the assignment of the Third Party Interest under and amendments to the Production Sharing Contract  
relating to the Sarta Block

between

**THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ**

and

**RELIANCE EXPLORATION & PRODUCTION DMCC**

and

**OMV SARTA GmbH**

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## **TPI ASSIGNMENT, NOVATION, AND SECOND AMENDMENT AGREEMENT**

This agreement (the "**Agreement**") is entered into as of 1 August 2010 (the "**Agreement Date**") between:

- (1) **THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ** (the "**Government**");
- (2) **RELIANCE EXPLORATION & PRODUCTION DMCC**, a limited liability company established and existing under the laws of the United Arab Emirates, whose registered office is at 1-4, 1st Floor, Al Falasi Residence, Center Point Apartment Building, P.O. Box 125307, Dubai, United Arab Emirates ("**Reliance**"); and
- (3) **OMV SARTA GmbH**, a limited liability company established and existing under the laws of Austria, whose registered office is at Trabrennstrasse 6-8, 1020 Vienna, Austria ("**OMV**")

(each a "**Party**" and collectively, the "**Parties**").

### **RECITALS**

- (A) The Government and Reliance are parties to a Production Sharing Contract dated 22 December 2006, as amended and restated on 6 November 2007, in respect of the Sarta Block in the Kurdistan Region of Iraq (the "**Contract**") and a First Amendment Agreement dated 1 August 2010.
- (B) The Parties wish to procure a 20% participating interest in the Contract for OMV, and OMV wishes to acquire a 20% participating interest in the Contract.
- (C) The Government has determined that OMV should participate as a Third Party Participant pursuant to the Government's exercise of the Option of Third Party Participation (as such term is defined in the Contract). Reliance and the Government are each satisfied that OMV has the financial and technical capability to perform its obligations under the Contract in respect of the Assigned TPI and have completed all investigations of OMV required under the Contract.
- (D) In reliance upon the First Amendment Agreement, the Government wishes to exercise the Option of Third Party Participation in favor of OMV and to cause Reliance wish to make the assignment and novation in respect of such nomination (the "**Assigned TPI**"), and OMV wishes to accept the nomination and assignment of a 20% participating interest in the Contract. After the nomination and assignment, Reliance will have an 80% participating interest and OMV a 20% participating interest, subject to the Government's right to exercise the Government Interest.

- (E) The Government wishes to further amend the Contract to confirm OMV as a Contractor Entity with a 20% participating interest (subject to the Government's rights to exercise the Government Interest) and to obligate OMV and future holders of all or part of the Assigned TPI to pay Capacity Building Payments (as defined in the Contract as amended by this Agreement) to the Government. OMV is willing to agree to charge the Assigned TPI with the Capacity Building Payment obligations and the Parties are willing to agree to the appropriate amendments to the Contract. Neither Reliance nor any future holders of all or a part of Reliance's participating interest as of the Effective Date will have any obligation to make Capacity Building Payments, unless Reliance or such other Person should become a holder of the Assigned TPI.
- (F) The Government will deposit all Capacity Building Payments into a segregated account for use solely to support and finance infrastructure and capacity building projects in the Kurdistan Region.

## **1. DEFINITIONS AND INTERPRETATION**

**1.1** Unless otherwise defined herein (including the recitals), capitalised terms have the meanings ascribed to them in the Contract (before amendment by this Agreement). As used in this Agreement:

"**Agreement**" is defined in the preamble.

"**Agreement Date**" is defined in the preamble.

"**Assigned TPI**" is defined in Recital (D).

"**Business Day**" is defined in Clause 4.3.2.

"**Contract**" is defined in Recital (A).

"**Completion Date**" is defined in Clause 8.3.

"**Cost Determination Date**" is defined in Clause 4.3.1.

"**Excluded Payments**" is defined in Clause 4.6.

"**First Tranche Assignment Amount**" is defined in Clause 4.3.

"**Government**" is defined in the preamble.

"**Joint Operating Agreement**" is defined in Clause 6.1.

"**OMV**" is defined in the preamble.

"**Reliance**" is defined in the preamble.

"**Second Tranche Assignment Amount**" is defined in Clause 4.4.

"**Third Party**" is defined in Clause 7.2.

**1.2** Descriptive headings in this Agreement are for convenience only, do not constitute a part of this Agreement, and do not affect the construction or interpretation of this Agreement. A reference to a "Clause" is a reference to a clause of this Agreement. A

reference to a “participating interest” means an undivided interest in the Contract and in the Petroleum Operations in respect of the entire Contract Area.

- 1.3 Nothing in this Agreement shall be construed to impair the entitlement of the Government to exercise the Option of Government Participation in accordance with Article 4.1 of the Contract.

## **2. NOMINATION, ASSIGNMENT, AND NOVATION**

- 2.1 Reliance and OMV acknowledge that the Government has nominated OMV to Reliance in respect of the Option of Third Party Participation in the amount of 20% and that OMV has accepted such nomination. The Government and Reliance each further acknowledges, to each other and to OMV, that it is satisfied with the results of its investigation carried out into OMV in accordance with Article 4.9 of the Contract and that the requirements of Article 4.9 are either satisfied or waived.
- 2.2 In accordance with the Government’s nomination of OMV as Third Party Participant, with effect on and from the Completion Date, Reliance hereby assigns and transfers all its rights, duties, obligations and liabilities arising in connection with the Assigned TPI to OMV, and OMV accepts such rights, duties, obligations, and liabilities in respect of the Assigned TPI. This agreement shall be deemed to be the binding and enforceable instrument of assignment and novation required to be executed by the Parties pursuant to Article 4.12(b) (before amendment by this Agreement).
- 2.3 As a consequence of the nomination of OMV as the Third Party Participant and the assignment of the Assigned TPI to OMV:
- (a) OMV is a Contractor Entity as of the Effective Date with a 20% participating interest in the Petroleum Operations in respect of the entire Contract Area and all the other rights, duties, obligations and liabilities of a Contractor Entity under the Contract as amended by this Agreement;
  - (b) any and all rights of the Government to assign a Third Party Interest under Article 4 are fully exercised and extinguished; and
  - (c) OMV is the Third Party Participant.
- 2.4 OMV shall perform all of its obligations under the Contract, as amended by this Agreement, in respect of the Assigned TPI as a Contractor Entity with a 20% participating interest, whether such obligations arose or arise on, before, or after the Completion Date, as if OMV had been a Contractor Entity with a 20% participating interest on and from the Effective Date.
- 2.5 OMV will not be liable for payment of all or any part of the Excluded Payments, whether the Excluded Payments have been paid prior to, are paid as at, or are paid by Reliance following the Completion Date.
- 2.6 Reliance shall indemnify, defend and hold harmless OMV from and against (i) all costs, claims, liabilities, expenses and obligations arising out of or in relation to past

costs incurred under the Contract for any period before the Completion Date whether such claim, liability, expense or obligation is brought before or after the Completion Date (provided that such indemnification shall be limited to the cumulated amount of the First Tranche Assignment Amount and Second Tranche Assignment Amount payments made by OMV to Reliance), or (ii) any breach by Reliance of its obligations arising out of or in relation to this Agreement (provided further that such indemnification shall be limited to either the actual loss, cost, claim, or liability incurred or three (3) times the cumulated amount of the First Tranche Assignment Amount and Second Tranche Assignment Amount payments made by OMV to Reliance, whichever is lesser). The indemnities provided by Reliance in (i) and (ii) above shall not include consequential losses, diminution in value, indirect loss or loss of profit or revenue, punitive damages, or penalties.

- 2.7 The Contract shall continue in full force and effect and its terms will have only changed to the extent amended by this Agreement.

### 3. AMENDMENTS TO CONTRACT

- 3.1 As of the Completion Date, the Contract is amended as provided in this Clause 3.

- 3.2 The preamble is deleted and restated in its entirety:

“BETWEEN

**THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ** (the “**GOVERNMENT**”);

AND

**RELIANCE EXPLORATION & PRODUCTION DMCC**, a limited liability company established and existing under the laws of the United Arab Emirates, whose registered office is at 1-4, 1st Floor, Al Falasi Residence, Center Point Apartment Building, P.O. Box 125307, Dubai, United Arab Emirates (“**Reliance**”);

AND

**OMV SARTA GmbH**, a limited liability company established and existing under the laws of Austria, whose registered office is at Trabrennstrasse 6-8, 1020 Vienna, Austria (“**OMV**”).”

- 3.3 The recitals are amended:

- (a) by deleting the existing paragraph (C) and by adding a new paragraph (C):

“(C) The **GOVERNMENT** concluded a production sharing contract dated 22 December 2006 with Reliance. The original contract was amended, restated, and superseded in its entirety by this Contract.”;

- (b) by deleting the existing paragraphs (D), and (E), and adding a new paragraph (D):

“(D) This Contract was amended pursuant to First Amendment Agreement between the Government and Reliance dated 1 August

2010 and by the TPI Assignment, Novation, and Second Amendment Agreement between the Parties dated 1 August 2010.”;

- (c) by renumbering paragraph (F): “(E)”; and
- (d) by renumbering paragraph (G): “(F)”.

**3.4** In Article 1.1, the definitions of “**CONTRACTOR**” and “**CONTRACTOR Entity**” are deleted in their entirety and restated as follows:

“**CONTRACTOR** means, individually and jointly, each Contractor Entity, and where the context so requires, includes the Operator.

**CONTRACTOR Entity** means each of OMV and Reliance and their respective permitted assignees pursuant to Article 39. At such time as the Government may exercise the Option of Government Participation, a holder of the Government Interest is a **CONTRACTOR Entity**. At any time when there is only one entity constituting the **CONTRACTOR**, any reference to “the entities constituting the **CONTRACTOR**” or the “**CONTRACTOR Entities**” or similar reference, shall be deemed to mean “the entity constituting the **CONTRACTOR**.” OMV and Reliance, as **CONTRACTOR Entities**, each own (subject to the Option of Government Participation as provided in Article 4) an undivided participating interest in the Contract and the Petroleum Operations in respect of the entire Contract Area:

OMV	20%
Reliance	80%”.

**3.5** New definitions are added in Article 1.1 of the Contract in the appropriate alphabetical order, as follows:

“**Annual Reconciliation Statement** is defined in Article 32.8.2(c).

**Capacity Building Account** means a segregated bank account with a reputable international bank in the name of, and maintained by, the **GOVERNMENT**, the sole purpose of which is to support and finance certain infrastructure and capacity building projects to be identified by the **GOVERNMENT** in its sole discretion in the Kurdistan Region.

**Capacity Building Bonus** is defined in Article 32.2.

**Capacity Building Payment – First Tranche** means, in respect of the OMV Interest only, six million Dollars (US\$6,000,000).

**Capacity Building Payments** means in respect of each Charged Interest Holder, the Capacity Building Payment – First Tranche and the Capacity Building Payment – Second Tranche Instalments.

**Capacity Building Payments – Second Tranche Instalments** means the obligation of each Charged Interest Holder to pay an amount equal to the Capacity Building Value attributed to such Charged Interest Holder pursuant to Article 32.8.

**Capacity Building Value** means, in respect of any period of determination: for each Charged Interest Holder, an amount in Dollars equal to the value, established in accordance with Article 27, of forty-five per cent (45%) of the Charged Interest Holder's Profit Petroleum.

**Charged Interest** means all or any part of the participating interest hereunder deemed held by OMV as of the Effective Date.

**Charged Interest Holder** means a **CONTRACTOR** Entity to the extent it is the holder of a Charged Interest. As of the Effective Date, OMV is the only Charged Interest Holder.

**Charged Interest Holders Monthly Statement** is defined in Article 32.8.2(a).

**Estimated Total Capacity Building Value** is defined in Article 32.8.14(e).

**Second Amendment Agreement** means the TPI Assignment, Novation, and Second Amendment Agreement between the Government, OMV, and Reliance dated 1 August 2010.

**Loss or Expense** is defined in Article 32.8.8(c).

**OMV Interest** means all or any part of the twenty per cent (20%) participating interest hereunder deemed held by OMV as of the Effective Date.

**Rights Sale** is defined in Article 32.8.14(a).

**Signature Bonus** is defined in Article 32.1."

**3.6** Article 4.13 is deleted in its entirety and restated:

"If the **GOVERNMENT** exercises the Option of Government Participation, the Government Interest shall be assigned under this Article 4 to the Public Company by the **CONTRACTOR** Entities pro rata to their respective participating interests under this Contract."

**3.7** Article 4.14 is amended:

(a) a new clause (a) is added:

"The **CONTRACTOR** Entities shall, within a reasonable period of time, negotiate in good faith and enter into a Joint Operating Agreement and shall, during the period until the **CONTRACTOR** Entities enter into a Joint Operating Agreement, comply with this Article 4.14 as if it is a provision of this Contract;" and

(b) existing clauses (a) and (b) are re-lettered "(b)" and "(c)", respectively.

**3.8** In Article 16.14, after the words in the first sentence "The **GOVERNMENT** and" the following is inserted: ", subject to Articles 32.8.6(a) and (b)."

**3.9** In Article 26.9 the following sentence is added to the end of the Article:

"Notwithstanding the other provisions of this Article 26.9, where the **GOVERNMENT** determines, as provided in Article 32.8.6, that a Charged Interest Holder is in breach of any of its obligations in respect of the payment of Capacity



Building Payments – Second Tranche Instalments under Article 32.8, the **GOVERNMENT** will have the rights set forth in Articles 32.8.6 through 32.8.8.”

**3.10** Articles 27.1 and 27.2 and Paragraphs 7, 8, and 9 are amended by adding, after the word “Quarter” in each instance in each Article and Paragraph, the words “and Month”; and in Paragraph 7.2, the words “twenty-one (21)” are deleted and replaced by “ten (10)”.

**3.11** Article 27.4 is deleted and restated in its entirety:

“By the tenth (10<sup>th</sup>) day of each Month, the **CONTRACTOR** shall use reasonable endeavours to provide a statement to the **GOVERNMENT** showing the **CONTRACTOR**’s calculations of the value of Petroleum produced and sold from the Contract Area for the previous Month. Such statement shall include the following information:

- (a) quantities of Crude Oil sold by the **CONTRACTOR** Entities during the preceding Month constituting Arm’s Length Sales together with corresponding sale prices;
- (b) quantities of Crude Oil sold by the **CONTRACTOR** Entities during the preceding Month that do not fall in the category referred to in paragraph (a) above, together with sale prices applied during such Month;
- (c) inventory in storage belonging to the **CONTRACTOR** Entities at the beginning and at the end of the Month; and
- (d) quantities of Natural Gas sold by the **CONTRACTOR** Entities and the **GOVERNMENT** together with sale prices realised.

Concurrently with the delivery of the monthly statement, the **CONTRACTOR** shall deliver the Charged Interest Holders Monthly Statement to the **GOVERNMENT** as provided in Article 32.8.2(a).”

**3.12** In Article 29.1, after the words “shall be in Dollars and shall”, the following words are added:

“except as provided in the next sentence and Articles 32.8.10 through 32.8.12,”;

and the following sentence is added at the end of Article 29.1:

“The right of offset provided in this Article 29.1 will not apply in respect of the obligation of a Charged Interest Holder to make its Capacity Building Payments - Second Tranche Instalments as further provided in Articles 32.8.10 through 32.8.12.”

**3.13** In Article 32.1, the words “the **CONTRACTOR**” are deleted and replaced with “Reliance” and the following new sentence is added at the end:

“Neither OMV nor any permitted assignee of OMV is, or will be, liable to the **GOVERNMENT** for payment of all or any portion of the Signature Bonus.”

**3.14** In Article 32.2, the words “the **CONTRACTOR**” are deleted and replaced with “Reliance” and the following new sentence is added at the end:

“Neither OMV nor any permitted assignee of OMV is or will be liable to the **GOVERNMENT** for payment of all or any portion of the Capacity Building Bonus.”

**3.15** A new Article 32.8 is added:

**“Capacity Building Payments**

32.8 Each Charged Interest Holder is bound by the provisions of this Article 32.8. The obligations of a **CONTRACTOR** Entity, to the extent it is a Charged Interest Holder, as set forth in this Article 32.8, attach to, and may not be severed from, its Charged Interest. Only OMV (for so long as OMV is a Charged Interest Holder) will have any rights under Article 32.8.14.

32.8.1 Each Charged Interest Holder shall pay to the **GOVERNMENT**:

- (1) the Capacity Building Payment – First Tranche on demand; and
- (2) from First Production and for the duration of the remainder of the Development Period, the Capacity Building Payments – Second Tranche Instalments attributed to such Charged Interest Holder in accordance with this Article 32.8.

32.8.2 In respect of the Capacity Building Payment – Second Tranche Instalments:

- (a) On or before the tenth (10<sup>th</sup>) day of each Month in the Development Period, the **CONTRACTOR** shall use reasonable endeavours to provide to the **GOVERNMENT**, together with the monthly production statement prepared by the **CONTRACTOR** in accordance with Article 27.4 and the monthly valuation statement in accordance with Article 25.2(a) and Paragraph 7.1, a statement (the “**Charged Interest Holders Monthly Statement**”) setting out the **CONTRACTOR**’s calculation of the Capacity Building Value attributable to each Charged Interest Holder for the preceding Month. In each Charged Interest Holders Monthly Statement the **CONTRACTOR** shall detail each item taken into account in making its calculation of the amounts due from each Charged Interest Holder, the quantities of Profit Petroleum produced during the Month covered by such Charged Interest Holders Monthly Statement, the volumes of such production and Profit Petroleum sold, the Capacity Building Value attributed to such sales, and the Capacity Building Payments – Second Tranche Instalment required to be paid with respect thereto by each Charged Interest Holder.
- (b) On the same date on which the **CONTRACTOR** provides the Charged Interest Holders Monthly Statement to the

**GOVERNMENT** in accordance with Article 32.8.2(a), each Charged Interest Holder shall pay (except as provided in this Article 32.8.2(b)) its Capacity Building Payments – Second Tranche Instalments as shown as owed by such Charged Interest Holder in the Charged Interest Holders Monthly Statement. If:

- (1) a Charged Interest Holder has sold any amount of its Profit Petroleum to (i) the **GOVERNMENT** or a Public Company (or a company or an entity owned and controlled, directly or indirectly, by a Public Company or the **GOVERNMENT**), (ii) the State Oil Marketing Organisation (“**SOMO**”) or any entity owned and controlled by the Government of Iraq, or (iii) any other entity as directed by the entities detailed in (i) and (ii) above; and if
- (2) any such counterparty as identified in Article 32.8.2(b)(1) has not paid the Charged Interest Holder for the Profit Petroleum lifted by such entity, then:
- (3) the Charged Interest Holder will only be liable to pay its Capacity Building Payments - Second Tranche Instalments when and to the extent such Charged Interest Holder has received payment by such counterparty.

The preceding sentence does not apply with respect to, and to the extent of, sales of Charged Interest Holder’s Profit Petroleum to any other counterparties.

- (c) Within thirty (30) calendar days following the date on which the **CONTRACTOR** delivered the Final End-of-Year Statement to the **GOVERNMENT** for each Calendar Year in accordance with Article 26.13 and Paragraph 10, and based on the information in such Final End-of-Year Statement, the **CONTRACTOR** shall use reasonable endeavours to provide to the **GOVERNMENT**, in respect of each Charged Interest Holder, a written reconciliation of the aggregate amount of the Capacity Building Value and the aggregate payments of Capacity Building Payments – Second Tranche Instalments during such Calendar Year period (the “**Annual Reconciliation Statement**”).
- (d) If the results of an Annual Reconciliation Statement show that any Charged Interest Holder has, in the aggregate over the Calendar Year period covered by the Annual Reconciliation Statement, made Capacity Building Payments – Second Tranche Instalments in an amount less than the aggregate Capacity Building Value attributed to such Charged Interest Holder

during such Calendar Year period, such Charged Interest Holder shall pay (subject to the same exception as provided in the second and third sentences of Article 32.8.2(b)) the amount of the underpayment as shown in the Annual Reconciliation Statement within thirty (30) calendar days following the date the **CONTRACTOR** delivered the Annual Reconciliation Statement to the **GOVERNMENT**.

- (e) If the results of an Annual Reconciliation Statement show that a Charged Interest Holder has, in the aggregate over the Calendar Year period covered by the Annual Reconciliation Statement, made Capacity Building Payments – Second Tranche Instalments in excess of the Capacity Building Value attributed to it during such Calendar Year period, and if and to the extent the **GOVERNMENT** has agreed with the relevant Charged Interest Holder in respect of the amount of such overpayment, such Charged Interest Holder may deduct such overpayment to the extent that the **GOVERNMENT** has agreed with the amount of such overpayment from the next following payments of Capacity Building Payments – Second Tranche Instalments. In no event will a Charged Interest Holder be entitled to deduct more than fifteen per cent (15%) of the amount otherwise payable from the next following payments of Capacity Building Payments – Second Tranche Instalments. The right of set-off against Capacity Building Payments – Second Tranche Instalments will be a Charged Interest Holder's only remedy in respect of any overpayment, and the **GOVERNMENT** will have no obligation to make any reimbursement or other compensating payments to the Charged Interest Holder.
- (f) If a Charged Interest Holder fails to pay all or part of its Capacity Building Payments - Second Tranche Instalments when due in accordance with Article 32.8, the Charged Interest Holder shall pay interest on the unpaid amount at an annual rate of LIBOR plus two per cent (2%) compounded monthly from and including the date the payment was due to, but not including, the date paid.
- (g) If any Capacity Building Payments – Second Tranche Instalments are due to be paid to the **GOVERNMENT** on a day that is either not a banking day in either the place where the Capacity Building Account is maintained, or the location of the financial institution through which a Charged Interest Holder will make such payment, then the Capacity Building Payments – Second Tranche Instalments will be due on the next following banking day. A "banking day" is a day (other than a Saturday,

Sunday, or public holiday) on which banks are open for general business in the specified locations.

#### **Capacity Building Account**

32.8.3 The **GOVERNMENT** shall:

- (a) establish and maintain the Capacity Building Account;
- (b) deposit all Capacity Building Payments (and the proceeds from any Rights Sale or any financing secured by Capacity Building Payments) received by the **GOVERNMENT** into the Capacity Building Account; and
- (c) annually provide a written report to each Charged Interest Holder of the application of the proceeds of the Capacity Building Payments (including the application of proceeds from Rights Sales) in sufficient detail to permit the Charged Interest Holders to identify the projects to which the **GOVERNMENT** has applied the Capacity Building Payments.

32.8.4 Information provided by the **GOVERNMENT** to Charged Interest Holders pursuant to Article 32.8.3(c) shall be deemed to be in the public domain for purposes of Article 36.7(a).

#### **Separate Liability**

32.8.5 Each Charged Interest Holder is separately liable (and not jointly and severally liable with any other Charged Interest Holder) to the **GOVERNMENT** for its obligations, duties and liabilities under this Article 32.8. A **CONTRACTOR** Entity that is not a Charged Interest Holder will have no liability to the **GOVERNMENT** for any claim by the **GOVERNMENT** arising out of or related to the breach of any Charged Interest Holder's obligations under this Article 32.8.

#### **Breach; Indemnity**

32.8.6 (a) If a Charged Interest Holder fails to pay its Capacity Building Payments – Second Tranche Instalments in full when due pursuant to Article 32.8, the **GOVERNMENT** will, notwithstanding any other provision of this Contract, any lifting agreement, any sales or marketing agreement, or any other agreement, automatically be entitled, on not less than sixty (60) days prior notice to the defaulting Charged Interest Holder and the **CONTRACTOR** in the case of the first default, and not less than thirty (30) days in the case of any subsequent default, to:

- (1) lift, at the Delivery Point or at such other point as the **GOVERNMENT** may decide, up to forty-five per cent

- (45%) of the defaulting Charged Interest Holder's Profit Petroleum; and
- (2) continue so to lift up to forty-five per cent (45%) of the defaulting Charged Interest Holder's Profit Petroleum for the remainder of the Development Period.
- (b) A defaulting Charged Interest Holder will have a single cure period of thirty (30) days only in respect of its first default. If the defaulting Charged Interest Holder pays the defaulted Capacity Building Payments - Second Tranche Instalments in full plus interest in accordance with Article 32.8.2(f) in such thirty (30) - day period, the **GOVERNMENT** shall not exercise its lifting rights under this Article 32.8.6 in respect of such defaulting Charged Interest Holder. In the case of any subsequent default, the **GOVERNMENT** may exercise its right to lift the defaulting Charged Interest Holder's Profit Petroleum whether or not the defaulting Charged Interest Holder cures its default within the thirty (30) - day notice period.
- 32.8.7 The lifting rights of the **GOVERNMENT** pursuant to Article 32.8.6 are exercisable by way of set-off, without first resort to legal process, and without any liability or claims of the defaulting Charged Interest Holder, the **CONTRACTOR**, the Operator, or any other Person, and regardless of any provisions of any lifting agreement or provision of a joint operating agreement or any other agreement to which the **CONTRACTOR** or a defaulting Charged Interest Holder is a party. The **CONTRACTOR** shall ensure that all agreements in respect of the lifting or sale of Petroleum reflect the **GOVERNMENT's** priority rights as set forth in Article 32.8.6 and this Article 32.8.7.
- 32.8.8 (a) A defaulting Charged Interest Holder shall indemnify the **GOVERNMENT** from any Loss or Expense (as defined in Article 32.8.8(c), below) that may in any way arise from the exercise by the **GOVERNMENT** of its rights in respect of such defaulting Charged Interest Holder under Articles 32.8.6 and 32.8.7.
- (b) The **GOVERNMENT** will retain control over the defence of, and any resolution or settlement relating to, such Loss or Expense incurred pursuant to Article 32.8.8(a). A defaulting Charged Interest Holder shall cooperate with the **GOVERNMENT** and provide reasonable assistance in defending any claims against the **GOVERNMENT** arising out of such default of Article 32.8 by the defaulting Charged Interest Holder.
- (c) "**Loss or Expense**" means any liability, loss, claim, settlement payment, cost and expense, interest, award, judgment, damages,

fees or other charge and, to the extent permitted by applicable law, any court filing fee, court cost, arbitration fee or cost, witness fee, and each other fee and cost of investigating and defending or asserting a claim for indemnification, including reasonable attorneys' fees, other professionals' fees, and disbursements; but does not include consequential losses, diminution in value, indirect loss or loss of profit or revenue, punitive damages, or penalties in respect of any (i) projects being financed or constructed by the Government with Capacity Building Payments or financed or constructed by the **GOVERNMENT** with proceeds derived from the exercise of the **GOVERNMENT's** right of lifting under Article 32.8.6 or (ii) financings of the Government dependent on cash flows from Capacity Building Payments or dependent on cash flows from the exercise of the **GOVERNMENT's** right of lifting.

- (d) A claim set forth in a notice from the **GOVERNMENT** to a defaulting Charged Interest Holder will be conclusively deemed a Loss or Expense if the Charged Interest Holder fails to dispute the **GOVERNMENT's** liability by the end of a thirty (30) - day period following receipt of the notice from the **GOVERNMENT**. The Charged Interest Holder shall promptly pay the deemed Loss or Expense on demand.
- (e) OMV shall indemnify and hold harmless each **CONTRACTOR** Entity which is not a Charged Interest Holder from any and all Claims raised by the **GOVERNMENT** and directly arising out of a breach by OMV of its Capacity Building Payment obligations under this Article 32.8, provided that such indemnity shall not include consequential losses, diminution in value, indirect loss or loss of profit or revenue, punitive damages, or penalties.

32.8.9 The **GOVERNMENT's** rights under Articles 32.8.6 through 32.8.8 are not exclusive and are without prejudice to the **GOVERNMENT's** termination rights under Article 45.

**Payments; No Set-off or Deduction**

32.8.10 Except as provided in Article 32.8.2(e) and notwithstanding any provision in this Contract to the contrary, each Charged Interest Holder shall pay its Capacity Building Payments - Second Tranche Instalments without (and free and clear of any deduction for) set-off or counterclaim.

32.8.11 Each Charged Interest Holder acknowledges and accepts that a fundamental principle of this Article 32.8 is that such Charged Interest Holder must pay the Capacity Building Payments due and

payable pursuant to this Article 32.8. Accordingly, in respect of its obligations under this Article 32.8 only and except as provided in Article 32.8.2(e), each Charged Interest Holder hereby waives any right to raise by way of set off or invoke as a defence to its obligations to pay its Capacity Building Payments - Second Tranche Instalments pursuant to this Article 32.8, whether in law or equity, any failure by the **GOVERNMENT** or any **CONTRACTOR** Entity to pay amounts due and owing under the Contract or any alleged claim that such Charged Interest Holder may have against the **GOVERNMENT**, Operator, other **CONTRACTOR** Entity, or any other Person, whether such claim arises under or relates to this Contract or otherwise.

- 32.8.12 Each Charged Interest Holder shall make its Capacity Building Payments - Second Tranche Instalments to the Government by wire transfer of immediately available funds in Dollars in accordance with wire instructions provided by the **GOVERNMENT**. The making of any payments by a Charged Interest Holder under this Article 32.8, or the acceptance or use of any payments by the **GOVERNMENT**, does not impair the rights of such Charged Interest Holder or the **GOVERNMENT** under Article 15. Any dispute between the **GOVERNMENT** and a Charged Interest Holder in respect of the calculation of each of its Capacity Building Value or its Capacity Building Payment - Second Tranche Instalment due with respect thereto is subject to Article 15.9.

#### **Assignment, Reversion**

- 32.8.13 (a) If a Charged Interest Holder assigns all or any part of its Charged Interest, the assignee will be a Charged Interest Holder to the extent of such assignment and novation.
- (b) If (i) a Charged Interest Holder withdraws as a **CONTRACTOR** Entity, or (ii) the **GOVERNMENT** terminates a Charged Interest Holder as a **CONTRACTOR** Entity; and if in the cases of clauses (i) or (ii) all or part of the Charged Interest of the Charged Interest Holder is either assigned and novated or reverts to the remaining **CONTRACTOR** Entities as provided in Article 45, then, in either such case, such assignee or each remaining **CONTRACTOR** Entity, as the case may be, will be a Charged Interest Holder to the extent of such assignment and novation or reversion, as applicable, provided that the withdrawing or terminating Charged Interest Holder will be solely liable for any unpaid Capacity Building Payments – Second Tranche Instalments attributable to its Charged Interest prior to the date



of withdrawal or termination and Reliance or any of its assignees will not be liable for any unpaid Capacity Building Payments – Second Tranche Instalments attributable to any Charged Interest prior to the date of such withdrawal or termination of a Charged Interest Holder.

#### **Rights Sale**

32.8.14 The **GOVERNMENT** agrees with OMV that the **GOVERNMENT** will only enter into a Rights Sale in accordance with this Article 32.8.14. Only OMV, and only for so long as it is a Charged Interest Holder, has any rights under this Article 32.8.14. This Article 32.8.14 does not create any rights under the Contracts (Rights of Third Parties) Act 1999 of any other Charged Interest Holder, **CONTRACTOR** Entity, or other Person (whether or not a party to this Contract), and OMV and the **GOVERNMENT** may agree to any waiver in respect of this Article 32.8.14 without the consent of, or notice to, any other Charged Interest Holder, **CONTRACTOR** Entity, or other Person.

- (a) For purposes of this Article 32.8.14, “**Rights Sale**” means a sale and assignment of the **GOVERNMENT**’s rights to receive the Capacity Building Payments – Second Tranche Instalments in respect of the OMV Interest from OMV, whether such sale includes any Capacity Building Payments – Second Tranche Instalments due from another Charged Interest Holder, and whether for a lump sum payment or in instalment payments, where the purchaser assumes all payment risk and all risk as to the amount of Capacity Building Payments – Second Tranche Instalments, without regard to any guarantees provided by the **GOVERNMENT** or other credit enhancements.
- (b) When the **GOVERNMENT** and a proposed purchaser have negotiated the final terms of a Rights Sale, the **GOVERNMENT** shall (i) notify OMV, for so long as it is a Charged Interest Holder, of the **GOVERNMENT**’s intention to effect a Rights Sale, and (ii) provide OMV with a copy of all, agreed, final drafts of documents that set forth the terms of the proposed Rights Sale. Subject to the next sentence, the **GOVERNMENT** will consider any objection that OMV may provide to the **GOVERNMENT** in respect of the proposed purchasers. The preceding sentence is a matter of courtesy to OMV and not an agreement, duty, estoppel, or other obligation of the **GOVERNMENT** and creates no liability for breach or obligation to respond.

- (c) Subject to the provisions of Article 32.8.14, and for so long as it is a Charged Interest Holder, OMV has the right to become the exclusive counter-party to the proposed Rights Sale on exactly the same terms as the proposed Rights Sale, if, within thirty (30) days of receipt of the **GOVERNMENT**'s notice and draft documents pursuant to Article 32.8.14(b), OMV notifies the **GOVERNMENT** that OMV (i) accepts all of the terms of the proposed Rights Sale without any reservations or conditions, (ii) is exercising its rights under this Article 32.8.14, and (iii) represents it will (A) close the proposed Rights Sale within thirty (30) days of such notice and (B) fund the Rights Sale in accordance with the terms set forth in the draft, agreed, final documents provided to OMV by the **GOVERNMENT** pursuant to Article 32.8.14(b). OMV may only exercise this right with respect to the entire proposed Rights Sale, and not solely with respect to any portion that involves Capacity Building Payments – Second Tranche Instalments in respect of the OMV Interest payable by OMV.
- (d) If OMV does not close the acquisition within thirty (30) days of a notice as contemplated by Article 32.8.14(c), the **GOVERNMENT** may close the Rights Sale with the proposed purchaser under terms and conditions no more favourable to the proposed purchaser than those set forth in the **GOVERNMENT**'s notice and documents provided to OMV pursuant to Article 32.8.14(b). If the proposed purchaser is no longer willing to enter into the proposed Rights Sale, or is no longer willing to do so on the same terms and conditions, the **GOVERNMENT** will have all rights and remedies against OMV as are available under law.
- (e) The **GOVERNMENT** shall not enter into more than three (3) Rights Sales (a Rights Sale to a **CONTRACTOR** Entity will not count against such limitation), and no Rights Sale may be in an amount of less than one-third (1/3) of the then Estimated Total Capacity Building Value at the time of the **GOVERNMENT**'s notice pursuant to Clause 32.8.14(b). Nothing in this Article 32.8.14 prevents the **GOVERNMENT** from directly offering a Rights Sale to OMV. For purposes of this Clause 32.8.14(e), "**Estimated Total Capacity Building Value**" means the **GOVERNMENT**'s reasonable estimate of the present value of the expected stream of Capacity Building Payments – Second Tranche Values, based on the expected production profile, and Petroleum Costs, and using a discount factor (for purposes of comparison only) of ten per cent (10%).

- (f) No part of this Article 32.8.14 will apply to (or otherwise bar or impair) a Rights Sale to a part of the **GOVERNMENT**, a Public Company, or a part of the Federal Government of the Republic of Iraq (including the Central Bank of Iraq), in each case with respect to which the **GOVERNMENT** is unrestricted by this Article 32.8.14.
- (g) Nothing contained in this Article 32.8.14 will apply to (or otherwise bar or impair) the **GOVERNMENT** from transferring or encumbering all or any rights to receive the Capacity Building Payments – Second Tranche Instalments to a reputable international financial institution or special purpose vehicle organised solely for the purpose of security relating to finance organised by a reputable international financial institution. The **GOVERNMENT** shall pay the proceeds of any such financing arrangement into the Capacity Building Account.
- (h) Each Charged Interest Holder shall fully cooperate with the **GOVERNMENT** according to the terms of any Rights Sale or financing arrangement involving Capacity Building Payments – Second Tranche Instalments payable by such Charged Interest Holder, including any requirement that Capacity Building Payments – Second Tranche Instalments be paid into a trust or other specially encumbered account with a reputable international financial institution. The **GOVERNMENT** shall provide reports on the use of the proceeds of such financing arrangement to the Charged Interest Holders in accordance with Article 32.8. 3(c).
- (i) The rights of OMV under this Article 32.8.14 will automatically expire and be void on the fifth (5<sup>th</sup>) anniversary of the **CONTRACTOR**'s declaration of a Commercial Discovery in accordance with Article 6.10. Any claims that the **GOVERNMENT** may have against OMV arising out of related to OMV's breach of its obligations under Article 32.8.14(d) will not be impaired by this Article 32.8.14(i).
- (j) (1) The rights granted to OMV under this Article 32.8.14 are exclusive and personal to OMV. OMV shall not assign all or any part of its rights under this Article 32.8.14. Any purported assignment will be void and all rights of OMV or any purported assignee under this Article 32.8.14 will automatically terminate without notice.  
  
(2) If OMV closes a Rights Sale with the **GOVERNMENT**, OMV shall not assign its rights under such Rights Sale

agreement without the prior consent of the **GOVERNMENT** (not to be unreasonably withheld or delayed). Nothing in this Article 32.8.14(j)(2) will limit (or otherwise bar or impair) OMV from transferring or encumbering all or any of its rights to receive the Capacity Building Payments – Second Tranche Instalments pursuant to the Rights Sale to a financial institution or special purpose vehicle organised solely for the purpose of security relating to finance.

- (3) In the event of such assignment of rights under a Rights Sale agreement in breach of Article 32.8.14(j)(2), the **GOVERNMENT** may elect to terminate such Rights Sale, free of any claim or liability of OMV or such assignee.
- (4) OMV shall indemnify the **GOVERNMENT** from any Loss or Expense (as defined in Article 32.8.8(c), above) that may in any way arise from the exercise by the **GOVERNMENT** of its rights under this Article 32.8.14(j). The **GOVERNMENT** will retain control over the defence of, and any resolution or settlement relating to, such Loss or Expense. OMV shall cooperate with the **GOVERNMENT** and provide reasonable assistance in defending any claims against the **GOVERNMENT**. A claim set forth in a notice from the **GOVERNMENT** to OMV shall be conclusively deemed a Loss if OMV fails to dispute the **GOVERNMENT**'s liability by the end of a thirty (30) - day period following receipt of the notice from the **GOVERNMENT**. OMV shall promptly pay the deemed Loss on demand.

**3.16** In Article 39.6, the following is added after "Article 4": "and Article 32.8."

**3.17** In Article 41, the following is added at the end of the Article:

"Notwithstanding the foregoing, this Article 41 will not apply to the **GOVERNMENT** in respect of any claim or proceeding arising out of or related to the exercise of rights by the **GOVERNMENT** as set forth in Articles 32.8.6 through 32.8.9, in respect of which the **GOVERNMENT** expressly reserves all sovereign immunities."

**3.18** In Article 42.1, the following sentence is added at the end of the first sentence:

"This Article 42.1 does not apply to any Dispute arising out of, or relating to, the exercise of rights by the **GOVERNMENT** as set forth in Article 32.8.6, which Disputes shall, except only as provided in Article 32.8.12, be subject to the exclusive jurisdiction of the courts of the Kurdistan Region located in Erbil."

**3.19** In Article 45.6, after "31," is added "32.8".

- 3.20** The following consequential amendments are made:
- (a) in Paragraph 3.1.9 the words “with the exception of Taxes described in Article 31.2) and bonus payments” are deleted and replaced with “with the exception of Taxes (described in Article 31.2), bonus payments, Capacity Building Payments, and any other payments”;
  - (b) in Paragraphs 4.4 and 13.3.2(h), after the word “bonuses” in each instance, “, Capacity Building Payments, or other payments” is added;
  - (c) the heading for Article 32 is deleted and restated:  
“**ARTICLE 32 - BONUSES; CAPACITY BUILDING PAYMENTS**”; and
  - (d) in Article 39.6, the following is added at the end of the sentence following the words “Article 4”:  
“and Article 32.8.”

- 3.21** The following provisions are added to the existing provisions of Article 44.1 under the existing heading “To the **CONTRACTOR**”:

“In case of **OMV**:

OMV Sarta GmbH

**Attention:** Managing Director

**Address:** Trabrennstrasse 6-8, 1020 Vienna, Austria

**Email:** wolfgang.remp@omv.com”

#### **4. OMV PAYMENTS**

- 4.1** OMV shall pay the Government US\$6,000,000 by way of cleared funds on or before the Completion Date. The Government shall deem its receipt of such payment in full as (i) the Capacity Building Payment – First Tranche under the Contract as amended by this Agreement, and (ii) in full discharge of OMV’s obligation with respect thereto.
- 4.2** Subject to Clause 4.3, OMV shall pay Reliance an amount equivalent to 100% of the proportion of the Petroleum Costs incurred by Reliance attributable to the Assigned TPI up to and including the Completion Date. OMV shall pay the amount payable to Reliance in two tranches in accordance with this Clause 4.
- 4.3** In accordance with Clause 4.2, and, subject to Clauses 4.6, 4.7 and 4.8, OMV shall pay US\$2,098,600 to Reliance in accordance with wire instructions provided by Reliance (the “**First Tranche Assignment Amount**”).
- 4.3.1** Reliance and OMV agree that the First Tranche Assignment Amount represents an amount equivalent to 100% of the proportion of the Petroleum Costs incurred by Reliance up to and including 31 August 2009 (the “**Cost Determination Date**”) that is attributable to the Assigned TPI.

- 4.3.2** OMV shall pay the First Tranche Assignment Amount on the later of (i) the Completion Date and (ii) seven Business Days following receipt of wire instructions from Reliance. “**Business Day**” means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general business in London, United Kingdom.
- 4.3.3** Reliance shall forthwith provide its written confirmation of receipt of its portion of the First Tranche Assignment Amount to OMV and the Government.
- 4.4** Subject to Clauses 4.6, 4.7, and 4.8, OMV shall pay to Reliance amounts equivalent to 100% of the proportion of the Petroleum Costs incurred by Reliance after the Cost Determination Date up to and including the Completion Date (collectively, the “**Second Tranche Assignment Amounts**”) that are attributable to the Assigned TPI. Such Second Tranche Assignment Amounts shall be determined by Reliance on the basis of cost recovery statements/other records established and maintained in accordance with the Contract, and Reliance shall notify OMV of such amounts as soon as reasonably practicable after the Completion Date, such amounts being subject to audit and adjustment in accordance with Clause 4.8.
- 4.4.1** OMV shall pay the Second Tranche Assignment Amount to Reliance, in accordance with wire instructions provided by Reliance, within seven Business Days of the receipt by OMV of notification from Reliance of the value of such Second Tranche Assignment Amount as provided in this Clause 4.4 and as audited and adjusted pursuant to Clause 4.8 (if required).
- 4.4.2** Reliance shall forthwith provide its written confirmation of receipt of its portion of the Second Tranche Assignment Amount to OMV.
- 4.4.3** If OMV does not pay the Second Tranche Assignment Amount to Reliance within seven Business Days, then for each day during which the Second Tranche Assignment Amount (or any portion thereof) is overdue, the unpaid amount will accrue interest at LIBOR plus two per cent (2%) compounded monthly.
- 4.5** OMV shall pay its participating interest share of Petroleum Costs that accrue on and from the Completion Date (taking into account the payments made by it pursuant to this Clause 4 and excluding the Excluded Payments), and OMV shall pay its participating interest share of Production Bonuses.
- 4.6** Reliance acknowledges that under the Contract (either before or after amendment by this Agreement), payment of the Capacity Building Bonus or Signature Bonus is not recoverable as a Petroleum Cost, the obligation to pay the Capacity Building Bonus and Signature Bonus is an obligation solely of Reliance in accordance with Articles 32.1 and 32.2 of the Contract, and OMV is not liable under the Contract for payment thereof. Accordingly, Reliance shall not include payment of the Capacity Building Bonus or the Signature Bonus pursuant to Articles 32.2 and 32.1 of the Contract (the “**Excluded**

**Payments**”) as Petroleum Costs for the purposes of determining the First Tranche Assignment Amount and the Second Tranche Assignment Amount.

**4.7** Subject to Reliance’s receipt of each of the First Tranche Assignment Amount and the Second Tranche Assignment Amount, OMV will be entitled to recover the First Tranche Assignment Amount and the Second Tranche Assignment Amount as Petroleum Costs in accordance with, and to the extent permitted by, the Contract.

**4.8** Nothing in this Agreement will impair:

- (a) the rights of OMV to audit the accuracy of the First Tranche Assignment Amount or the Second Tranche Assignment Amount, which audit rights shall be those set out in the 2002 AIPN Model Form International Operating Agreement; or
- (b) any rights of any Party to audit the accuracy of Petroleum Costs as provided in the Contract.

Following any audit, each of OMV and Reliance shall forthwith make such payments to each other as may be necessary by way of adjustment.

**4.9** Reliance shall provide written wire instructions to OMV in respect of the payment of the First Tranche Assignment Amount and the Second Tranche Assignment Amount on or before the Completion Date.

## **5. REPRESENTATIONS**

**5.1** OMV represents that it is financially and technically capable of fulfilling its duties and obligations as a Contractor Entity in respect of the Assigned TPI.

**5.2** Reliance represents:

**5.2.1** The Contract is in full force and effect and it is not in breach of any of its obligations thereunder.

**5.2.2** Except for this Agreement and agreements identified in Annex 1, there are no agreements to which it and the Government is a party that pertains to Petroleum Operations in the Contract Area.

**5.2.3** The Contractor’s records of Petroleum Costs upon which the First Tranche Assignment Amount have been calculated are true, accurate, and correct in all material respects and have been prepared in accordance with the Contract.

**5.2.4** Reliance has fully paid the Excluded Payments to the Government, and the obligations of Reliance to the Government with respect to the Excluded Payments have been fully discharged.

**5.2.5** Except in relation to the TPI Nomination Letter, Reliance has not assigned or transferred to any Person any rights in respect of the Assigned TPI which conflict or are inconsistent with this Agreement or the Contract.

- 5.3** The Government represents to OMV:
- 5.3.1** The Government has not terminated the Contract and has taken no action to cause the Contract to be terminated.
  - 5.3.2** Except for the agreements identified in Annex 1, there are no agreements in effect to which the Government is a party granting a right to conduct Petroleum Operations in the Contract Area. The copy of the Contract and the First Amendment Agreement that has been provided by the Government to OMV is a true and complete copy of the original agreement.
  - 5.3.3** KEPCO has no claims against Reliance in, arising out of, or relating to the Contract or Petroleum Operations in the Contract Area, and upon completion of the assignment and novation of the Assigned TPI to OMV, KEPCO will thereupon have no claim against OMV or Reliance or any other Person arising out of or related to such assignment and novation or the purporting nomination of KEPCO as a Third Party Participant.
  - 5.3.4** The Government is not a party to any administrative or judicial proceeding, litigation, or arbitration that is likely to materially prejudice the assignment of the Assigned TPI to OMV pursuant to this Agreement or the amendments to the Contract contemplated by this Agreement.
  - 5.3.5** The entry into and performance of this Agreement by the Government has been authorised by the Regional Council for the Oil and Gas Affairs of the Kurdistan Region - Iraq.
- 5.4** Each of OMV and Reliance, individually for itself only, represents:
- 5.4.1** Its entry into and performance of this Agreement have been authorised by all necessary company action.
  - 5.4.2** This Agreement constitutes a valid, legal, and binding agreement of it.
  - 5.4.3** It has received all authorisations and consents required under the law under which it is organised that are or will be necessary for the entry into and performance by it, and the validity and enforceability against it, of this Agreement.
  - 5.4.4** Except as provided in the next sentence, there is no law or agreement to which it is a party that conflicts with, prevents entry into, delivery, and performance by it of, or calls into question the validity, legality and enforceability against it of, this Agreement. No representation is made in respect of the laws of the Kurdistan Region or Iraq.
  - 5.4.5** It is not a party to any administrative or judicial proceeding, litigation, or arbitration that could affect the validity or enforceability of this Agreement as to it.
  - 5.4.6** Neither it nor any of its Affiliates has made, offered, or authorised (and has not agreed to make and does not expect will be made), with respect to the matters which are the subject of this Agreement or the Contract, any payment, gift, promise or other advantage, whether directly or through any other Person, to



or for the use or benefit of any public official (*i.e.*, any person holding a legislative, administrative or judicial office, including any person employed by or acting on behalf of the Government) or any political party or political party official or candidate for office, where such payment, gift, promise or advantage violate (i) the laws of the Kurdistan Region or of Iraq, (ii) the laws of the place of incorporation or its principal place of business, or (iii) the principles described in the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris on 17 December 1997, which entered into force on 15 February 1999, and the Convention's Commentaries. No part of its participating interest under (including any profits it may derive in respect of) the Contract is held (or to be held pursuant to this Agreement) or payable to, directly or indirectly, to or for the benefit (directly or indirectly) of any public official or any political party or political party official or candidate for office of the Kurdistan Region or Federal Republic of Iraq.

- 5.5 The Government represents to Reliance that KEPCO has no claims against Reliance in, arising out of, or relating to the Contract or Petroleum Operations in the Contract Area.
- 5.6 Except as provided in the next sentence, the relevant Party makes the representations and warranties set out in this Clause 5 on the Agreement Date and on the Completion Date. The representations of the Government in clauses 5.3 and 5.5 are made only on the Completion Date.

## 6. **JOINT OPERATING AGREEMENT**

- 6.1 Subject to the provisions of the Contract, Reliance and OMV shall negotiate in good faith and endeavour to execute, within six months of the Completion Date, a joint operating agreement (the "**Joint Operating Agreement**") using the 2002 AIPN Model Form International Operating Agreement as the basis for negotiations and incorporating the principles detailed in Annex 4 and Article 4.14 of the Contract. Reliance will continue to be the Operator under the Contract and will be the Operator pursuant to such Joint Operating Agreement.
- 6.2 Subject to the provisions of the Contract and until such time as a Joint Operating Agreement has been entered into in accordance with Clause 6.1, Reliance, as the Operator, shall obtain the consent of OMV for:
  - (a) the approval of a Work Program to be submitted to the Government; and
  - (b) any over-expenditure as set out in article 6.8 of the 2002 AIPN Model Form International Operating Agreement.

## **7. GENERAL PROVISIONS**

- 7.1** Articles 36 (*Information and Confidentiality*), 39 (*Assignment and Change of Control*), 41 (*Waiver of Sovereign Immunity*), 42.1 (*Negotiation, Mediation and Arbitration*), and 44 (*Notices*) of the Contract apply to this Agreement. Unless otherwise specifically deleted, amended or otherwise changed in this Agreement, all other terms and conditions of the Contract shall remain valid, enforceable and in full effect.
- 7.2** This Agreement does not create any right under the Contracts (Rights of Third Parties) Act 1999 that is enforceable by any Person who is not a Party (a "**Third Party**"). The Parties may rescind or vary the terms of this Agreement without notice to or the consent of any Third Party.
- 7.3** Except for the Contract, this Agreement constitutes the final, complete and exclusive expression of the Parties' agreement on the matters contained in this Agreement. All prior and contemporaneous negotiations and agreements between the Parties on the matters contained in this Agreement are expressly merged into and superseded by this Agreement. The provisions of this Agreement may not be explained, supplemented or qualified through evidence of trade usage or a prior course of dealings. In entering into this Agreement, neither Party has relied upon any statement, representation, warranty or agreement of the other party except for those expressly contained in this Agreement. There is no condition precedent to the effectiveness of this Agreement, and there are no representations or warranties, in each case other than those expressly stated in this Agreement. Nothing in this Agreement will limit or exclude a Party's liability arising as a result of fraud or fraudulent concealment.
- 7.4** Each Party shall timely exercise all reasonable endeavours to take, or cause to be taken, all actions necessary or desirable to consummate and make effective the transactions this Agreement contemplates.
- 7.5** The Parties may amend this Agreement only by an agreement of the Parties that identifies itself as an amendment to this Agreement. The Parties may waive any provision in this Agreement only by a writing signed by the Party against whom the waiver is sought to be enforced. Any amendment, waiver, or consent signed by the Minister of Natural Resources is binding on the Government. No failure or delay in exercising any right or remedy, or in requiring the satisfaction of any condition, under this Agreement by a Party, and no act, omission or course of dealing between any of the Parties, will operate as a waiver or estoppel of any right, remedy, or condition. A waiver made in writing on one occasion will be effective only in that instance and only for the purpose stated. A waiver once given is not to be construed as a waiver on any future occasion. No waiver or amendment in respect of this Agreement will constitute a waiver or amendment of any other agreement between the Parties.
- 7.6** The Parties may execute this Agreement in three counterparts, each of which constitutes an original, and all of which, collectively, constitute only one agreement. The signatures of all of the Parties need not appear on the same counterpart, and delivery of an executed counterpart signature page by facsimile or electronic scan is as effective as

executing and delivering this Agreement in the presence of the other Parties. This Agreement is effective upon delivery of one executed counterpart from each Party to each of the other Parties.

- 7.7 This Agreement (and any non-contractual obligations arising out of or in connection with it) is governed by English law.

## 8. STATUS OF AGREEMENT; COMPLETION

- 8.1 Clauses 1 (*Definitions and Interpretation*), Clause 5 (*Representations*), 7 (*General Provisions*), and this Clause 8 (*Status of Agreement; Completion*) come into force on the Agreement Date.
- 8.2 The remaining Clauses of this Agreement other than those listed in Clause 8.1 will only come into force on the Completion Date.
- 8.3 The requirements for completion are set forth in Annex 2. The **Completion Date** means and will be the date set forth in a certificate of completion signed by the Minister of Natural Resources, OMV, and Reliance in the form and content as set forth in Annex 3.
- 8.4 If the Completion Date has not occurred by 31 August 2010, or such later date as the Government may set, then this Agreement shall terminate automatically and, except as provided in Clause 8.5, the Parties shall treat this Agreement as void *ab initio*.
- 8.5 On termination under Clause 8.4, each Party will be discharged from any further obligations or liabilities under this Agreement without prejudice to any liabilities that have accrued up to the date of termination of this Agreement. If OMV has made any payments pursuant to Clause 4 prior to termination of this Agreement, the recipient shall promptly return such payment to OMV.

[Signature page follows.]

For and on behalf of the **Kurdistan Regional Government of Iraq:**

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

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

Signature:   
Barham Salih

Signature:   
Ashti Hawrami

For and on behalf of **OMV Sarta GmbH:**

Signature.....  
Title: .....  
Name:.....

For and on behalf of **Reliance Exploration & Production DMCC:**

Signature.....  
Title: .....  
Name: .....

*[Signature page to TPI Assignment, Novation and Second Amendment Agreement - Sarta]*

For and on behalf of the **Kurdistan Regional Government of Iraq:**

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


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

Signature:.....  
Barham Salih

Signature:.....  
Ashti Hawrami

For and on behalf of **OMV Sarta GmbH:**

Signature: .....  
Title: ~~General Manager~~.....  
Name: ~~Stefan Gornig~~.....

  
Finance Manager  
Klaus Haidacher

For and on behalf of **Reliance Exploration & Production DMCC:**

Signature:.....  
Title: .....  
Name: .....

[Signature page to TPI Assignment, Novation and Second Amendment Agreement - Sarta]

For and on behalf of the **Kurdistan Regional Government of Iraq:**

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

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

Signature:.....  
Barham Salih

Signature:.....  
Ashti Hawrami

For and on behalf of **OMV Sarta GmbH:**

Signature.....  
Title: .....  
Name:.....

For and on behalf of **Reliance Exploration & Production DMCC:**

Signature.....  
Title: ..... *Head - Commercial*  
Name: ..... *( J.B.BANSAL )*

*[Signature page to TPI Assignment, Novation and Second Amendment Agreement - Sarta]*

**Annex 1**

**Agreements Pertaining to Contract Area**

1. Production Sharing Contract dated 6 November 2007.
2. Production Sharing Contract dated 22 December 2006 (superseded by #1).
3. First Amendment Agreement dated 1 August 2010 between the Government and Reliance.

## **Annex 2**

### **Completion**

1. The completion requirements of the Government are:
  - (a) Receipt of US\$6,000,000 from OMV in discharge of the Capacity Building Payment - First Tranche;
  - (b) Receipt of board resolutions and signing authorities from OMV and Reliance in form and content reasonably satisfactory to the Government; and
  - (c) The Government is satisfied that each of the representations of a Party made to the Government are true and correct as of the Agreement Date and as of the Completion Date.
2. The completion requirements of OMV are:
  - (a) OMV has received a fully executed copy of this Agreement;
  - (b) Receipt of wire instructions from Reliance and the Government;
  - (c) Receipt of board resolutions and signing authorities from Reliance;
  - (d) OMV is satisfied that the First Tranche Assignment Payments does not include provision for the payment of any Excluded Amounts;
  - (e) OMV is satisfied that each of the representations of the other Parties made to OMV are true and correct as of the Agreement Date and the Completion Date; and
3. The completion requirements of Reliance are:
  - (a) Reliance has received a fully executed copy of this Agreement;
  - (b) Receipt of the First Tranche Assignment Amount by Reliance;
  - (c) Receipt of board resolutions and signing authorities from OMV; and
  - (d) Reliance is satisfied that each of the representations of the other Parties made to Reliance are true and correct as of the Agreement Date and the Completion Date.



**Annex 3**

**Form of Certificate of Completion**

**COMPLETION DATE:** \_\_\_\_\_ 2010

This Certificate of Completion is signed and delivered pursuant to Clause 8.3 of the Assignment, Novation, and Amendment Agreement by and between the undersigned (the "**Agreement**"). Terms used in this certificate of completion have the meanings set forth in the Agreement.

Each of the undersigned parties to the Agreement:

1. represents that the representations of such Party were true as of the Agreement Date and are true as of the Completion Date;
2. certifies to the other Parties that all of the requirements for completion in respect of itself in the Agreement has been satisfied or waived; and
3. agrees the Completion Date shall be the date set forth in this certificate of completion as the Completion Date and that, in accordance with Clause 8.2, all of the terms of the Agreement are in full force and effect.

The Parties may execute this certificate in three counterparts, each of which constitutes an original, and all of which, collectively, constitute only one certificate of completion. The signatures of all of the Parties need not appear on the same counterpart, and delivery of an executed counterpart signature page by facsimile or email is as effective as executing and delivering this certificate in the presence of the other Parties. This certificate is effective upon delivery of one executed counterpart from each Party to each of the other Parties, and is only effective when each Party has signed it.

*[Signature page follows.]*

For and on behalf of **OMV Sarta Limited:**

Signature.....

Title: .....

Name:.....

For and on behalf of **Reliance Exploration & Production DMCC:**

Signature.....

Title: .....

Name: .....

For and on behalf of **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

*[Signature page to the Certificate of Completion - Sarta]*

## Annex 4

### JOA

1. In this Annex 4:

“AIPN Models” means the Model JOA and the Model Accounting Procedure.

“JOA Parties” means OMV and Reliance.

“JOA Principles” means:

- (a) Article 3.2(A) - Participating Interest in accordance with the Agreement;
- (b) Article 4.1 - Operator: Reliance;
- (c) Article 4.8 – No Commingling of funds (alternative 1);
- (d) Article 5.9 – amended to read: a general voting pass-mark for the operating committee of an affirmative vote of an agreed percentage of the Participating Interests, which shall not be more than 75% of the Participating Interests;  
OMV consent for the following decisions:
  - Drilling deepening, testing, sidetracking, plugging back, recompleting or reworking of exploration wells,
  - Determination and declaration of commercial discovery,
  - Approval of or amendment to the development plan,
  - Abandonment/decommissioning
- (e) the two members designated by the Contractor to participate in the Management Committee will be one Reliance representative and one OMV representative;
- (f) Article 7.1 - exclusive operations:  
Option (D) alternative 1 - exclude any operation pursuant to an approved Development Plan;
- (g) Article 7.12(F) - Operator non Consenting Party may resign (alternative 2);
- (h) Article 9.2 – disposition of crude oil: - lifting agreement to be concluded three (3) months prior to the anticipated date of commencement of commercial production (alternative 2);
- (i) Article 18.1 - English law as applicable law (alternative 1);
- (j) Article 18.2 Arbitration – ICC arbitration and expert determination;
- (k) Non-Operator audit rights in accordance with Section 1.8.1 of the Model Accounting Procedure, which must provide for at least 90 days advance notice in the first line thereof and a period of 24 months following the end of the relevant Calendar Year in the fourth and thirteenth lines thereof;

“**Joint Operating Committee**” has the meaning set forth in the Model JOA.

“**Model Accounting Procedure**” means the 2004 AIPN Model Form International Accounting Procedure.

“**Model JOA**” means the 2002 AIPN Model Form International Operating Agreement.

“**Participating Interest**” has the meaning set forth in the Model JOA.

2. OMV and Reliance shall endeavour to agree, within three months of the Agreement Date, a joint operating agreement using the AIPN Models as the basis for negotiations. Reliance shall provide OMV with a first draft joint operating agreement based on the AIPN Models that is consistent with this annex 4.
3. The JOA Parties shall apply the JOA Principles from the Completion Date until such time as the JOA Parties have signed a joint operating agreement.