DATED

16 July 2009

ASSIGNMENT, NOVATION AND AMENDMENT AGREEMENT

relating to

the assignment of the Third Party Interest under the Production Sharing Contract
relating to the Ber Bahr Block

between

THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ

and

GENEL ENERGY INTERNATIONAL LIMITED

and

GULF KEYSTONE PETROLEUM INTERNATIONAL LIMITED
THIS ASSIGNMENT, NOVATION AND AMENDMENT AGREEMENT is entered into on 16 [7] 2009 (the “Completion Date”).

BETWEEN

PARTIES

(1) THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ, duly represented by His Excellency the Minister of Natural Resources Dr. Ashti Hawrami, and hereinafter referred to as the “Assignor”;

(2) GENEL ENERGY INTERNATIONAL LIMITED, a company established and existing under the laws of British West Indies, whose registered office is at Caribbean Suites, The Valley, Anguilla, British West Indies TV1 1IP, duly represented by its Chief Executive Officer and Director, Mehmet Sepil, and hereinafter referred to as “Genel”; and

(3) GULF KEYSTONE PETROLEUM INTERNATIONAL LIMITED a company established and existing under the laws of Bermuda, and having its registered office is at Milner House, 18 Parliament Street, P.O. Box HM 1561, Hamilton HM FX, Bermuda, duly represented by its Executive Chairman, Todd Kozel, and hereinafter referred to as the “Assignee”.

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

BACKGROUND

(A) A Production Sharing Contract (hereafter referred to as the “Contract”) in respect of Petroleum Operations relating to the Ber Bahr Block in the Kurdistan Region of Iraq was executed on [ ] 2009 between the Assignor and Genel as CONTRACTOR;

(B) Article 4,6 of the Contract provides for an option, held by the Assignor, of assigning an interest in the Contract, defined in the Contract as the Third Party Interest, of up to forty per cent (40%);

(C) The Assignor wishes to assign the entirety of the Third Party Interest, namely an undivided interest of forty per cent (40%) as a CONTRACTOR Entity in all of the rights, duties, obligations and liabilities under and in the Contract (save as provided in and subject to Article 4 of the Contract) pursuant to Article 4,6 of the Contract (hereafter the “Assigned Interest”), and the Assignee wishes to accept such rights, duties, obligations and liabilities under and in the Contract in so far as they relate to the Assigned Interest; and
(D) Subject to this Agreement, the Assignor wishes to be released and discharged from the Contract in relation to the assignment of the Assigned Interest and the novation of the Contract, and the Assignee and Genel wish to release and discharge the Assignor in relation to the Assigned Interest upon the terms of the Assignee's undertaking to perform the Contract and be bound by the terms of the Contract in relation to the relevant Assigned Interest.

AGREED TERMS

1. DEFINITIONS AND INTERPRETATION

1.1 Unless otherwise defined herein (including the recitals) capitalized terms have the meanings ascribed to them in the Contract and in the Amendment and Relinquishment Agreement. Article 1.2 of the Contract shall apply hereto mutatis mutandis.

2. NOVATION

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

2.2 With effect from the Completion Date, subject to Article 2.3 and Article 3 below, the Assignee undertakes to each of the Assignor and Genel to perform all of the Assignee’s obligations under the Contract and be bound by the terms of the Contract in every way as if the Assignee had been a party to the Contract as a CONTRACTOR Entity in respect of the Assigned Interest, on and from the Effective Date, provided that the Assignee will not be liable for:

(a) any proportion of Government Interest share of the CONTRACTOR's Petroleum Costs; and

(b) the Excluded Payments (as defined in Article 4.3) prior to, as at, or following the Completion Date and

(c) any of the Assigned Interest Share of Petroleum Costs from the Effective Date to the Completion Date

2.3 Nothing in this Agreement shall affect or prejudice any claim or demand which either the Assignor or Genel may have in connection with the Assigned Interest against the other relating to matters prior to the Completion Date.

2.4 It is hereby agreed that the Contract shall continue in full force and effect and that, as from the Completion Date, its terms have only changed to the extent set out in this Agreement.

2.5 The Assignee together with Genel (as CONTRACTOR Entities under the Contract) jointly and severally covenant with and in favour of the Assignor that they will perform and observe the terms and conditions contained in the
Contract and on the part of the CONTRACTOR to be performed and observed.

3. **AMENDMENTS TO THE CONTRACT**

3.1 The Parties agree that the following amendments set out in this Article 3 shall be made to the Contract with effect from the Completion Date.

3.2 On the Completion Date, the Assignee shall, by virtue of this Agreement and pursuant to the provisions of the Contract, become a CONTRACTOR Entity under the Contract.

3.3 Amendments to the Contract

3.4 (a) The first paragraph of the Contract setting out the parties shall be amended so as to read:

"BETWEEN AND AMONG

THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ, in Dohuk, Kurdistan Region, the Republic of Iraq (the “Government”);

AND

GENEL ENERGY INTERNATIONAL LIMITED, a company established and existing under the laws of British West Indies, whose registered office is at Caribbean Suites, The Valley, Anguilla, British West Indies TV1 1IP;

AND

GULF KEYSTONE PETROLEUM INTERNATIONAL LIMITED, a company established and existing under the laws of Bermuda, and having its registered office is at Milner House, 18 Parliament Street, P.O. Box HM 1561, Hamilton HM FX, Bermuda;”

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

“GENEL ENERGY INTERNATIONAL LIMITED and GULF KEYSTONE PETROLEUM INTERNATIONAL LIMITED as the CONTRACTOR Entities as at the Effective Date, own an undivided interest in the Petroleum Operations in respect of the entire Contract Area in the following percentages at the Effective Date:
GENEL ENERGY INTERNATIONAL LIMITED  40%

GULF KEYSTONE PETROLEUM INTERNATIONAL LIMITED  40%""

(c) The following provisions shall follow the existing provisions of Article 44 of the Contract:

"Gulf Keystone Petroleum International Limited

Attention:
Chief Executive Officer

Address:
Milner House,
18 Parliament Street,
P.O. Box HM 1561,
Hamilton HM FX,
Bermuda

Copy to:
Chief Executive,
c/o Gulf Keystone (UK) Limited,
18 Berkeley Street,
London W1J 8DZ

Email: tkozel@gulfkeystone.com"

4. PAYMENT PROVISIONS

4.1 (a) On the Completion Date, the Assignee shall be liable for and shall be obliged only to pay its Assigned Interest share of Petroleum Costs accrued on and from the Completion Date.

(b) Following the Completion Date, and until the Joint Operating Agreement is entered into, Genel shall upon prior agreement of the Assignee and following receipt of the Annual Budget and any AFE for any proposed Joint Operations, be entitled to invoice the Assignee for its Assigned Interest share of all Petroleum Costs incurred in the period after the Completion date and to cash call the Assignee for all Petroleum Costs anticipated to be incurred in each calendar month.

(c) The Assignee shall be liable to pay the Assignor upon the entry into of the Joint Operating Agreement its Assigned Interest share of all other
operating costs, expenditures and Operator’s administration and
overhead charges, which are not Petroleum Costs, and which are
payable under the Joint Operating Agreement on and from the
Completion Date.

4.3 The Parties agree that the Assignee shall not be liable for any proportion of
Government Interest share of the CONTRACTOR’s Petroleum Costs.

4.4 The Parties agree that the Assignee shall not be liable to Genel or the Assignor
for any Signature Bonus, (the “Excluded Payments”).

5. REPRESENTATIONS, WARRANTIES AND COVENANTS

5.1 The Assignee represents and warrants that as at the Completion Date it is
financially and technically capable of fulfilling its duties and obligations under
the Contract; and the Assignee agrees to provide within thirty (30) days of the
Completion Date a guarantee to the Assignor pursuant to Article 9.1 of the
Contract to cover its CONTRACTOR Entity interest share of the outstanding
Minimum Financial Commitment for the First Sub-Period in a form acceptable
to the Assignor.

5.2 Genel hereby confirms to the Assignee that as at the Completion Date it has
received reasonable evidence of the Assignee’s technical and financial
capability to discharge the obligations of CONTRACTOR Entity under the
Contract and a Joint Operating Agreement in respect thereof.

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

5.4 (a) Each of the Assignor and Genel represents and warrants to the
Assignee that as at the Completion Date it has the power and authority
to enter into this Agreement and that no Joint Operating Agreement
has been or will be entered into prior to the Completion Date.

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

6. MISCELLANEOUS

6.1 Articles 36, 39, 41, 42, 43, 44 (as amended) and 46 of the Contract shall apply
to this Agreement mutatis mutandis.
6.2 Following the Completion Date, Genel and the Assignee shall meet as soon as reasonably practicable to agree and enter into a Joint Operating Agreement which shall be completed no later than 2 months from the Completion Date.

7. COUNTERPARTS

This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.
This Agreement has been signed by the duly authorised representatives of the Parties on the Completion Date.

For and on behalf of Genel:

GENEL ENERGY INTERNATIONAL LIMITED

Signature .............................................

For and on behalf of the Assignee:

GULF KEYSTONE PETROLEUM INTERNATIONAL LIMITED

Signature .............................................

For and on behalf of the Assignor

THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ

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

Signature .............................................
Ashti Hawrami