

FIRST AMENDMENT AGREEMENT

relating to

the amendments to the Production Sharing Contract relating to the Mala Omar Block

between

THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ

and

OMV PETROLEUM EXPLORATION GmbH

TABLE OF CONTENTS

1.	DEFINITIONS AND INTERPRETATION	2
2.	VOIDING OF TPI NOMINATION LETTER	2
3.	AMENDMENTS TO CONTRACT.	3
4.	OMV PAYMENTS.....	17
5.	REPRESENTATIONS.....	18
6.	GENERAL PROVISIONS.....	19
7.	STATUS OF AGREEMENT; COMPLETION	20

ANNEX 1 Completion

ANNEX 2 Form of Certificate of Completion

FIRST 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**"); and
- (2) **OMV PETROLEUM EXPLORATION 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 OMV are parties to a Production Sharing Contract dated 6 November 2007 in respect of the Mala Omar Block in the Kurdistan Region of Iraq (the "**Contract**").
- (B) The Parties wish to procure a 100% participating interest in the Contract for OMV, and OMV wishes to have a 100% participating interest in the Contract.
- (C) To confirm a 100% participating interest for OMV, the Parties must first agree that the Government's previous exercise of the Option of Third Party Participation (as defined in the Contract) pursuant to a letter to the Contractor dated 18 July 2008 (the "**TPI Nomination Letter**") in favor of KEPCO, a Public Company (as such term is defined in the Contract), as Third Party Participant is void. The Parties are each willing to agree to deem the TPI Nomination Letter and the Government's exercise of the Option of Third Party Participation to be void and of no legal effect and that the Option of Third Party Participation has expired.
- (D) The Parties wish to amend the Contract to confirm OMV as a Contractor Entity with a 100% participating interest (subject to the Government's rights to exercise the Government Interest) and to obligate OMV and future holders of all or any participating interest (except in respect of the Government Interest) 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 its participating interest with the Capacity Building Payment obligations and the Parties are willing to agree to the appropriate amendments to the Contract.
- (E) 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.
- “**Claim**” is defined in Clause 2.4.
- “**Completion Date**” is defined in Clause 7.3.
- “**Contract**” is defined in Recital (A).
- “**Government**” is defined in the preamble.
- “**OMV**” is defined in the preamble.
- “**Third Party**” is defined in Clause 6.2.
- “**TPI Nomination Letter**” is defined in Recital (C).
- 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. VOIDING OF TPI NOMINATION LETTER

- 2.1** The Parties agree that the TPI Nomination Letter and the nomination of a Third Party Participant as set out in the TPI Nomination Letter shall be deemed for all purposes to be withdrawn and void *ab initio* and without any effect under the Contract or otherwise.
- 2.2** The Government shall cause the Public Company nominated as Third Party Participant never to make any Claim against OMV arising out of or relating to the purported nomination of such Public Company as a Third Party Participant pursuant to the TPI Nomination Letter.
- 2.3** Subject to clause 2.2, OMV waives and releases the Public Company from any Claims that OMV may have against the Government and the Public Company arising out of or relating to the nomination of the Public Company as the Third Party Participant pursuant to the TPI Nomination Letter, whether known or unknown. The waiver and release includes any Claims arising out of or related to any cash calls made by OMV to the Public Company.

- 2.4 For purposes of this Clause 2, “**Claim**” means any liability, loss, claim, counterclaim, lien, charge, cost and expense, interest, award, judgment, damages, diminution in value, fees or other charge.

3. AMENDMENTS TO CONTRACT

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

- 3.2 Recital (C) is amended by adding at the end of the paragraph before the semicolon:

“, and the Contract was amended pursuant to the First Amendment Agreement between the Parties dated 1 August 2010”

- 3.3 In Article 1.1, the definition of “**CONTRACTOR**” is amended by deleting the words “or Third Party Participant”.

- 3.4 In Article 1.1, the definition of “**CONTRACTOR Entity**” is amended by adding the following:

“At such time as the Government may exercise the Option to Participate, a holder of the Government Interest is not a **CONTRACTOR Entity**. At any time, when there is only one entity constituting the **CONTRACTOR**, any reference made in this Contract to “the entities constituting the **CONTRACTOR**” or the “**CONTRACTOR Entities**” or similar reference, shall be deemed to mean “the entity constituting the **CONTRACTOR.**” OMV as the **CONTRACTOR Entity** as at the Effective Date, owns an undivided one hundred per cent (100%) participating interest in the Contract and in the Petroleum Operations in respect of the entire Contract Area.”

- 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 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).

First Amendment Agreement means the First Amendment Agreement between the Government and OMV dated 1 August 2010.

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

Option to Participate is defined in Article 4.1.

Rights Sale is defined in Article 32.8.14(a).

Signature Bonus is defined in Article 32.1."

- 3.6 In Article 1.1 of the Contract, the definitions of "Option of Third Party Participation", "Third Party Interest" and "Third Party Participant" are deleted.
- 3.7 In the heading to Article 4 of the Contract, and in the corresponding heading in the Table of Contents, the words "Option of Government Participation and the Third Party Participation" are deleted and replaced with "Option of Government Participation".
- 3.8 Article 4.3(c) is deleted in its entirety, and restated:
- "(c) The Public Company will not have any liability to the **CONTRACTOR** to contribute its Government Interest share of all Petroleum Costs. All Petroleum Costs are the exclusive obligation of the **CONTRACTOR** Entities in accordance with each **CONTRACTOR** Entity's respective participating interests in the Contract. Each **CONTRACTOR** Entity will be entitled (through the **CONTRACTOR**) to recover all such Petroleum Costs in accordance with Article 25. The Public Company shall contribute its share of Production Bonuses attributable to the Government Interest and payable pursuant to Articles 32.3 through 32.7."
- 3.9 Articles 4.8 to Articles 4.12 of the Contract are deleted.
- 3.10 Article 4.13 is deleted and restated as the new Article 4.8:

"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."

3.11 Article 4.14 is renumbered as Article 4.9 and:

(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 4.9 as if it is a provision of this Contract;"

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

(c) in the new clause (c), the words "or Third Party Interest" are deleted.

3.12 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),".

3.13 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 its 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."

3.14 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)".

3.15 Article 27.4 is deleted and restated in its entirety:

"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 Charged Interest Holders Monthly Statement to the **GOVERNMENT** as provided in Article 32.8.2(a)."

- 3.16** 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."

- 3.17** 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 the 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 (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 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 provide to the **GOVERNMENT**, in respect of each Charged Interest Holder, a written reconciliation of the aggregate amount of its 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) for only so long as OMV is a Charged Interest Holder, annually provide a written report to OMV of the application of the proceeds of the Capacity Building Payments (including the application of proceeds from Rights Sales) in sufficient detail to permit OMV to identify the projects to which the **GOVERNMENT** has applied the Capacity Building Payments.

32.8.4 Information provided by the **GOVERNMENT** to OMV 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.
- 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 Payments- Second Tranche Instalments 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.

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 (5th) 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 or 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.

3.18 Article 39.2 is deleted and restated:

"Except as provided in Article 32.8, each **CONTRACTOR** Entity shall have the right to sell, assign, transfer or otherwise dispose of all or part of its rights and interests under this Contract to any third party (not being an Affiliated Company or another **CONTRACTOR** Entity) with the prior consent of the **GOVERNMENT** and each other **CONTRACTOR** Entity (if any), which consent shall not be unreasonably delayed or withheld. Any **CONTRACTOR** Entity proposing to sell, assign, transfer or otherwise dispose of all or part of its rights and interests under this Contract to any such third party shall request such consent in writing, which request shall be

accompanied by reasonable evidence of the technical and financial capability of the proposed third party assignee.”

3.19 In Article 39.5, the words “or the Option of Third Party Participation” are deleted.

3.20 In Article 39.6, the following is added after “Article 4”: “and Article 32.8.”

3.21 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.”

3.22 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.”

3.23 In Article 45.6, after “31,” is added “32.8”.

3.24 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.”

4 OMV PAYMENTS

OMV shall pay the Government US\$6,000,000 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.

5. REPRESENTATIONS

5.1 OMV represents:

- 5.1.1 Its entry into and performance of this Agreement have been authorised by all necessary company action.
- 5.1.2 This Agreement constitutes a valid, legal, and binding agreement of it.
- 5.1.3 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.
- 5.1.4 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 or 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.
- 5.1.5 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.
- 5.1.6 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 Iraq.

5.2 The Government represents:

- 5.2.1 The Government has not terminated the Contract and has taken no action to cause the Contract to be terminated.

- 5.2.2 Except for this Agreement and the Contract, the Government has not entered into any other agreements granting a right to conduct Petroleum Operations in the Contract Area.
 - 5.2.3 The Government is not a party to any administrative or judicial proceeding, litigation, or arbitration that is likely to materially prejudice the amendments to the Contract contemplated by this Agreement.
 - 5.2.4 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.
 - 5.2.5 The Public Company has no claims against OMV in, arising out of, or relating to the Contract or Petroleum Operations in the Contract Area.
- 5.3 Each Party makes the representations and warranties set out in this Clause 5 on the Agreement Date and on the Completion Date.

6. GENERAL PROVISIONS

- 6.1 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.
- 6.2 Except in respect of the Public Company under Clause 2.3, 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.
- 6.3 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.
- 6.4 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.
- 6.5 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 executed 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 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.

- 6.6** The Parties may execute this Agreement in two counterparts, each of which constitutes an original, and all of which, collectively, constitute only one agreement. The signatures of both 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 Party. This Agreement is effective upon delivery of one executed counterpart from a Party to the other Party. In proving this Agreement, a Party must produce or account only for the executed counterpart of the other Party.
- 6.7** If this Agreement is reasonably proven to have been obtained by OMV in violation of Kurdistan Region Law or the laws of the Federal Republic of Iraq concerning corruption, this Agreement shall be deemed void *ab initio*.
- 6.8** This Agreement (and any non-contractual obligations arising out of or in connection with it) is governed by English law.

7. STATUS OF AGREEMENT; COMPLETION

- 7.1** Clauses 1 (*Definitions and Interpretation*), 5 (*Representations*), 6 (*General Provisions*), and this Clause 7 come into force on the Agreement Date.
- 7.2** The remaining Clauses of this Agreement other than those listed in Article 7.1 will come into force on the Completion Date.
- 7.3** The requirements for completion are set forth in Annex 1. The **Completion Date** means and will be the date set forth in a certificate of completion signed by the Minister of Natural Resources and OMV in the form and content as set forth in Annex 2.
- 7.4** If the Completion Date has not occurred by 31 August 2010, or such later date as the Government may set, then either the Government or OMV may terminate this Agreement with immediate effect by notice to the other Party. If OMV has made any payments pursuant to this Agreement prior to termination of this Agreement, the recipient shall promptly return such payment to OMV.
- 7.5** On termination of this Agreement under this Article 7, each Party will be discharged from any further obligations or liabilities under this Agreement, except for a claim

against any Party other than the Government arising from or related to a misrepresentation under Clause 5.

[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 Petroleum Exploration GmbH:**

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

[Signature page to the First Amendment Agreement - Mala Omar]

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 Petroleum Exploration GmbH:**

Signature: .....
Title: **General Manager**.....
Name: **General Manager**.....


Finance Manager
Kilencsi Hajdó Péter

[Signature page to the First Amendment Agreement - Mala Omar]

Annex 1

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 in form and content reasonably satisfactory to the Government; and
 - (c) the Government is satisfied that each of the representations of OMV made to the Government are true and correct as of the Agreement Date and 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 the Government; and
 - (c) OMV is satisfied that each of the representations of the Government made to OMV are true and correct as of the Agreement Date and the Completion Date.

Annex 2

Form of Certificate of Completion

COMPLETION DATE: _____ 2010

This Certificate of Completion is signed and delivered pursuant to Clause 7.3 of the 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:

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 Party 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 7.2, all of the terms of the Agreement are in full force and effect.

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

[Signature page follows.]

For and on behalf of **OMV Petroleum Exploration GmbH:**

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 Certificate of Completion - Mala Omar}