WesternZagros Announces Third Quarter 2014 Operational and Financial Results

27.11.2014 | Marketwired

CALGARY, ALBERTA--(Marketwired - Nov 27, 2014) -

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WesternZagros Resources Ltd. (TSX VENTURE:WZR) ("WesternZagros" or the "Company") today released its operating and financial results for the third quarter ended September 30, 2014, and additional key highlights and activities to date. They include:

Key highlights and developments:

- Successfully completed its rights offering generating net proceeds of Cdn$200 million. The Company issued an aggregate of 32,937,293 common shares of the Company at a subscription price of Cdn$0.65 per share pursuant to the rights offering, including 7,868,629 common shares to Crest Energy International LLC ("Crest"). In addition, Crest purchased 274,755,015 non-voting Class A preferred shares, Series 1, of the Company at a price of Cdn$0.65 per share on a private placement basis pursuant to the equity backstop agreement between the Company and Crest dated August 14, 2014. As a result, there are now a total of 511,894,803 common shares and 274,755,015 preferred shares issued and outstanding. In addition, Crest has also agreed to provide debt financing of up to $200 million available to be drawn in two separate tranches: $150 million beginning in October 2015 and $50 million beginning in June 2016. Proceeds will be used to fund development costs on the Kurdamir and Garmian Blocks and for general and administrative purposes.
- Successfully completed the workover of the Sarqala-1 well on the Garmian Block to increase the flow capacity of the well. The well tested at rates of up to 11,500 bbl/d of 40 degree API oil.
- Commenced testing at the Hasira-1 well from the Mio-Oligocene Reservoir, a second reservoir in the Sarqala oilfield of the Garmian Block. Results are anticipated in late Q4 2014 or early Q1 2015.
- Advanced the Garmian Block development plan with our co-venturer, Gazprom Neft Middle East B.V. ("Gazprom Neft") and the Kurdistan Regional Government ("KRG") Management Committee. Approval of the plan is anticipated prior to the end of 2014. The development plan includes three phases that target oil production of 25,000 to 35,000 barrels per day.
- Established Proved plus Probable Reserves for the first time by completing an independent evaluation of the Company's light oil discovery on the Garmian Block. This evaluation recognized an initial 12 million barrels of gross Proved plus Probable light oil Reserves (5 million barrels gross to the Company's working interest) as at September 1, 2014, although this represents only a small portion of the potential of the Sarqala Discovery. The estimated net present value of future net revenue associated with the Company's working interest share of these Reserves is $75 million, at a 10 percent discount rate.
- Completed independent preliminary partial economic assessments of the Company's interests in the light oil discoveries on both the Garmian and Kurdamir blocks in September 2014. For the Kurdamir Block, the net present value of future net revenue associated with the Company's current unrisked gross working interest best estimate of Contingent Resources of 288 million barrels of oil equivalent ("MMboe") in the Oligocene reservoir and 82 MMboe in the Eocene reservoir was calculated by Sproule International Limited ("Sproule") to be $1.6 billion, at a 10 percent discount rate. For the Garmian Block, the net present value of future net revenue associated with the Company's current unrisked gross working interest best estimate of Prospective Resources of 24 million barrels of oil in the Jeribe/Upper Dhiban reservoir (excluding any potential extension of the southwest flank of this reservoir) was calculated by Sproule to be $347 million, at a 10 percent discount rate.
- Filed a development plan for the Kurdamir Block that included two initial phases of development to secure early oil and gas production. Additional consultation is taking place with the KRG Ministry of Natural Resources to redefine the development plan prior to approval.

Commenting on the third quarter results and subsequent events, WesternZagros's Chief Executive Officer

Simon Hatfield said:

"We are well advanced with our transition from exploration and appraisal to development and production. There's reportedly 300,000 bbl/d of Kurdish crude currently flowing to Ceyhan, an anticipated increase to 500,000 bbl/d by the end of 2014, and the recent interim deal reached between Baghdad and Erbil on oil exports. To help the KRG achieve their targets, our immediate focus remains on establishing near-term production from the Sarqala-1 well, which we expect to occur early in 2015 following the KRG's approval of our development plan. As part of this push for early production and cash flow, we're in the process of increasing our processing capability up to 15,000 bbl/d of oil. We're also advancing a number of broader development activities to expand the long-term, high growth potential of our resources. Our strong balance sheet, operational history and on-the-ground experience gives us confidence we can steadily grow production and cash flow, and prove up significant additional quantities of resources."

"As a result of our recent financing activities, we have strengthened our balance sheet and demonstrated a longer-term capability and commitment to investing in the future development of our discoveries. Our current financial foundation, when combined with our high quality asset base, emphasizes the significant value potential of our substantial, light oil resources."

"We are proud of the success we have achieved to date, including our first booking of Reserves at Sarqala, and are building an inventory of world-class resources. We are excited by the long-term potential that both of our blocks hold for our Company and all stakeholders. Specifically, I want to thank all shareholders who recently participated in the rights offering and those who continue to provide ongoing support to WesternZagros. We look forward to reporting on our next phase of growth."

A summary of the activities, the financial statements the accompanying Management Discussion and Analysis ("MD&A") are available at www.westernzagros.com and on SEDAR at www.sedar.com.

Operations Summary

WesternZagros's assets comprise two contract areas, the Garmian and Kurdamir blocks, with significant oil and gas discoveries on both and an estimated 2.2 billion BOE of unrisked Prospective Resources (gross block combined mean estimate) remaining for future appraisal.

Operated Joint Venture: Garmian Block

On October 16, 2014, the Company successfully completed the workover of the Sarqala-1 well. The purpose of the workover was to install larger tubing to replace the subsurface safety valve and increase the flow capacity of the well. The Company tested the well at rates of up to 11,500 barrels per day ("bbl/d") of 40 degree API oil from the Jeribe/Upper Dhiban reservoir. The Sarqala-1 well previously produced over one million barrels of light oil at an average flow rate of 5,000 bbl/d of oil during an extended well test in 2011 and 2012. The new flow rate of 11,500 bbl/d was reached after two days of flowing and stabilizing the well at progressively bigger choke sizes prior to the final flow. The final flow rate was achieved on a one inch choke with a wellhead pressure of 2,155 pounds per square inch. No stimulation was applied to the reservoir; however, it remains an option to do so at a later date. As during the previous extended well test, this current test produced no hydrogen sulphide gas or formation water.

The rig that performed the successful Sarqala-1 workover has been moved to the Hasira-1 well where preparations are underway to test the light oil discovery in the Mio-Oligocene reservoir. Results are expected in late Q4 2014 or early Q1 2015. Following a successful test, the Hasira-1 well will be tied-in to the existing Garmian production facility. The Hasira-1 well was suspended on May 25, 2014 after reaching a total depth of 4,181 metres, and after drilling through both the Jeribe and Mio-Oligocene reservoirs. Logging and initial open hole tests have confirmed light oil in both the reservoirs. The open hole test in the Mio-Oligocene reservoir produced oil to surface during an initial clean-up flow; however, the test was prematurely terminated after six hours due to formation debris plugging the tubing. Estimated rates from the clean-up flow period were 3,000 bbl/d of fluid, with up to 40 percent oil cut and the balance being drilling fluids. The oil that flowed was consistent with the oil produced from Sarqala-1; approximately 40 degree API and no indications of hydrogen sulphide or formation water.

Facility upgrades are underway and expected to be completed by year end to increase processing capacity from 10,000 bbl/d up to 15,000 bbl/d. After receiving approval from the KRG, the Company anticipates commencing oil sales into the domestic market or into the export market via the Kurdistan Region-Turkey pipeline. WesternZagros is making good progress in discussions with the KRG on the Garmian development plan that was submitted in June 2014.

Preparations continue for the first two development wells on the Sarqala oilfield which are anticipated to spud in the first half of 2015.

Non-Operated Joint Venture: Kurdamir Block

On November 4, 2014, the Company announced that the KRG has requested changes to the development plan submitted on August 31, 2014. WesternZagros and Talisman are now in consultation with the Ministry of Natural Resources of the KRG to redefine the development plan. During this review period, operations on the Kurdamir Block and the drilling of the Kurdamir-4 well will be deferred. Future drilling plans will align with the redefined development plan once approved by the KRG.The Company estimates that as at February 10, 2014, the Kurdamir discovery contains unrisked Contingent Resources of 541 million barrels of oil and Prospective Resources of 1.3 billion barrels of oil (both gross block combined mean estimates). Future expansion phases will be determined based on the results from the planned development drilling campaign.

The Company continues to monitor the progress and results from third-party wells that are drilling in the Kurdamir structure on neighbouring blocks and results of both wells will be integrated into its future plans. In Talisman's Topkhana Block to the northwest, the extensive well testing of the Topkhana-2 well has been completed. The results were consistent with the results of the Kurdamir-2 well test, in terms of fluid rates and composition, and indicated an oil interval based on pressure data. The Massoyi-1 well, currently being tested by Korea National Oil Corporation on its neighbouring Sangaw South Block to the north of the Kurdamir Block, is targeting the Oligocene and Eocene reservoirs.

Resources Update

On October 1, 2014, the Board of Directors approved reports provided by Sproule International Limited ("Sproule") related to the Company's reserves and resources, including;

1. a reserves report reclassifying the Contingent Oil Resources for the Garmian Block as Reserves as of September 1, 2014,
2. a calculation, as of September 1, 2014, of the estimated net present values of future net revenue attributable to such Reserves and to the Company's interest in certain remaining Prospective Oil Resources on the Garmian Block which volumes were previously audited by Sproule as of July 1, 2014, and;
3. an economic analysis, as of September 30, 2014, of the conceptual development plan for the Kurdamir Block, including a calculation of the estimated net present values of future net revenue attributable to the Contingent Resources on the Kurdamir Block previously audited by Sproule.

The table below summarizes the Company's Reserves, Contingent Resources and Prospective Resources for the Garmian Block and the Kurdamir Block. The net present value at a 10 percent discount rate ("NPV10") calculated for the Garmian Block and the Kurdamir Block are based on the initial development plans that have been submitted to the Ministry of Natural Resources of the KRG and the Company's conceptual development plans for the Contingent Resources in the Oligocene and Eocene reservoirs at Kurdamir. The Reserves, Prospective Resources and economic valuations for the Garmian Block as shown below consider oil volumes only and do not consider gas volumes as, under the Garmian PSC, the KRG has the right to develop these resources. The Company and the KRG continue discussions on the development of the gas and the potential for the Company to participate in this development.

Company's Reserves, Contingent Resources and Prospective Resources Summary

Reserves[1]		Gross Block	Working Interest (Gross) [5]		
License	Reservoir (Classification)	(MMbbl)	(MMbbl)	(MMBOE)	NPV10 US$ million[7]

Garmian	Jeribe/Upper Dhiban	1P (6)	3	1	1	33
		2P(6)	12	5	5	75
		3P(6)	23	9	9	216
Contingent Resources (2)			Gross Block	P50 (Best Estimate) Working Interest (Gross)		
License	Reservoir		(MMbbl)	(MMbbl)	(MMBOE)	NPV10 US$ million(7)
Kurdamir	Tertiary Oligocene		366	146	288	
	Tertiary Eocene		138	55	82	1,555 (7)
Prospective Resources			Gross Block	P50 (Best Estimate) Working Interest (Gross)		
License	Reservoir		(MMbbl)	(MMbbl)	(MMBOE)	NPV10 US$ million(7)
Kurdamir (3)	Tertiary Oligocene		1004	402	470	(8)
	Tertiary Eocene		91	36	47	(8)
	Cretaceous		108	43	69	(8)
Garmian (4)	Jeribe/Upper Dhiban (below lowest known oil)		61	24	24	347
	Jeribe/Upper Dhiban (potential extension southwest flank)		87	35	35	(8)
	Upper Fars		63	25	25	(8)
	Mio-Oligocene		41	16	16	(8)
	Eocene		33	13	13	(8)
	Cretaceous		5	2	2	(8)

Notes:

(1) As at September 1, 2014.

(2) As at February 10, 2014 with respect to the Oligocene reservoir and as at February 8, 2013 with respect to the Eocene and Cretaceous reservoirs. Contingent Resources estimates are volumetric estimates prior to economic calculations. However, as a result of the conceptual development plan utilized for the economic calculations, the Best Estimate of Contingent Oil Resources volumes associated with the Oligocene reservoir was reduced from 146 MMbbl to 133 MMbbl to reflect the impact of early gas production and sales to the ultimate oil recovery.

(3) As at February 10, 2014 with respect to the Oligocene reservoir and as at February 8, 2013 with respect to the Eocene and Cretaceous reservoirs.

(4) As at July 1, 2014 with respect to the Jeribe/Upper Dhiban reservoir (below lowest known oil) for the Garmian Block, as at February 8, 2013 with respect to the remainder of the reservoirs.

(5) Working Interest (Gross) Reserves are estimated based on economically recoverable volumes within the development/exploitation period specified in the Garmian PSC.

(6) The classifications shown are Proved (1P), Proved plus Probable (2P) and Proved plus Probable plus Possible (3P). Possible Reserves are those additional Reserves that are less certain to be recovered than Probable Reserves. There is a 10 percent probability that the quantities actually recovered will equal or exceed the 3P Reserves. Previously the Company had recognized Gross Block Contingent Resources (oil) of 9 MMbbl on a P90 (low estimate) basis, 21 MMbbl on a P50 (best estimate) basis and 44 MMbbl on a P10 (high estimate) basis that were prepared as at February 8, 2013.

(7) After-tax net present value of future net revenue associated therewith using forecast prices and costs and a 10 percent discount rate. Working Interest Contingent Resources and Prospective Resources estimates used to calculate future net revenue are estimated based on the economically recoverable volumes within the development/exploitation period specified in the PSCs. The estimated net present values disclosed do not represent fair market value.

(8) The Company is in the process of completing conceptual development plans for the additional Prospective Resources on the Kurdamir and Garmian Blocks as well as an economic evaluation of these reservoirs and their associated volumes. The Company, as it continues its delineation of the remainder of the Prospective Resources and prepares conceptual development plans for these Prospective Resources, will complete additional economic evaluations with Sproule.

Financial

As at September 30, 2014, WesternZagros had $21.2 million in working capital. Subsequent to September 30, 2014, the Company completed its previously announced rights offering and related equity backstop with gross proceeds to the Company of Cdn$200 million. The Company is fully funded for planned operations through 2015.

As a result of the rights offering which closed subsequent to September 30, 2014, the conversion price for the convertible notes has now been adjusted to Cdn$1.44 per Common Share and the number of Common Shares issuable upon conversion of the Convertible Notes is now 694.4444 Common Shares for each Cdn$1,000 principal amount of the convertible notes (up from 689.6552 Common Shares).

WesternZagros's share of exploration and evaluation ("E&E") expenditures during the first nine months of 2014 included 50 percent of Garmian Block costs and 60 percent of Kurdamir Block costs. WesternZagros's share for these activities and other capitalized costs was as follows:

Wells	Activity	$MM
Hasira-1	Drilling	12.1
Baram-1	Drilling	3.6
Kurdamir-4	Long lead items & planning	7.5
Sub-total - drilling		23.2
Kurdamir-2	Extended well test	5.6
Sarqala-1	Workover	8.9
	Drilling long lead items and site costs	12.0
	Development planning	2.8
	Local office and production sharing contract related costs	14.2
Sub-total - appraisal & development planning		43.5
Total		66.7

During the third quarter of 2014, initial Reserves were recognized by an independent reserves evaluator for the first time as of September 1, 2014 in relation to the Sarqala light oil discovery. In accordance with IFRS and the Company's accounting policies, applicable Garmian Block exploration and expenditures of $31.6 million were tested for impairment and then reclassified as oil and gas assets within property, plant and equipment, including assets related to provisions for decommissioning liabilities. Subsequent to the transfer of oil and gas assets, the Company capitalized its 50 percent share of the applicable Garmian Block asset expenditures for the month of September 2014 of $2.0 million, which was comprised of Sarqala workover and related site costs.

Strategic

WesternZagros established a Special Committee of the Board of Directors earlier in 2014 to evaluate the various financing and strategic alternatives available to the Company given the progression towards development and the additional future funding required.

After having evaluated a broad range of alternatives, WesternZagros announced on August 14, 2014, that it would undertake an equity rights offering to holders of common shares of the Company ("Common Shares") supported by a comprehensive equity arrangement and a separate debt financing arrangement from its largest shareholder, Crest. The proceeds from these financing transactions will be used to fund the development of the Company's two major oil discoveries on the Kurdamir and Garmian blocks.

On November 18, 2014, the Company completed the rights offering generating gross proceeds of Cdn$200 million, including the equity backstop provided by Crest. Through its equity backstop agreement, Crest has funded Cdn$183.7 million of the proceeds and now holds 101,867,066 million (19.9 percent) of the outstanding Common Shares and 274,755,015 million (100 percent) of the Company's non-voting Class A Preferred Shares, Series 1. In addition, Crest has also agreed to provide debt financing of up to $200 million available to be drawn in two separate tranches: $150 million beginning in October 2015 and $50 million beginning in June 2016. Proceeds will be used to fund the development of the Company's two major oil discoveries on the Kurdamir and Garmian blocks and for general and administrative purposes.

Outlook

Development Plans

The Company is executing on phased development plans for its two significant oil and gas fields on the Garmian Block and the Kurdamir Block. The Company, the Company's co-venturers and the KRG are continuing discussions with respect to advancing development plans to maximize production and cash flow and balance capital expenditures. The Company's overall development philosophy for the PSC lands is based on a phased expansion strategy: maximize production through increasing processing facilities and production capabilities and drilling. Management believes that this phased development will increase production and cash flow and manage the Company's capital investment.

Garmian Development

The Garmian development plan was submitted to the KRG on June 19, 2014, and the Company is actively engaged with the KRG to finalize approval of the plan. The Garmian development plan contemplates the commencement of production from the Sarqala-1 well at rates of up to 10,000 bbl/d and the potential tie-in of the Hasira-1 well, subject to testing results, utilizing the existing production facilities. The existing early production facilities ("EPF") at Sarqala are capable of processing up to 10,000 bbl/d, with upgrades underway to increase the processing capacity up to 15,000 bbl/d.

The planned development drilling program will also delineate the Prospective Resources within both the shallower Jeribe and the deeper Mio-Oligocene mapped seismic anticlinal structures. Based on the results of the ongoing development program, additional production facilities will be sized appropriately. With success, the Company believes that the current Best estimates of Contingent Resources (2C basis) and Gross Prospective Resources (P50 basis) for the Garmian Block could ultimately support a project with 35,000 to 50,000 bbl/d of oil production.

The development plan submitted to the KRG is outlined below. The final development plan is subject to KRG approval and the final costing is subject to field sizing, final engineering and tendering.

Phase 1 - Upgrade to 15,000 bbl/d production facility in 2014: Complete the Sarqala-1 workover, test and potentially tie-in the Hasira-1 well, and upgrade the existing EPF from 10,000 bbl/d capacity to a total capacity of 15,000 bbl/d, including the necessary equipment for truck loading. It is anticipated that these activities will be completed by late 2014 with a total estimated net capital cost to the Company of $45 to $50 million.

Phase 2 - Drill two horizontal or deviated wells in 2015: Drill the first two development wells (Sarqala-2 and Sarqala-3), install centralized storage and loading facilities, and begin the front end engineering and design ("FEED") work for an incremental 25,000 to 35,000 bbl/d central processing facility ("CPF") for oil. This phase of development work is anticipated to occur in 2015 with estimated net capital costs to the Company of $45 million to $50 million.

Phase 3 - Construct 25,000 to 35,000 bbl/d production facility and drill two horizontal or deviated wells in 2016: Construct and commission the CPF to a capacity of 25,000 to 35,000 bbl/d and continue drilling development and delineation wells. The plan contemplates two additional horizontal or deviated development wells during this phase, utilizing a single rig. This drilling program may be accelerated based upon results from the first two development wells. This phase of development work is anticipated to occur in 2015 and 2016 with estimated net capital costs to the Company of $125 million to $130 million. The Company is advancing gas utilization discussions with the KRG to minimize flaring and to provide associated gas from oil production to fuel domestic electrical power production. A pipeline is contemplated to transport the associated gas to a processing facility to be constructed on the Garmian Block by the KRG.

Additional phases may be required as future development wells determine the ultimate resource and production potential of the Jeribe and Oligocene reservoirs on the Garmian Block.

Based on the phased development plan, the table below depicts the expected schedule of facility development for oil processing for the Garmian Block and the estimated capital costs. First production is anticipated by early 2015 following completion of the Sarqala-1 workover, facility upgrades and approval of the Garmian development plan. The Sarqala-1 well produced approximately one million barrels of high quality, light, low sulphur 40 degree API crude in 2011 and 2012 under an extended well test at a rate of 5,000 bbl/d utilizing the existing EPF. The production was trucked into the domestic market and approximately 88,000 barrels were trucked to the export pipeline terminal at Khurmala. The Sarqala-1 workover increased the tubing size and completed the necessary reservoir stimulation to increase flow rates up to 10,000 bbl/d. The service rig has now been moved to test and complete the Hasira-1 exploration well, which, if successful, is expected to be tied into and utilize the upgraded processing capacity of the EPF.

Commitment to subsequent phases, including construction of the CPF will be dependent on the results of, and the ability to monetize production from, phases 1 and 2.

Garmian Block	2014	2015	2016
Phase 1			
EPF Capacity (bbl/d)[1]	10,000*	15,000	15,000
Wells	Sarqala-1, Hasira-1		

Phase 1 Capital (U.S.$M)	32	18	-
Phase 2			
Wells		Sarqala-2, Sarqala-3	
Phase 2 Contingent Capital	-	50	-
Phase 3			
CPF Capacity (bbl/d)[2]			25-35,000 Sarqala-4, Sarqala-
Wells			5+
Phase 3 Contingent Capital (U.S.$M)		40	90
Total Capital (U.S.$M)[3]	32	108	90
Total Production Capacity (bbl/d)	10,000	15,000	40-50,000

Notes:

* green shaded areas denote drilling and construction phases

(1) First production anticipated in the fourth quarter of 2014.

(2) First production anticipated in the fourth quarter of 2016.

(3) The final development plan is subject to KRG approval. Capital costs are subject to change based on field sizing, final engineering and tendering.

Kurdamir Development

On the Kurdamir Block, the Declaration of Commerciality was filed on August 19, 2014 and the Company and Talisman submitted the development plan to the KRG on August 31, 2014. On November 4, 2014, WesternZagros announced that additional consultation will take place with the Ministry of Natural Resources of the KRG to refine the development plan for the Kurdamir Block prior to approval. During this time, the drilling of the Kurdamir-4 well will be deferred. Timing, scope and costs will be updated once the revised development plan has been approved.

Based on the development plan as originally submitted, management estimates the peak production rate for the Kurdamir field to be in the range of 110,000 to 150,000 bbl/d based solely upon the development of the Best estimate (2C) of Contingent Resources in both the Oligocene and Eocene reservoirs of the Kurdamir Block.

Summary of Fourth Quarter 2014 Spending

The Company's portion of planned expenditures relating to Garmian and Kurdamir block activities for the remainder of 2014 include $5 million for the Hasira-1 completion; $10 million related to the initial commencement Kurdamir-4 well which was subsequently deferred part way through the quarter; $12 million for advancing development activities on the Garmian and Kurdamir blocks, including the Sarqala loading facility, future wells and other long lead items; $7 million for supervision, local office costs and other Garmian and Kurdamir PSC-related costs; and $8 million for corporate operating and interest expenses.

Liquidity and Capital Resources

As at September 30, 2014, WesternZagros had $21.2 million in working capital. WesternZagros invests its cash and cash equivalents and short-term investments with major Canadian financial institutions with investment grade credit ratings and in Government of Canada instruments in accordance with an Investment Policy approved by the Board of Directors. The other income generated during the interim period ended September 30, 2014, was comprised entirely of interest earned on cash and cash equivalent balances and short-term investments. Subsequent to September 30, 2014, the Company completed its previously announced rights offering and related equity backstop with gross proceeds to the Company of Cdn$200 million.

About WesternZagros Resources Ltd.

WesternZagros is an international natural resources company focused on acquiring properties and exploring for, developing and producing crude oil and natural gas in Iraq. WesternZagros, through its wholly-owned subsidiaries, holds a 40 percent working interest in two Production Sharing Contracts with the Kurdistan Regional Government in the Kurdistan Region of Iraq. WesternZagros's shares trade in Canada on the TSX

Venture Exchange under the symbol "WZR".

This news release contains certain forward-looking statements relating to, but not limited to, operational information, future development plans and the timing and estimated costs associated therewith, future production capability and capacity of wells and facilities, potential additions to Contingent Resources, estimated commitments under the Company's Production Sharing Contract for the Kurdamir area ("Kurdamir PSC") and Production Sharing Contract for the Garmian area ("Garmian PSC"), and planned expenditures. Forward-looking information typically contains statements with words such as "anticipate", "estimate", "expect", "potential", "could", or similar words suggesting future outcomes. The Company cautions readers and prospective investors in the Company's securities to not place undue reliance on forward-looking information as, by its nature, it is based on current expectations regarding future events that involve a number of assumptions, inherent risks and uncertainties, which could cause actual results to differ materially from those anticipated by WesternZagros. Readers are also cautioned that disclosed test rates and results are not necessarily indicative of long-term performance or of ultimate recovery.

Forward looking information is not based on historical facts but rather on management's current expectations as well as assumptions made by, and information currently available to management, concerning, among other things, outcomes of future well operations, plans for and results of extended well tests and drilling activity, future capital and other expenditures (including the amount, nature and sources of funding thereof), future economic conditions, future currency and exchange rates, continued political stability, continued security in the Kurdistan Region, timely receipt of any necessary co-venturer, government or regulatory approvals, the successful resolution of disputes, the Company's continued ability to employ qualified staff and to obtain equipment in a timely and cost efficient manner, the participation of the Company's co-venturers in joint activities, and the ability to sell production and the prices to be received in connection therewith. In addition, budgets are based upon WesternZagros's current development plans and anticipated costs, both of which are subject to change based on, among other things, the actual outcomes of well operations and the installation and commissioning of facilities, unexpected delays, availability of future financing and changes in market conditions. Although the Company believes the expectations and assumptions reflected in such forward-looking information are reasonable, they may prove to be incorrect. Forward-looking information involves significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from those anticipated by WesternZagros including, but not limited to, risks associated with the oil and gas industry (e.g. operational risks in exploration and production; inherent uncertainties in interpreting geological data; changes in plans with respect to capital expenditures; interruptions in operations together with any associated insurance proceedings; the uncertainty of estimates and projections in relation to costs and expenses and health, safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the uncertainty associated with any dispute resolution proceedings, the uncertainty associated with negotiating with foreign governments and risk associated with international activity, including the lack of federal petroleum legislation and ongoing political disputes and recent terrorist activities in Iraq in particular.

Reserves and Resources Advisory

In addition, statements relating to "reserves and other "resources" contained herein are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources described can be economically produced in the future. Future net revenue values are estimated values only and do not represent fair market value. There is no assurance that the forecast prices and cost assumptions, the initial phases of the development plans as submitted to the KRG and anticipated future phases contemplated in completing the full field development utilized in such estimated values will be attained and variances could be material. The reserve and resource estimates provided herein are estimates only and there is no assurance that the estimated reserves and other resources will be recovered. Actual reserves and other resources may be greater than or less than the estimates provided herein. Terms related to resource classifications referred to herein are based on the definitions and guidelines in the Canadian Oil and Gas Evaluation Handbook which are as follows.

"Reserves" are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on (a) analysis of drilling, geological, geophysical and engineering data, (b) the use of established technology and (c) specified economic conditions which are generally accepted as being reasonable and shall be disclosed. Reserves are classified as Proved, Probable or Possible according to the degree of certainty associated with the estimates. "Proved Reserves" are those Reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated Proved Reserves. If probabilistic methods are used, there should be at least a 90 percent probability that the quantities actually

recovered will equal or exceed the estimated Proved Reserves. "Probable Reserves" are those additional Reserves that are less certain to be recovered than Proved Reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated Proved plus Probable (2P) Reserves. If probabilistic methods are used, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated 2P Reserves. "Possible Reserves" are those additional Reserves that are less certain to be recovered than Probable Reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated Proved plus Probable plus Possible (3P) Reserves. If probabilistic methods are used, there should be at least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated 3P Reserves.

"Contingent Resources" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources have an associated chance of development (economic, regulatory, market and facility, corporate commitment or political risks). The Contingent Resources estimates referred to herein have not been risked for the chance of development. There is no certainty that the Contingent Resources will be developed and, if developed, there is no certainty as to the timing of such development or that it will be commercially viable to produce any portion of the Contingent Resources.

"Prospective Resources" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery (geological chance of success) and a chance of development (economic, regulatory, market, facility, corporate commitment or political risks). The chance of commerciality is the product of these two risk components. The estimates referred to herein have not been risked for either the chance of discovery or the chance of development. There is no certainty that any portion of the Prospective Resources will be discovered. If a discovery is made, there is no certainty that it will be developed or, if it is developed, there is no certainty as to the timing of such development or that it will be commercially viable to produce any portion of the Prospective Resources.

Gross block resource estimates presented represent the total volumes for the indicated reservoirs attributable to 100% of the relevant block, without any adjustment for the Company's working interest therein whereas the working interest gross resource estimates presented represent the Company's 40% working interest (operating or non-operating) share before deduction of royalty petroleum, profit petroleum, production bonuses and capacity building support payments pursuant to the provisions of the applicable PSC.

A barrel of oil equivalent (BOE) is determined by converting a volume of natural gas to barrels using the ratio of 6 thousand cubic feet (Mcf) to one barrel. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 BOE is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

The Company's Statement of Oil and Gas Information contained in its Annual Information Form dated March 13, 2014 ("AIF") and the material change report of the Company dated October 2, 2014 ("the Material Change Report"), both filed on SEDAR at www.sedar.com, contain additional detail with respect to the Company's resource assessments and the estimates of net present values and include the significant risks and uncertainties associated with the volume estimates and the recovery and development of the resources, the forecast prices and cost assumptions and details of the conceptual development plans used in connection with the net present value estimates and the specific contingencies which prevent the classification of the Contingent Resources as Reserves. In addition, combined mean estimates of resources that are presented in this MD&A are an arithmetic sum of the mean estimates for individual reservoirs and each such individual mean estimate is the average from the probabilistic assessment that was completed for the reservoir. Readers should refer to the AIF and the Material Change Report for a detailed breakdown of the high (P10), low (P90) and best (P50) Prospective Resources and Contingent Resources estimates for each of the individual reservoir assessments.

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