WesternZagros Resources Ltd Announces First Quarter 2017 Operational and Financial Results

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WesternZagros Resources Ltd. (TSX VENTURE:WZR) ("WesternZagros" or "the Company") announced today its operating and financial results for the first quarter ended March 31, 2017. All amounts set out in this news release are in US dollars unless otherwise stated.

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

"The leading news this quarter is of course our agreement with Crest to take WesternZagros private. Given the current market conditions, the Crest offer represents a significant premium to the share price at the time of the offer. The Company encourages shareholders to take advantage of this offer."

WesternZagros achieved several key financial and operational milestones during the first quarter 2017 and to date, including:

- Corporate - On May 12, 2017, the Company entered into a definitive agreement ("Arrangement Agreement") with its largest shareholder, Crest Energy International LLC ("Crest") to take the Company private. Pursuant to the Arrangement Agreement, an affiliate of Crest will provide the Company with funds necessary to acquire all of the Company's outstanding common and preferred shares for CAD$0.28 per share, other than one common share held by Crest which will be acquired by such Crest affiliate. The transaction is to be completed by way of a plan of arrangement under the Business Corporations Act (Alberta). The shareholder meeting to approve the transaction is scheduled for July 5, 2017 and following a positive outcome at the meeting, is expected to close in early July 2017.

- Financial - The Company ended the quarter with $22.5 million in cash and cash equivalents.

  Concurrent with the Arrangement Agreement, WesternZagros entered into a bridge loan agreement with the same Crest affiliate pursuant to which the Company has received funding of $30 million (the "Bridge Loan') to address its immediate financing requirements. In connection with entering into the Arrangement Agreement and the funding of the Bridge Loan, WesternZagros and Crest entered into an agreement to terminate the prior undrawn $200 million credit facility dated August 14, 2014.

- Production - First quarter gross oil sales from the Sarqala field averaged 4,942 barrels of light oil per day ("bbl/d"), of which WesternZagros's net oil sales were 1,333 bbl/d. Following the completion of a planned acid stimulation completed at the end of March, the Sarqala-1 well is currently producing at approximately 6,900 bbl/d.

- Revenue - Revenue recognized by WesternZagros during the first quarter was $5.1 million with an average realized price of $42.83/bbl. Subsequent to March 31, 2017, the Company received payment for all remaining first quarter revenues, with no remaining outstanding receivables for first quarter revenue.

- Garmian Development - The first Garmian development well has been approved by the co-venturers and is expected to spud in July 2017 with a budgeted net cost to WesternZagros of $18 to 22 million. This is the Company's first Garmian well located with the benefit of 3D seismic data and is designed as a producing well for the Jeribe reservoir. The co-venturers have also approved a facilities work program for 2017 in order to debottleneck and expand the Sarqala production facility to an initial estimated capacity of 10,000 bbl/d and then to further increase to an estimated 15,000 bbl/d capacity by the end of the year.

- Kurdamir Development - WesternZagros and Repsol continue to advance discussions with the KRG on finalizing the approval of the Kurdamir Development Plan. The major outstanding matter is the finalization of the gas sales agreement for phase 1 gas volumes applicable to the Kurdamir project and the adjacent Topkhana project. The two projects are to be developed concurrently with the sharing of top side facilities to optimize capital costs.

- Impairment of E&E Expenditures - The Arrangement Agreement entered into with Crest subsequent to the reporting date, providing for the acquisition of all of the outstanding shares of the Company, presented evidence that an indicator of impairment existed for exploration and evaluation expenditures as at March 31, 2017. Based on the total acquisition price, the estimated recoverable amount associated with the Kurdamir Block was determined to be $20.8 million which resulted in the recognition of a non-cash impairment loss of $254.1 million for the first quarter of 2017. Refer to the section entitled "Impairment of E&E Expenditures" in the Company's MD&A dated May 25, 2017 for further description.

First Quarter 2017 Results

WesternZagros has posted its operating and financial results for the first quarter ended March 31, 2017 on its website. The financial statements, the Management Discussion and Analysis, and the Annual Information Form are available at www.westernzagros.com and on SEDAR at www.sedar.com.

Outlook

WesternZagros continues to focus on advancing development in accordance with the approved Garmian FDP and securing KRG approval of the phased development plan for the Kurdamir Block in line with market conditions and dependent upon the sustainability of regular payments for production.

Following the successful acidization workover, the Company anticipates the average daily productive capacity of Sarqala-1 will range from 6,850 to 10,000 bbl/d for the remainder of 2017. Assuming continuous production and payments for the year, and an average Brent price of $50 to $55 per barrel, WesternZagros estimates 2017 revenues of $24 to $33 million.

The Company has $22.5 million in cash and cash equivalents as at March 31, 2017, plus the Bridge Loan proceeds of $30 million received subsequent to March 31, 2017, to advance the field development plans with its co-venturers. The Company continues its focus on strict cost management and estimates spending of approximately $48 million for the remainder of 2017 to operate the Sarqala production operations, advance the currently approved work programs of the Garmian and Kurdamir blocks with its co-venturers and fund WesternZagros head office costs. The first Garmian development well has been approved by the co-venturers and is expected to spud in July 2017 with a budgeted net cost to WesternZagros of $18 to 22 million. This is the Company's first Garmian well located with the benefit of 3D seismic data and is designed as a producing well for the Jeribe reservoir. The co-venturers have also approved a facilities work program for 2017 in order to debottleneck and expand the Sarqala production facility to an initial estimated capacity of 10,000 bbl/d and then to further increase to an estimated 15,000 bbl/d capacity by the end of the year and with an estimated cost net to the Company of $6 million.

Liquidity and Capital Resources

As at March 31, 2017, WesternZagros had $22.5 million in cash and cash equivalents. Subsequent to March 31, 2017, the Company received $30 million in proceeds under the Bridge Loan concurrent with entering into the Arrangement Agreement with Crest.

The Company's remaining 2017 capital budget is estimated to be approximately $48 million, including the Sarqala-2 well which has now been approved by the Garmian Block co-venturers. However, the development plan for the Kurdamir Block has not yet been approved by the KRG and the Company will continue to evaluate, monitor and assess relevant factors which may impact anticipated future capital requirements and spending, including the following:

- The results of the shareholder vote and other conditions to closing under the Arrangement Agreement;
- The ability to access other sources of funding for development activities in the Kurdistan Region, if required;
- The expected timing and scope of development activities based upon an appropriate phasing reflective of the approved development plans, current market conditions, and the political and security situation within Iraq;
- The ability to export or to sell oil and natural gas in accordance with the economic terms of the PSCs;

- The level of cash flow generated from sales of crude oil and stability of payments;
- The continued participation of its co-venturers in development activities;
- The current conditions of the oil and gas industry given the continued volatility in world oil prices and its impact on further investment in the industry and the Kurdistan Region;
- The timing for repayment of the Bridge Loan; and
- The current conditions in the financial markets, including the potential for further market instability;

With the existing capital resources on hand, including the proceeds from the Bridge Loan and expected revenue, the Company anticipates that it is fully funded for currently planned activities for the next twelve months. However, additional funding may be required by the Company in the future. The quantum of, and timing for, such funding will be dependent upon the factors identified above, and particularly the outcome of the negotiations and final approvals of the Kurdamir FDP. The Company may delay certain phases of its development plans if the ability to export or sell into the domestic market oil and natural gas, and receive timely payment therefor, in accordance with the economic terms of the PSCs is restricted, unavailable or uncertain, or if the political and security situation within Iraq is not suitable. If the Arrangement Agreement entered into with Crest is not completed for any reason, the sources for any required additional funding may include potentially accessing the debt and/or equity markets or seeking additional partnerships, farmouts or other strategic arrangements.

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 certain forward-looking statements relating to, but not limited to, anticipated capital and other commitments and the timing thereof, expectations regarding the necessity for further funding and the timing and potential sources thereof, operational information, development plans, anticipated capacity of facilities, expected production rates, revenues and petroleum costs (as defined in each PSC), statements regarding the plan of arrangement under the Arrangement Agreement (the "Arrangement") and the anticipated timing for holding the required shareholder meeting and completing the Arrangement. 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, development plans, future capital and other expenditures (including the timing, amount, nature and sources of funding thereof), the outcomes of future well operations, drilling activity and testing, the installation and commissioning of facilities, the ability to access financing as required, the continued ability to sell production in the domestic or export markets and the quantum and timing of payments 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 any disputes, the Company's continued ability to employ qualified staff and the continued 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, drilling activity and testing 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 timing, costs and expenses and health, safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, risks relating to the *ability to access the export or domestic markets and to receive payments in accordance with the PSC terms on a timely basis, risks relating to the ability to access financing as and when needed, the uncertainty associated with any dispute resolution proceedings, the uncertainty associated with negotiating with foreign governments and the risk associated with international activity, including the lack of federal petroleum legislation, ongoing political disputes and recent terrorist activities in Iraq in particular.*

In respect of the forward-looking statements and information concerning the completion of the Arrangement and the anticipated timing for completion of the Arrangement, WesternZagros has provided such in reliance on certain assumptions that it believes are reasonable at this time, including assumptions as to the time required to prepare and mail meeting materials, the ability of the parties to receive, in a timely manner and on satisfactory terms, the necessary regulatory, court, shareholder, TSX Venture Exchange and other third party approvals and the ability of the parties to satisfy, in a timely manner, the other conditions to the completion of the Arrangement. These dates may change for a number of reasons, including unforeseen delays in preparing meeting materials; inability to secure necessary shareholder, regulatory, court or other third party approvals in the time assumed or the need for additional time to satisfy the other conditions to the completion of the Arrangement. Risks and uncertainties that may cause such differences include but are not limited to: the risk that the Arrangement may not be completed on a timely basis, if at all; the conditions to the consummation of the Arrangement may not be satisfied; the risk that the Arrangement may involve unexpected costs, liabilities or delays; the possibility that legal proceedings may be instituted against WesternZagros and/or others relating to the Arrangement and the outcome of such proceedings; the possible occurrence of an event, change or other circumstance that could result in termination of the Arrangement; risks relating to the failure to obtain necessary shareholder and court approval; other risks inherent in the oil and gas industry. Failure to obtain the requisite approvals, or the failure of the parties to otherwise satisfy the conditions to or complete the Arrangement, may result in the Arrangement not being completed on the proposed terms, or at all. In addition, if the Arrangement is not completed, the announcement of the Arrangement and the dedication of substantial resources of WesternZagros to the completion of the Arrangement could have a material adverse impact on WesternZagros's share price, its current business relationships and on the current and future operations, financial condition and prospects of WesternZagros.

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 ("AIF") dated March 14, 2017 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 May 25, 2017 for a reconciliation of 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 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. The *reserves have been evaluated by Sproule International Limited ("Sproule"). Resources other than reserves have been estimated by the Company and audited by Sproule.*

"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. Unless otherwise indicated, 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) or Company 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.

Best Estimate (P50) or (2C) is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater of less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the best estimate.

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 section "Statement of Reserves and Other Oil and Gas Information" (including Schedule A) contained in the Company's AIF dated March 14, 2017 filed on SEDAR at www.sedar.com, contains additional detail with respect to the Company's resource assessments and the estimates of net present value associated with its Reserves. This section includes the significant risks and uncertainties associated with the volume estimates and the recovery and development of the resources, the forecast prices and cost assumptions, descriptions

of the applicable projects and FDPs and the specific contingencies which prevent the classification of the Contingent Resources as Reserves.
As indicated above, unless otherwise indicated, the estimates of Contingent Resources and Prospective Resources contained in this document are presented on an unrisked basis. Readers should refer to the AIF for the associated risked estimates of Contingent Resources and Prospective Resources. Such risked estimates are based upon the Company's estimates of chance of commerciality set forth therein which involves assessing various risks based upon a number of assumptions and other factors. While the Company believes that such estimates and underlying assumptions are reasonable, many of these assumptions are beyond the Company's control, are subject to change and may not, over time, prove to be accurate. As such, the actual level of various risks (including those currently identified and additional risks which may be identified in the future) could prove to be greater and the chance of commerciality lower than currently estimated and such differences could be material.

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