CALGARY, ALBERTA--(Marketwired - Nov. 13, 2015) -

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WesternZagros Resources Ltd. (TSX VENTURE:WZR) ("WesternZagros" or "the Company") announced today its operating and financial results for the third quarter ended September 30, 2015. A summary of the activities, the financial statements, and the accompanying Management Discussion and Analysis ("MD&A") are available at www.westernzagros.com and on SEDAR at www.sedar.com. All amounts set out in this news release are in US dollars unless otherwise stated.

- Third quarter gross sales were approximately 5,000 barrels of light oil per day ("bbl/d"), of which WesternZagros's net oil sales were approximately 1,300 bbl/d. The Sarqala-1 well has averaged approximately 5,200 bbl/d since commencement of production from the well on February 11, 2015. Since the time of the first extended well test in 2011, Sarqala-1 has now produced 2.3 million barrels ("bbl") of light oil with no formation water.
- Third quarter revenue to WesternZagros was $4.9 million, with an average realized price of $41.71/bbl and field netback was $3.8 million. For the nine months ended September 30, 2015, revenue was $13.3 million, with an average realized price of $41.71/bbl and field netback was $9.7 million.
- Sarqala-1 well production guidance range for the remainder of 2015 remains at 5,000 to 5,500 bbl/d. Based on these production rates and current domestic oil prices, WesternZagros estimates 2015 revenue of $17 to $18 million and field netback of $10 to $13 million.
- Hasira-1 has been successfully and safely suspended and future options to utilize the well bore are being evaluated.
- Operatorship of the Garmian Block is expected to transfer from WesternZagros to Gazprom Neft Middle East B.V. ("Gazprom Neft") by the end of the first quarter of 2016.
- The Company and Gazprom Neft continue to actively work with the KRG on finalizing the approval of the Garmian Field Development Plan ("Garmian FDP") having incorporated recent comments from the Kurdistan Regional Government ("KRG") into the Plan.
- WesternZagros and Repsol S.A. continue to actively work with the KRG in advancing the Kurdamir Field Development Plan ("Kurdamir FDP") for the Kurdamir oil and natural gas discovery. It is expected that these plans will be finalized in the first quarter of 2016.
- During the quarter, primarily as a result of the market conditions, the Company has recognized a non-cash impairment charge of $11.7 million in relation to property, plant and equipment and a non-cash impairment charge of $130.9 million in relation to exploration and evaluation expenditures.
- The Company ended the third quarter with $133 million in cash and cash equivalents and an undrawn $200 million credit facility: $150 million of the credit facility became available on October 1, 2015 and $50 million is available June 1, 2016.
- The Board of Directors of the Company will be transitioning the role of Chairman of the Board from Mr. Fred Dyment to Mr. David Boone as of January 1, 2016.
- The Company's personnel, operations and assets in the Kurdistan Region of Iraq remain safe and secure.

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

"The Company remains committed to advancing development on the Garmian and Kurdamir Blocks to grow production and cash flow. We are focused on managing our production, costs, and capital expenditures to mitigate the impact of low oil prices on the bottom line, in what is a very challenging environment for the industry today."

Operations Summary

WesternZagros's assets comprise two contract areas, the Garmian and Kurdamir blocks, with significant oil and natural gas discoveries.

Production: Garmian Block

- Production from Sarqala-1 in the third quarter averaged approximately 5,000 bbl/d of light oil of which WesternZagros's net oil sales were approximately 1,300 bbl/d. The Sarqala-1 well has produced approximately 2.3 million barrels of light oil for the nine months ended September 30, 2015 including production from the extended well test conducted in 2011 with no formation water.
- WesternZagros has, under the auspices of the KRG, continued to supply this crude oil to the domestic market under pre-paid contracts. The local market has a strong demand for crude for diesel generation, so WesternZagros continues to work with the Kurdistan Region's Ministry of Natural Resources and domestic purchasers to secure additional sales volumes.
- Third quarter revenue to WesternZagros was $4.9 million, with an average realized price of $41.71/bbl and field netback was $3.8 million. For the nine months ended September 30, 2015, revenue was $13.3 million, with an average realized price of $41.71/bbl and field netback was $9.7 million.
- Production guidance range for the remainder of 2015 is 5,000 to 5,500 bbl/d.

Operated Joint Venture: Garmian Block

- As previously disclosed, operatorship of the Garmian Block was to transition from WesternZagros to Gazprom Neft at the end of the exploration period for the block pursuant to agreements entered into in 2012. While the Company had been requested to continue operatorship for a period of time following the end of the exploration period, the co-venturers are now implementing this transfer of operatorship and expect to complete the process before the end of the first quarter of 2016.The Garmian FDP was submitted to the KRG on June 19, 2014 and the Company is seeking final approval of the FDP. Based on the current anticipated timing of FDP approval, the first development well, Sarqala-2, is projected to be spud in the first quarter of 2016. The Sarqala-2 well site is ready and long lead equipment has been secured. In the meantime, the co-venturers will finalize the transfer of operatorship and continue to evaluate options to secure lower-cost drilling rigs and support contracts to reduce capital costs.
- The KRG is advancing its plans for the award of a contract to a third party for the construction of a natural gas plant close to WesternZagros's Garmian production facility to utilize the associated natural gas from the Sarqala field. Pursuant to the terms of the Garmian PSC, the KRG has the right to take, gather, process and market the associated natural gas from the field. The natural gas plant will help fuel domestic electrical power needs and minimize future gas flaring.
- During the third quarter, Hasira-1 was successfully and safely suspended. Previously announced logging and open-hole tests confirmed the presence of light oil in both the Mio-Oligocene and the shallower Jeribe reservoir. While the Company does not currently have a plan to develop the Mio-Oligocene reservoir, WesternZagros and Gazprom Neft continue to evaluate future options to utilize the well bore.

Non-Operated Joint Venture: Kurdamir Block

- The Company estimates that the Kurdamir discovery contains unrisked Contingent Resources of 541 MMbbl of oil, and unrisked Prospective Resources of 1.3 billion barrels of oil and 1.4 trillion cubic feet of gas (all Gross Block combined mean estimates).
- On August 31, 2014, the Joint Venture submitted a Kurdamir FDP for the oil and natural gas resources on the Kurdamir Block to the KRG for approval. Following a review, the KRG requested changes to the plan. In December 2014, Talisman Energy Inc. put forward notice to relinquish its interest in the Kurdamir Block and WesternZagros took the lead in refining and submitting an amended FDP to the KRG.
- With the completion of the Repsol S.A. acquisition of Talisman Energy Inc. in early May 2015, Repsol has continued the negotiations with WesternZagros and the KRG. The parties continue to actively work with the KRG to advance the Kurdamir FDP. It is expected that these plans will be finalized in the first quarter of 2016.
- The Kurdamir Joint Venture is conducting a number of activities, including front-end engineering of the necessary facilities and future wells and negotiating sales agreements for the sale of gas, oil and condensate production, to support the final submission of the Kurdamir FDP to the KRG.

Corporate Management

- After eight years as Chairman of the Board of Directors of the Company, Mr. Fred Dyment will be stepping down from this role on December 31, 2015 and Mr. David Boone will assume the Chairman position effective January 1, 2016. Mr. Dyment will continue as a board member until the Company's 2016 annual general meeting. In addition, Mr. James Houck will become Vice-Chairman effective January 1, 2016 which is a new role created by the Board as part of this transition in board leadership. Messrs. Boone and Houck have both served as directors of the Company since 2007.

Financial

- As at September 30, 2015, WesternZagros had $133 million in cash and cash equivalents.
- During the three months ended September 30, 2015, the Company continued production and sales of crude oil to the Kurdistan domestic market, under the auspices of the KRG. The Company recognized revenue of $4.9 million. For the nine month period ended September 30, 2015, the Company has recognized revenue of $13.3 million.
- The Company anticipates that gross production from Sarqala-1 will be in the range of 5,000 to 5,500 bbl/d for the remainder of 2015. Based on these production rates and current domestic oil prices, WesternZagros estimates 2015 revenue of $17 to $18 million and field netback of $10 to $13 million.
- WesternZagros's share of exploration and evaluation ("E&E") expenditures includes 50 percent of Garmian Block costs and 60 percent of Kurdamir Block costs. For the quarter ended September 30, 2015, WesternZagros's share for these PSC activities and other related capitalized costs was $8.7 million, comprised of $5.4 million of drilling-related costs and $3.3 million in other appraisal and development costs. For the nine months ended September 30, 2015, WesternZagros's share for these PSC activities and other related capitalized costs was $35.4 million, comprised of $20.5 million of drilling-related costs and $14.9 million in other appraisal and development costs.
- During the third quarter of 2015, the Company identified an indicator of impairment for E&E expenditures for each of the Garmian Block cash generating unit ("CGU") and the Kurdamir Block CGU due to current market conditions, plus various other factors. In reviewing the carrying costs separately for each CGU, a non-cash impairment loss of $130.9 million has been recognized in the third quarter of 2015 for the amount by which the E&E expenditures for the Garmian Block exceeded its recoverable amount. For the nine months ended September 30, 2015, a non-cash impairment loss of $207.9 million has been recognized in relation to the Garmian Block CGU. No impairment was recognized in regards to the Kurdamir Block CGU since the estimated recoverable amount was greater than the carrying value.
- The Company capitalized its 50 percent share of applicable oil and natural gas assets expenditures related to Garmian Block activities, which was comprised of costs for the upgrades to the Sarqala production site and planning and design costs related to the next Sarqala development well. For the three and nine months ended September 30, 2015, the Company incurred $1.7 million and $8.7 million, respectively, for these costs. Subsequent to the commencement of production during the first quarter of 2015, costs related to Sarqala-1 well operations and the operation of related production facilities have been accounted for as operating costs.

- During the third quarter of 2015, the Company identified an indicator of impairment associated with oil and gas assets, primarily due to a further decrease in the forecasted oil price. In reviewing the carrying costs of the oil and gas assets for the Garmian Block CGU, a non-cash impairment loss of $11.7 million has been recognized for the amount by which such assets exceeded its estimated recoverable amount.

Outlook

2015 Operations Outlook

The Company continues to anticipate that gross production from Sarqala-1 will range from 5,000 to 5,500 bbl/d for the remainder of 2015. Based on these production rates and current domestic oil prices, WesternZagros estimates 2015 revenue of $17 to $18 million and field netback of $10 to $13 million.

2015 Capital Outlook

In the fourth quarter of 2015, WesternZagros will focus on securing KRG approval of the phased development plans for the Garmian and Kurdamir blocks. To fund the phased development of WesternZagros's two major oil and natural gas discoveries and re-finance the outstanding Cdn $100 million convertible notes due December 31, 2015, the Company has $133 million in cash and cash equivalents as at September 30, 2015 and an undrawn $200 million debt facility: $150 million that can be drawn commencing in October 2015 and $50 million that can be drawn commencing in June 2016.

On the Garmian Block, the Company has incorporated comments from the KRG into its Garmian FDP and is seeking final approval of the Garmian FDP. Based on the current anticipated timing of Garmian FDP approval, the first development well, Sarqala-2, is projected to be spud in the first quarter of 2016. The Company will provide further guidance on the anticipated quantum and timing of capital expenditures upon approval of the Garmian FDP.

On the Kurdamir Block, with the completion of the Repsol S.A. acquisition of Talisman Energy Inc. in early May 2015, Repsol has continued the negotiations with WesternZagros and the KRG. The parties continue to actively work with the KRG to advance the development plan for the Kurdamir oil and natural gas discovery. It is expected that these plans will be finalized and submitted to the KRG in the first quarter of 2016.

The Kurdamir Joint Venture is conducting a number of activities, including front-end engineering of the necessary facilities and future wells and negotiating sales agreements for early gas sales in addition to oil and condensate production, to support the final submission of the Kurdamir FDP to the KRG. The Company will provide further guidance on the anticipated quantum and timing of capital expenditures and will look to convert the Contingent Resources to Reserves once the FDP has been finalized.

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, the appointment of additional directors, operational information, timing for transfer of operatorship, future development plans and the timing associated therewith, planned expenditures, future production capability and capacity of facilities and expected production rates, sales revenues and field netback. 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.

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), the continuation of available debt financing, the continued ability to sell production in the domestic market and the prices to be received in connection therewith, anticipated operating costs, 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 and the participation of the Company's co-venturers in joint activities. 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 outcome of negotiations with co-venturers and the government, 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 development 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, risks relating to domestic refining capacity and continuing ability to access the domestic market, 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.*

Readers are cautioned that the foregoing list of important factors is not exhaustive and that these factors and risks are difficult to predict. The forward-looking statements contained in this news release are made as of the date of this news release and, except as required by law, WesternZagros does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this news release are expressly qualified by this cautionary statement. See the "Risk Factors" section of the Company's Annual Information Form dated March 13, 2015 ("AIF") filed on SEDAR at www.sedar.com for a further description of these risks and uncertainties facing WesternZagros. Additional information relating to WesternZagros is also available on SEDAR at www.sedar.com, including the Company's AIF.

Non-IFRS Measures

Field netback is a non-IFRS measure that represents the Company's working interest share of oil sales, after deducting royalties and operating expenses. Management believes that the field netback is a useful measure to analyze operating performance and provides an indication of the Company's results of business activities prior to other income and expenses. Field netback does not have a standard meaning under IFRS and may not be comparable to similar measures used by other companies. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS such as total income (loss) or cash flow from (used in) operating activities. See the "Financial Performance" section of the Company's MD&A dated November 12, 2015 for a reconciliation of field netback. Note that the Annual MD&A dated March 13, 2015, and news release dated May 4, 2015, previously used the term operating income rather than field netback.

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 Kurdistan Regional Government ("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 herein represent the total volumes for the indicated reservoirs attributable to 100 percent 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 percent 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 Production Sharing Contract.

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 sections "Resources Overview" and "Statement of Reserves and Other Oil and Gas Information contained in the Company's Annual Information Form dated March 13, 2015 ("AIF") 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 the specific contingencies which prevent the classification of the Contingent Resources as Reserves.

The Garmian field development plan (the "Garmian FDP"), which is awaiting final approval from the KRG, focuses on development of the identified Reserves and Prospective Resources estimated for the Jeribe/Upper Dhiban reservoir on the Garmian Block below lowest known oil in this reservoir. The Garmian FDP utilizes known technology and the first three phases of the plan, including estimated costs and timing, are described in the AIF under "Appraisal and Development Activities - Development Plans - Garmian Block". Commercial production from the Jeribe/Upper Dhiban reservoir began at Sarqala-1 in February of 2015. As disclosed herein, based on the current anticipated timing of Garmian FDP approval, the first development well, Sarqala-2, is projected to be spud in the first quarter of 2016.

The Kurdamir field development plan (the "Kurdamir FDP") will focus on development of the Contingent Resources estimated for the Oligocene reservoir which estimates are currently based upon pre-development studies utilizing known technology. As disclosed herein, the Company and its co-venturer on the Kurdamir Block continue to actively work with the KRG to advance the development plan for the Kurdamir oil and natural gas discovery. It is expected that these plans will be finalized in the first quarter of 2016. Once the Kurdamir FDP has been finalized and approved by the KRG, the Company will be better able to estimate costs and timing to achieve first commercial production from this reservoir on the Kurdamir Block.

No additional projects have been defined at this time in respect of the estimates of Contingent Resources and Prospective Resources pertaining to other reservoirs for the Garmian and Kurdamir blocks since these reservoirs do not form part of the initial field development plans. The estimated dates and costs required to achieve first commercial production for any of these remaining resource estimates are indeterminate at this time.

In addition, combined mean estimates of Contingent Resources and Prospective Resources that are presented in this news release 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 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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