

ASSIGNMENT, NOVATION AND FIRST AMENDMENT AGREEMENT

relating to

the amendments to the Production Sharing Contract relating to the Barda Rash Block

between

THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ

and

KOMET GROUP S.A.

and

BETA ENERGY LIMITED

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ASSIGNMENT, NOVATION AND FIRST AMENDMENT AGREEMENT

This agreement (the “**Agreement**”) is entered into as of 27 July 2011 (the “**Signing Date**”) between:

- (1) **THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ** (the “**Government**”);
- (2) **KOMET GROUP S.A.**, a company established and existing under the laws of the British Virgin Islands, having its registered office at Drake Chambers, Zamraj Building, Market Square, Road Town, Tortola, British Virgin Islands (“**Komet**”); and
- (3) **BETA ENERGY LIMITED**, a company established and existing under the laws of England and Wales, having its registered office at 3rd floor, Kinnaid House, Pall Mall East, London SW1Y 5AU, England (“**Beta**”).

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

RECITALS

- (A) The Government and Komet are parties to a Production Sharing Contract dated 20 June 2008 in respect of the Barda Rash Block in the Kurdistan Region of Iraq (the “**Contract**”).

Komet Assignment

- (B) Komet wishes to assign and novate an undivided interest of 60% as a Contractor Entity in all of the rights, duties, obligations and liabilities under and in the Contract (the “**Assigned Interest**”) to Beta, and Beta wishes to accept such rights, duties, obligations and liabilities under and in the Contract insofar as they relate to the Assigned Interest. The Government is willing to consent to such assignment and novation.
- (C) Beta, Afren PLC, Komet and Ascom Oil Company Ltd. have provided the Government with letters of representations and warranties (the “**Letters of Representations and Warranties**”) dated on the Signing Date.
- (D) This Agreement sets forth the terms and conditions of the assignment of the Assigned Interest from Komet to Beta and consequential amendments to the Contract.

Estimated Past Costs

- (E) Beta agrees, as a condition of the assignment of the Assigned Interest from Komet to Beta, to pay to Komet an aggregate amount equivalent to the proportion of Petroleum Costs incurred by Komet that is attributable to the Assigned Interest to be acquired by Beta.
- (F) The total (unaudited) Petroleum Costs paid by Komet in respect of the period from the Effective Date up to and including 31 March 2011 (the “**Cost Determination Date**”) are

estimated to be US\$ 83,862,037 (the “**Estimated Past Costs**”). Komet has provided Beta with an itemised statement of such Estimated Past Costs. Subject to audit adjustments, each of Komet and Beta agree that the proportion and amount of such Estimated Past Costs that is attributable to Beta is US\$ 62,896,528 (the “**Komet First Reimbursement Payment**”).

Capacity Building Payment Obligations

- (G) The Parties further wish to amend the Contract to obligate Komet, Beta and future holders of all or part of the participating interest held by Komet and Beta at the Effective Date, and future holders of all or any participating interest in the Contract (except in respect of the Government Interest), to pay capacity building payments to the Government. Komet and Beta are willing to agree to charge their participating interests with the capacity building payment obligations, and the Parties are willing to agree to the appropriate amendments to the Contract.
- (H) 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.

Operatorship

- (I) The Parties wish Beta to be the Operator (as defined in the Contract).

Refinery and crude oil supply agreements

- (J) In a termination agreement dated on the Signing Date, the Government, Komet and Cardhall Services Limited, an affiliate of Komet, terminated (a) a refinery contract dated 20 June 2008; (b) a completion agreement 20 June 2008 and (c) a crude oil supply agreement dated 26 January 2009 (the refinery contract, the completion agreement, and the crude oil supply agreement, collectively, the “**Terminated Agreements**” and each a “**Terminated Agreement**”). The Parties agree to make appropriate amendments to the Contract in this Agreement to reflect the termination of the Terminated Agreements.

Joint Operating Agreement, EITI

- (K) Komet and Beta wish, within a reasonable period of time after the Signing Date, to enter into a joint operating agreement in respect of the Contract (“**Joint Operating Agreement**”).
- (L) The Parties affirm their ongoing commitment and adherence to the Principles and Criteria of the Extractive Industries Transparency Initiative (EITI).

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:

“**Afren PLC**” means Afren plc, a company organised and existing under the laws of England and Wales whose registered office is at Kinnaird House, 1 Pall Mall East, London SW1Y 5AU.

“**Agreement**” is defined in the preamble.

“**Ascom Oil Company Ltd.**” means the company existing under the laws of the British Virgin Islands with registered number 1429810 and whose registered office is at Akara Building, 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands.

“**Assigned Interest**” is defined in Recital (B).

“**Beta**” is defined in the preamble.

“**Contract**” is defined in Recital (A).

“**Completion Date**” is defined in clause 9.3.

“**Cost Determination Date**” is defined in Recital (F).

“**Default Interest Rate**” means the three month London Inter-bank Offered Rate (LIBOR) as published at Reuters’ “LIBOR” page on the second International Banking Day prior to the date on which the unpaid amount was due, plus two per cent. Should Reuters not publish a three month LIBOR rate on the second International Banking Day prior to the date on which such payment was due, then the three month LIBOR rate published by the Financial Times of London, shall be applied.

“**Estimated Past Costs**” is defined in Recital (F).

“**Government**” is defined in the preamble.

“**International Banking Day**” means a day on which banks are open in Tortola (British Virgin Islands).

“**Joint Operating Agreement**” is defined in Recital (K).

“**Komet**” is defined in the preamble.

“**Komet First Reimbursement Payment**” is defined in Recital (F). “**Letters of Representations and Warranties**” is defined in Recital (C).

“**Notice**” is defined in clause 7.

“**participating interest**” means an undivided interest in the Petroleum Operations in respect of the entire Contract Area under the Contract.

“**Party**” and “**Parties**” are defined in the preamble.

“**Signing Date**” is defined in the preamble.

“**Terminated Agreement**” and “**Terminated Agreements**” are defined in Recital (J).

- 1.2 The 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 an “Article” is a reference to an article of the

Contract and a reference to a “paragraph” is a reference to a paragraph of Annex B (Accounting Procedures) to the Contract.

2. ASSIGNMENT AND NOVATION

- 2.1** On and from the Completion Date, Komet assigns and novates a 60% participating interest to Beta, and Beta accepts such assignment of interest and obligations as provided in clause 2.4.
- 2.2** The Government consents to the assignment of the Assigned Interest to Beta.
- 2.3** As a consequence of clause 2.1, on and from the Completion Date:
- (a) the Assigned Interest is assigned and novated to Beta;
 - (b) Beta is a Party and a Contractor Entity with a 60% participating interest together with all rights, duties, obligations and liabilities in respect of the Assigned Interest;
 - (c) Komet is a Contractor Entity with a 20% participating interest; and
 - (d) except as specifically provided otherwise in the Contract, Beta is jointly and severally obligated with each other Contractor Entity to perform all of the obligations of the Contractor under the Contract as a Contractor Entity as if Beta had been a Contractor Entity on and from the Effective Date.
- 2.4** Beta agrees and undertakes that Komet is, on and with effect from the Completion Date, irrevocably released and discharged from the observance and performance of all liabilities, obligations or claims which arise or occur under the Contract, with respect to the Assigned Interest, except for such liabilities, obligations or claims arising under such provisions of the Contract as are expressed by the Contract to survive the termination of the Contract.
- 2.5** The Parties agree that the Contract shall continue in full force and effect and that its terms have only changed to the extent and with the effect set out in this Agreement.

3. PETROLEUM COST REIMBURSEMENT PAYMENTS

- 3.1** Upon the signing of this Agreement, Komet shall deliver to Beta its written wiring instructions for the Komet First Reimbursement Payment.
- 3.2** Within seven International Banking Days following the Signing Date, Beta shall pay in USD to Komet the Komet First Reimbursement Payment, by way of cleared funds in accordance with such wire instructions.
- 3.3** Komet shall, within twenty International Banking Days from the Signing Date, give a written notice to Beta on actual Petroleum Costs incurred up to the Signing Date

(subject to such further adjustments as may be required to reflect the outcome of any Petroleum Cost audit by the Government).

- 3.4** Within seven International Banking Days after the date when actual Petroleum Costs have been notified to Beta, Beta shall pay in USD, by way of cleared funds in accordance with the written wire instructions provided by Komet to Beta pursuant to clause 3.1 (or such other wire instructions as such Party may provide), an amount of such actual Petroleum Costs which is attributable to its participating interest minus the amount of the Komet First Reimbursement Payment.
- 3.5** Nothing in this Agreement will impair the rights of any Party to audit Petroleum Costs in accordance with the Contract and the Joint Operating Agreement, or as otherwise agreed among the Parties. Following any audit (or any Government audit of the Petroleum Costs), each Party shall promptly make such payments to each other as may be necessary by way of equitable adjustment.
- 3.6** If Beta does not pay the Komet First Reimbursement Payment to Komet within seven International Banking Days, then for each day during which the Komet First Reimbursement Payment (or any portion thereof) is overdue, the unpaid amount will accrue interest at the Default Interest Rate.
- 3.7** Without limiting Beta's joint and several obligations under the Contract as a Contractor Entity in respect of the obligations of the Contractor in accordance with the Contract, Beta shall pay its participating interest share of Petroleum Costs (and other amounts for which it is liable under the Contract) on and from the Signing Date in accordance with the Contract and the Joint Operating Agreement.

4. AMENDMENTS TO CONTRACT

- 4.1** The Contract is amended as provided in this clause 4.
- 4.2** The preamble is deleted in its entirety and restated:

"BETWEEN

- (1) **THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ** (the "**Government**");
- (2) **KOMET GROUP S.A.**, a company established and existing under the laws of the British Virgin Islands, having its registered office at Drake Chambers, Zamraj Building, Market Square, Road Town, Tortola, British Virgin Islands ("**Komet**"); and
- (3) **BETA ENERGY LIMITED**, a company established and existing under the laws of England and Wales, and having its registered office at 3rd floor, Kinnaird House, Pall Mall East, London SW1Y 5AU, England ("**Beta**").

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

Recitals

4.3 The recitals are amended:

- (a) by replacing the words “The **Contractor** Entity” with “Each **CONTRACTOR** Entity” in paragraph (E); and
- (b) by deleting the existing paragraph (F) and by adding a new paragraph (F):

“(F) The **GOVERNMENT** entered into a production sharing contract dated 20 June 2008 with Komet. The contract was amended by the Assignment, Novation, and First Amendment Agreement between the **GOVERNMENT**, Komet and Beta dated 27 July 2011.”.

Definitions

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

“**Contract** means this production sharing contract, including its Annexes A and B, as well as any extension, renewal, substitution or amendment of this production sharing contract that may be agreed in writing by the Parties in accordance with Article 43.7.

CONTRACTOR means, individually and jointly, each Contractor Entity.

CONTRACTOR Entity means, as at any time of determination, a Party to this Contract other than the **GOVERNMENT**. A holder of the Government Interest is never 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 construed as “the entity constituting the **CONTRACTOR**”. As of the Effective Date, Komet and Beta are the only **CONTRACTOR** Entities and own an undivided interest in the Petroleum Operations in respect of the entire Contract Area in the following percentages:

| | |
|-------|-----|
| Komet | 20% |
| Beta | 60% |

The balance of the interest in Petroleum Operations in respect of the entire Contract Area is the Government Interest of twenty per cent (20%) as defined in Article 4.1.”

4.5 In Article 1.1, the definition of “Refinery Contract” is deleted in its entirety.

Refinery Guarantee and Costs

4.6 Articles 2.9 and 2.10 are deleted in their entirety.

4.7 Article 45.1, sub-paragraph (g) is deleted in its entirety.

- 4.8 Article 45.1.1 is deleted in its entirety.
- 4.9 In Article 45.6, the following text is deleted: "and the guarantee contained in Article 2.9".

Government Interest and Related Provisions

- 4.10 Article 4 is deleted in its entirety and restated:

"ARTICLE 4 – GOVERNMENT PARTICIPATION; JOINT OPERATING AGREEMENT

Government Interest

- 4.1 The **GOVERNMENT** has a carried interest of twenty per cent (20%) (the "**Government Interest**") in the **CONTRACTOR's** entitlement to Profit Petroleum in accordance with Article 26.
- 4.2 The **GOVERNMENT** or any other holder of all or any part of the Government Interest is not, in such capacity, a **CONTRACTOR** Entity. The **GOVERNMENT** or any other holder of the Government Interest, whether in whole or in part, has no obligation or liability to the **CONTRACTOR** to contribute any share of Petroleum Costs or any other liability or obligation of a **CONTRACTOR** Entity or to the **CONTRACTOR** or any **CONTRACTOR** Entity.
- 4.3 Subject to Article 4.4, a holder of all or any part of the Government Interest is not, if that is its only capacity under this Contract, entitled to any notices under this Contract or entitled to provide any consents, except as specifically provided otherwise, but has rights and obligations under Article 42.
- 4.4 Any term of this Contract may be waived or amended without the consent of a holder of a Government Interest (in such capacity), unless such waiver or amendment would change any right or obligation of a holder of a Government Interest.
- 4.5 Persons, other than the **GOVERNMENT** or a Public Company, that are holders of all or part of the Government Interest, are jointly and severally obligated to pay the Production Bonuses in accordance with Articles 32.3 and 32.4 and Capacity Building Payment Instalments in accordance with Articles 32.7 through 32.16. If such a Person, as a holder of the Government Interest, fails to pay all or any part of such Production Bonuses or Capacity Building Payment Instalments: (i) the failure will not constitute a default by the **CONTRACTOR**, (ii) the **GOVERNMENT** will have no remedies against the **CONTRACTOR** as a consequence thereof, and (iii) the

GOVERNMENT will not be entitled to terminate this Contract or any **CONTRACTOR** Entity's interests hereunder.

The capacity of a holder of the Government Interest, as it may arise pursuant to the provisions of this Contract, shall in no event impair the rights of the **CONTRACTOR** to seek to settle a dispute or to refer such dispute to arbitration or expert determination in accordance with the provisions of Article 42.

- 4.6 The provisions of Article 39 do not apply with respect to any assignment by any holder of a Government Interest of all or any part of its Government Interest. The assignment of the Government Interest is governed by this Article 4. A permitted assignee of a holder of the Government Interest will have, in respect of the assigned Government Interest, the same rights and obligations as the holder of the Government Interest prior to the assignment.
- 4.7 The **GOVERNMENT** may at any time designate a Public Company as the holder of all or any part of the Government Interest without the consent of, or prior notice to, any other Party. The Public Company will be deemed a Party to this Contract only in respect of its Government Interest, but will not be required to sign any formal assignment or accession agreement except as required by the **GOVERNMENT**. The **GOVERNMENT** and the Public Company will provide the **CONTRACTOR** with a notice notifying the **CONTRACTOR** of such designation by the **GOVERNMENT** to a Public Company, and the Contractor shall be entitled to rely on such notice for all purposes under this Contract.
- 4.8 Only for the purposes of Article 37 of the Kurdistan Region Oil and Gas Law, whenever and to the extent the Government Interest is held by a Public Company, the Government Interest shall be deemed held by the **GOVERNMENT**. The **GOVERNMENT** incurs no liabilities or obligations (directly, indirectly, or implicitly) to any other Party as a consequence of such deemed ownership, and the **GOVERNMENT** will not be deemed to guarantee any obligation of the Public Company or any holder of all any part of the Government Interest.
- 4.9 Subject to Article 4.12, the **GOVERNMENT** may at any time assign all or part of its Government Interest to a Person that is not a Public Company without the consent of any other Party. Such assignee will be deemed a Party to this Contract only in respect of its Government Interest, but will not be required to sign any formal assignment or accession agreement unless otherwise required by the **GOVERNMENT**. The **GOVERNMENT** and the assignee will provide the **CONTRACTOR** with such a notice, jointly signed by each, notifying the **CONTRACTOR** of such assignment by the **GOVERNMENT**, and the Contractor shall be entitled to rely on such notice for all purposes under this Contract.

- 4.10 Subject to Article 4.12, a Public Company may assign part or all of its Government Interest to another Public Company, to the Government, or to any other Person without the consent of, or notice to, the **CONTRACTOR** or any **CONTRACTOR** Entity, but may not make any assignments without the prior consent of the **GOVERNMENT** and in accordance with any assignment and novation or other agreements and conditions required by the **GOVERNMENT**. Any assignment by a Public Company of all or part of all or any part of its Government Interest to another Public Company or any other Person without the prior consent of the **GOVERNMENT** or in accordance with the requirements of the **GOVERNMENT** will be void. The Public Company or the **GOVERNMENT** shall promptly notify the **CONTRACTOR** of any assignments of the Government Interest held by such Public Company, and the Contractor will be entitled to rely on such notice for all purposes under this Contract.
- 4.11 Subject to Article 4.12, a holder of all or part of the Government Interest which is not the **GOVERNMENT** or a Public Company may assign part or all of its Government Interest to any other Person without the consent of, or prior notice to, the **CONTRACTOR** or any **CONTRACTOR** Entity. Such holder shall not make any assignments without the prior notice to and consent of the **GOVERNMENT** and in accordance with any assignment and novation or other agreements and conditions required by the **GOVERNMENT**. Any assignment by such holder without the prior consent of the **GOVERNMENT** or in accordance with the requirements of the **GOVERNMENT** will be void. The assignor and the assignee shall jointly and promptly notify the **CONTRACTOR** of any assignments of the Government Interest pursuant to this Article 4.11, and the **CONTRACTOR** will be entitled to rely on such notice for all purposes under this Contract.
- 4.12 Nothing under this Contract prohibits a **CONTRACTOR** Entity at any time from offering to acquire and/or acquiring all or any part of the Government Interest from any Person that is a holder of such Government Interest. If at any time any holder of all or any part of the Government Interest (including the **GOVERNMENT** and a Public Company) intends to offer to sell all or part of its Government Interest to any Person that is not a Public Company or the **GOVERNMENT**, the applicable holder of the Government Interest shall timely notify the **CONTRACTOR** of the availability of the Government Interest. No **CONTRACTOR** Entity has any preemption or similar priority rights in respect of the Government Interest, and the holder is not required to sell and assign to a **CONTRACTOR** Entity.

Joint Operating Agreement

- 4.13 The **CONTRACTOR** Entities, or any of them, shall not enter into any Joint Operating Agreement in respect of this Contract except if the terms of such Joint Operating Agreement have been approved by the **GOVERNMENT**,

are in compliance with Applicable Laws of the Kurdistan Region as of the date of the approval by the **GOVERNMENT**, and does not require the affirmative vote of more than fifty-one per cent (51%) of participating interests of the **CONTRACTOR** Entities for any decision of any operating committee established under such Joint Operating Agreement.”

4.11 Article 39.6 is deleted in its entirety and restated:

4.12 “The **GOVERNMENT** may not at any time transfer any or all of its rights and obligations under this Contract to any Person, including to a Public Company or any other company or entity, except in accordance with Article 4 and Articles 32.7 through 32.16. For purposes of clarity, Articles 39.1 and 39.2 do not apply to holders of the Government Interest in respect of the Government Interest. The consent of any holder of the Government Interest (in such capacity) is not required for any assignment by a **CONTRACTOR** Entity.”

Operator

4.13 Beta shall be appointed to act as the Operator on behalf of the **CONTRACTOR** effective the first day of the month following the month in which the Completion Date occurs.

4.14 Article 5.1 of the Contract is deleted in its entirety and restated:

“As of and prior to the first day of the month following the month in which the Completion Date occurs, Komet has been and shall continue to act as Operator on behalf of the **CONTRACTOR** for the execution of Petroleum Operations; provided that on the first day of the month following the month in which the Completion Date occurs, Beta shall be appointed to act as the Operator on behalf of the **CONTRACTOR**.”

Capacity Building Payments

4.15 New definitions are added in Article 1.1, in the appropriate alphabetical order, as follows:

Annual Reconciliation Statement is defined in Article 32.7(c).

Capacity Building Account means a segregated bank account with a reputable 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 Payment means the obligation of the **CONTRACTOR** and any Persons required by Article 4.5 to pay an amount equal to the Capacity Building Value.

Capacity Building Payment Instalments means each obligation of the **CONTRACTOR** to pay an amount equal to the Capacity Building Value as provided by Articles 32.7 through 32.16.

Capacity Building Payment Monthly Statement is defined in Article 32.7(a).

Capacity Building Value means, in respect of any period of determination, an amount in Dollars equal to the value, established in accordance with Article 27, of twenty per cent (20%) of the **CONTRACTOR**'s share of Profit Petroleum.

Completion Date has the meaning assigned to such term in the First Amendment Agreement.

First Amendment Agreement means the Assignment, Novation, and First Amendment Agreement between the **GOVERNMENT**, Komet and Beta dated 27 July 2011.

First Capacity Building Bonus is defined in Article 32.2.1.

Loss or Expense is defined in Article 32.12(c).

Rights Sale means a sale, assignment, or other disposal of the **GOVERNMENT**'s rights to receive Capacity Building Payment Instalments from the **CONTRACTOR**, whether for a lump sum payment or in instalment payments, and whether the purchaser assumes all payment risk and all risk as to the amount of Capacity Building Payment Instalments, or otherwise."

4.16 In Article 16.14, after the words in the first sentence "The **GOVERNMENT** and" the following is inserted: ", subject to Articles 32.10(a) and (b)."

4.17 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 **CONTRACTOR** is in breach of any of its obligations in respect of the payment of Capacity Building Payment Instalments under Articles 32.7 through 32.16, the **GOVERNMENT** will have the rights set forth in Articles 32.10 through 32.11."

4.18 Articles 27.1 and 27.2, and Paragraphs 7 and 8, 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)".

4.19 Article 27.4 is deleted in its entirety and restated:

"By the tenth (10th) day of each Month, the **CONTRACTOR** shall 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 Capacity Building Payment Monthly Statement to the **GOVERNMENT** as provided in Article 32.7(a)."

- 4.20** 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 32.7 through 32.16,";

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 the **CONTRACTOR** to make Capacity Building Payments as further provided in Articles 32.7 through 32.16."

- 4.21** In Article 32, Articles 32.1 and 32.2 are deleted in their entirety and restated:

Signature Bonus

- 32.1 The **GOVERNMENT** required the **CONTRACTOR**, as a condition of entering into the Contract, to pay to the **GOVERNMENT** a signature bonus of one million Dollars (US\$1,000,000) ("**Signature Bonus**") and the **GOVERNMENT** confirms timely receipt of the Signature Bonus.

Capacity Building Bonuses

- 32.2 32.2.1 The **GOVERNMENT** required the **CONTRACTOR**, as a condition of entering into the Contract, to pay to the **GOVERNMENT** a capacity building bonus of twenty-four million Dollars (US\$24,000,000) ("**First Capacity Building Bonus**") and the **GOVERNMENT** confirms timely receipt of the First Capacity Building Bonus.

32.2.2 Komet shall pay the **GOVERNMENT** a capacity building bonus of six million, two hundred and fifty thousand dollars (US\$6,250,000) within

thirty (30) days of the Signing Date (as defined in the First Amendment Agreement).

32.2.3 Beta shall pay the **GOVERNMENT** a capacity building bonus of eighteen million, seven hundred and fifty thousand dollars (US\$18,750,000) within thirty (30) days of the Signing Date (as defined in the First Amendment Agreement).”

4.22 New Articles 32.7 through 32.16 are added as follows:

Capacity Building Payments

32.7 In respect of the Capacity Building Payment Instalments:

- (a) on or before the tenth (10th) day of each Month in the Development Period, the **CONTRACTOR** shall provide to the **GOVERNMENT**, together with the monthly production statement prepared by the **CONTRACTOR** in accordance with Article 27.4 and Paragraph 6.1, and the monthly valuation statement in accordance with Article 25 and Paragraph 7.1, a statement (the “**Capacity Building Payment Monthly Statement**”) setting out the **CONTRACTOR**’s calculation of the Capacity Building Value for the preceding Month. In each Capacity Building Payment Monthly Statement the **CONTRACTOR** shall detail each item taken into account in making its calculation of the amounts due from the **CONTRACTOR**, the quantities of Profit Petroleum produced during the Month covered by such Capacity Building Payment Monthly Statement, the volumes of such production sold, the Capacity Building Value attributed to such sales, and the Capacity Building Payment Instalments required to be paid with respect thereto by the **CONTRACTOR**;
- (b) on the same date on which the **CONTRACTOR** provides the Capacity Building Payment Monthly Statement to the **GOVERNMENT** in accordance with Article 32.7(a), the **CONTRACTOR** shall pay (except as provided in the next sentence) the Capacity Building Payment Instalment as shown as owed by the **CONTRACTOR** in the Capacity Building Payment Monthly Statement. If:
 - (1) the **CONTRACTOR** has sold the **CONTRACTOR**’s 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; and if

- (2) any such counterparty as identified in (1) has not paid the **CONTRACTOR** for the Petroleum lifted by such entity, then:
- (3) the **CONTRACTOR** is only obligated to pay the Capacity Building Payment when, if, and to the extent the **CONTRACTOR** has received payment by such counterparty.

The preceding sentence does not apply with respect to, and to the extent of sales of the **CONTRACTOR**'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 provide to the **GOVERNMENT** a written reconciliation of the aggregate amount of the Capacity Building Value and the aggregate payments of the Capacity Building Payment Instalments during such Calendar Year period (the "**Annual Reconciliation Statement**");
- (d) if the results of an Annual Reconciliation Statement show that the **CONTRACTOR** has, in the aggregate over the Calendar Year period covered by the Annual Reconciliation Statement, made Capacity Building Payment Instalments in an amount less than the aggregate Capacity Building Value during such Calendar Year period, the **CONTRACTOR** shall pay (subject to the same exception as provided in the second and third sentences of Article 32.7(b)) the amount of the underpayment as shown in the Annual Reconciliation Statement within thirty (30) calendar days following the same date the **CONTRACTOR** delivered the Annual Reconciliation Statement to the **GOVERNMENT**;
- (e) if the results of an Annual Reconciliation Statement show that the **CONTRACTOR** has, in the aggregate over the Calendar Year period covered by the Annual Reconciliation Statement, made Capacity Building Payment Instalments in excess of the Capacity Building Value during such Calendar Year period, and if and to the extent the **GOVERNMENT** has agreed with the **CONTRACTOR** in respect of the amount of such overpayment, the **CONTRACTOR** 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 Payment Instalments. In no event will the **CONTRACTOR** be entitled to deduct more than fifteen per cent (15%) of the amount otherwise payable from the next following payments of Capacity Building Payment Instalments. The right of set-off against Capacity Building Payment Instalments will be the **CONTRACTOR**'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 **CONTRACTOR**;

- (f) if the **CONTRACTOR** fails to pay all or part of a Capacity Building Payment when due, the **CONTRACTOR** 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; and
- (g) if any Capacity Building Payment is 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 the **CONTRACTOR** will make such payment, then the Capacity Building Payment 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 The **GOVERNMENT** shall:

- (a) establish and maintain the Capacity Building Account; and
- (b) deposit all Capacity Building Payments received by the **GOVERNMENT** into the Capacity Building Account.

Rights Sale

32.9 The **GOVERNMENT** may enter into a Rights Sale without the consent of the **CONTRACTOR** or any **CONTRACTOR** Entity.

Breach; Indemnity

32.10 (a) If the **CONTRACTOR** fails to pay a Capacity Building Payment in full when due, 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 **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 twenty per cent (20%) of the **CONTRACTOR**'s Profit Petroleum; and
 - (2) continue to lift up to twenty per cent (20%) of the **CONTRACTOR**'s Profit Petroleum for the remainder of the Development Period.
- (b) The **CONTRACTOR** will have a single cure period of thirty (30) days only in respect of its first default. If the **CONTRACTOR** is in default for the first time, and pays the defaulted Capacity Building Payments in full plus interest in accordance with Article 32.7(f) in such thirty (30) day period, the **GOVERNMENT** shall not exercise its lifting rights under this Article 32.10. In the case of any subsequent default, the **GOVERNMENT** may exercise its right to lift whether or not the **CONTRACTOR** cures its default in the thirty (30) day notice period.

32.11 The lifting rights of the **GOVERNMENT** pursuant to Article 32.10 are exercisable by way of set-off, without first resort to legal process, and without any liability or claims of 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 any **CONTRACTOR** Entity 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 32.10 and this Article 32.11.

32.12 (a) The **CONTRACTOR** shall indemnify the **GOVERNMENT** from any Loss or Expense (as defined in Article 32.12(c), below) that may in any way arise from the exercise by the **GOVERNMENT** of its rights in respect of the **CONTRACTOR** under Articles 32.10 and 32.11.

(b) The **GOVERNMENT** will retain control over the defence of, and any resolution or settlement relating to, such Loss or Expense. The **CONTRACTOR** shall cooperate with the **GOVERNMENT** and provide reasonable assistance in defending any claims against the **GOVERNMENT**.

(c) "Loss or Expense" means any liability, loss, claim, settlement payment, cost and expense, interest, award, judgment, damages (including punitive damages), diminution in value, 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 attorneys' fees, other professionals' fees, and disbursements; but does not include consequential damages. A claim set forth in a notice from the **GOVERNMENT** to the **CONTRACTOR** will be conclusively deemed a Loss or Expense if the **CONTRACTOR** fails to dispute the **GOVERNMENT**'s liability by the end of a thirty (30) day period following the effective date of the notice from the **GOVERNMENT**. The **CONTRACTOR** shall promptly pay the deemed Loss or Expense on demand.

- 32.13 The **GOVERNMENT**'s rights under Articles 32.10 through 32.12 are not exclusive and are without prejudice to the **GOVERNMENT**'s termination rights under Article 45.

Payments; No Set-off or Deduction

- 32.14 Except as provided in Article 32.7(e) and notwithstanding any provision in this Contract to the contrary, the **CONTRACTOR** shall pay all Capacity Building Payments without (and free and clear of any deduction for) set-off or counterclaim.
- 32.15 The **CONTRACTOR** acknowledges and accepts that a fundamental principle of Articles 32.7 through 32.16 is that the **CONTRACTOR** must pay the Capacity Building Payments owed by it as and when required. Accordingly, in respect of its obligations under Articles 32.7 through 32.16 only and except as provided in Article 32.7(e), the **CONTRACTOR** hereby waives any right to raise by way of set off or invoke as a defence to its obligations to pay Capacity Building Payments pursuant to Articles 32.7 through 32.16, whether in law or equity, any failure by the **GOVERNMENT**, the **CONTRACTOR** or any **CONTRACTOR** Entity to pay amounts due and owing under the Contract or any alleged claim that the **CONTRACTOR** may have against the **GOVERNMENT**, the Operator, a **CONTRACTOR** Entity, or any other Person, whether such claim arises under or relates to this Contract or otherwise.
- 32.16 The **CONTRACTOR** shall make Capacity Building Payments 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 the **CONTRACTOR** under Articles 32.7 through 32.16, or the acceptance or use of any payments by the **GOVERNMENT**, does not impair the rights of the **CONTRACTOR** or the **GOVERNMENT** under Article 15. Any dispute between the **GOVERNMENT** and the **CONTRACTOR** in respect of the calculation of each of the Capacity Building Value and the Capacity Building Payment due with respect thereto is subject to Article 15.9.

- 4.23 In Article 32.6, after the word “bonus”, the words “or payment” are added.
- 4.24 In Article 39.2, the first word, “Each”, is deleted and replaced with “Except as provided in Articles 32.7 through 32.16, each”.
- 4.25 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 32.7 through 32.16, in respect of which the **GOVERNMENT** expressly reserves all sovereign immunities.”.
- 4.26 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 32.10, which Disputes shall be subject to the exclusive jurisdiction of the courts of the Kurdistan Region located in Erbil.”
- 4.27 In Article 45.6, after “31,” is added “32.5,”.
- 4.28 The following further 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**”;

Other amendments

- 4.29 A new definition is added in Article 1.1, in the appropriate alphabetical order, as follows:
- “**Applicable Law** means, as of any time of determination, Kurdistan Region Law and federal Laws of Iraq recognised by the Government as applicable in the Kurdistan Region.”
- 4.30 A new Article 2.9 is added:

“Each **CONTRACTOR** Entity shall at all times comply, and procure that each Subcontractor complies, with the Kurdistan Region Oil and Gas Law and all other Applicable Law. No provision of this Contract will: (a) excuse the **CONTRACTOR** or a **CONTRACTOR** Entity or any Subcontractor from compliance with Applicable Law, or (b) impair any right or privilege of the **GOVERNMENT** under Applicable Law.”

4.31 In Article 41, the first sentence is amended by deleting the words “The **GOVERNMENT** and any Public Company which may be a **CONTRACTOR** Entity at any time” and replacing them with “Each Party”.

4.32 In Article 44.1, under the heading “To the **CONTRACTOR**.”, the following notice provision is added:

“ Beta Energy Limited

Attention: Commercial Director

Email: patrick.cherlet@afren.com

Address: Kinnaird House, 1 Pall Mall East, London SW1Y 5AU, United Kingdom”

5. REPRESENTATIONS AND WARRANTIES

5.1 Komet and Beta make the representations and warranties to the Government they make in the Letters of Representations and Warranties.

5.2 Beta represents and warrants to Komet:

- (a) Beta has the financial and technical capability to perform its obligations under the Contract.
- (b) Beta is in compliance with the standards and requirements of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (as may be amended from time to time).

5.3 Each of Beta and Komet represents the Government:

- (a) Its entry into and performance of this Agreement has been authorised by all necessary company action.
- (b) It has all necessary power and authority to sign and perform this Agreement and the Contract.
- (c) This Agreement and the Contract constitute a legal, valid, and binding obligation of it.

- (d) It has received all authorisations and consents necessary for the entry into and performance by it, and the validity and enforceability against it, of this Agreement and the Contract.
- (e) Except as provided in the next sentence, there is no law applicable to it or an agreement to which it is a party which (i) conflicts with or prevents it from performing this Agreement and the Contract in accordance with its terms, or (ii) affects the validity and enforceability against it of this Agreement or the Contract in accordance with its terms. No representation is made by Komet or Beta in respect of the laws of the Kurdistan Region or the Republic of Iraq.
- (f) It is not a party to any administrative or judicial proceeding, litigation, or arbitration that could affect the validity or enforceability of this Agreement or the Contract as to it, or its ability to effect the transactions contemplated hereunder.

5.4 Komet and the Government, each individually, represents to Beta:

- (a) The Contract is in full force and effect and it is not in breach of any of its material obligations thereunder.
- (b) Except for the agreements set forth in Annex 1, there is no agreement in effect among Komet and the Government that pertains to Petroleum Operations in the Contract Area.

5.5 The Government warrants to Beta and Komet that no other Person has any claim or right to the Assigned Interest except, pursuant to this Agreement, for Beta.

6. JOINT OPERATING AGREEMENT

Komet and Beta shall, within a reasonable period of time after the Signing Date, enter into a Joint Operating Agreement.

7. NOTICES

A Party giving any notice or making any request, demand, or other communication (each a “Notice”) to the Government, Komet or Beta shall do so as provided in the Contract (as amended by this Agreement), and such Notice will be deemed sent or received as provided in the Contract.

8. ARBITRATION

Any dispute, claim, or controversy arising out of or in connection with this Agreement (including a dispute, claim or controversy relating to any non-contractual obligations arising out of or in connection with this Agreement) will be considered a “Dispute” under the Contract and shall be finally resolved by arbitration in accordance with the Contract.

9. GENERAL PROVISIONS

- 9.1 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 contemplated herein.
- 9.2 This Agreement does not create any right under the *Contracts (Rights of Third Parties) Act 1999* that is enforceable by any person that is not a Party. The Parties may rescind or vary the terms of this Agreement without notice to, or the consent of, any person that is not a Party.
- 9.3 All clauses of this Agreement are in force as of the Signing Date, except for clause 2.1 through 2.5 (*Assignment and Novation*) and clause 4 (*Amendments to Contract*), which will come into force on the Completion Date. The completion requirements of each of the Government, Komet and Beta 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, Komet and Beta as set forth in Annex 3.
- 9.4 The Parties may amend this Agreement only by an agreement of the Parties that identifies itself as an amendment to this Agreement. A Party may waive any provision in this Agreement only by a writing signed by such Party. Any amendment, waiver, or consent signed by the Minister of Natural Resources of the Kurdistan Region 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 or consent made on one occasion will be effective only in that instance and only for the purpose stated. A waiver or consent once given is not to be construed as a waiver or consent on any future occasion. No waiver, amendment, or consent in respect of this Agreement will constitute a waiver, amendment, or consent of any other agreement between all or any of the Parties. The representations of a Party, including in the Letters of Representations and Warranties, are not affected or waived by reason of any investigation made by or on behalf of another Party (or any of their respective advisors) or by reason that such other Party (or any of their respective advisors) knew or should have known that any such representation might be inaccurate.
- 9.5 The Parties may sign this Agreement in 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 in PDF or JPEG form by email 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. In proving this Agreement, a Party must produce or account only for the executed counterpart of the Party to be charged.
- 9.6 This Agreement is binding on each Party and its successors and assigns.

- 9.7** 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, no Party has relied upon any statement, representation, warranty, or agreement of any other Party, except for those expressly contained in this Agreement and the Letters of Representations and Warranties. There is no condition precedent to the effectiveness of this Agreement, and there are no representations or warranties, in each case except as expressly stated in this Agreement and the Letters of Representations and Warranties.
- 9.8** This Agreement shall be governed by English law.

[Signature page follows.]

For and on behalf of **Komet Group S.A.:**

Signature: 

Title: **DIRECTOR**

Name: **ANASTASIA STATI**

For and on behalf of **Beta Energy Limited:**

Signature:

Title:


Name:

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


Signature: 

Barham Salih

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 Barda Rash Assignment, Novation and First Amendment Agreement.]

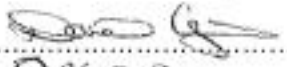
For and on behalf of **Komet Group S.A.:**

Signature.....

Title:

Name:.....

For and on behalf of **Beta Energy Limited:**

Signature..... 

Title: *Director*

Name: *DALLA COMYD*

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

[Signature page to the Barda Rash Assignment, Novation and First Amendment Agreement.]

Assignment, Novation and First Amendment Agreement – Barda Rush

Annex 1

Agreements Pertaining to Contract Area

1. Production Sharing Contract dated 20 June 2008.
3. Assignment, Novation, and First Amendment Agreement among the Government, Komet and Beta dated 27 July 2011.

Annex 2
Completion Requirements

1. The completion requirements of the Government are:
 - (a) receipt of board resolutions and signing authorities from Komet and Beta in form and content reasonably satisfactory to the Government;
 - (b) the Government is satisfied that each of the representations of Komet and Beta is true and correct as of the Signing Date and the Completion Date;
 - (c) the Government is satisfied that each of the representations and warranties set forth in each Letters of Representations and Warranties is true and correct as of the Completion Date; and
 - (d) the Government has received a fully executed copy of this Agreement.

2. The completion requirements of Beta are:
 - (a) receipt of a fully executed copy of this Agreement;
 - (b) receipt of board resolutions and signing authorities from Komet in form and content reasonably satisfactory to Beta;
 - (c) receipt of wire instructions from Komet; and
 - (d) Beta is satisfied that each of the representations of the Government and Komet is true and correct as of the Signing Date and the Completion Date.

3. The completion requirements of Komet are:
 - (a) receipt of a fully executed copy of this Agreement;
 - (b) receipt of board resolutions and signing authorities from Beta in form and content reasonably satisfactory to Komet;
 - (c) Komet is satisfied that each of the representations of Beta made to Komet are true and correct as of the Signing Date and the Completion Date; and
 - (d) receipt from Beta of the Komet First Reimbursement Payment.

Annex 3

Form of Certificate of Completion

COMPLETION DATE: _____ 2011

This Certificate of Completion is signed and delivered pursuant to the Assignment, Novation, and First 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:

- (a) affirms that the representations of such Party were true as of the Signing Date and are true as of the Completion Date;
- (b) 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
- (c) agrees that the Completion Date is the date set forth in this certificate of completion as the Completion Date and that, in accordance with clause 9.3 of the Agreement, all of the terms of the Agreement are in full force and effect as of the Completion Date.

The Parties may execute this certificate in counterparts, each of which constitutes an original, and each of which, collectively, constitutes only one certificate of completion. The signatures of all 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 certificate in the presence of each other Party. This certificate is effective upon delivery of one executed counterpart from each Party to each other Party, and is only effective when all Parties have signed and delivered their respective counterparts.

[Signature page follows.]

For and on behalf of the **GOVERNMENT OF THE KURDISTAN REGION OF IRAQ**

By:.....

Ashti Hawrami

Minister of Natural Resources

Kurdistan Regional Government

**On behalf of the Ministry of Natural Resources in the
Kurdistan Region**

KOMET GROUP S.A.

By:.....

Name:

Its:.....

BETA ENERGY LIMITED

By:.....

Name:.....

Its:

*[Signature page to Certificate of Completion – Assignment, Novation and First Amendment Agreement
– Barda Rash]*