

Awakening a Kurdish Oil Giant



## Corporate Profile: Kurdistan Focused Independent

Pure Play	2 PSCs in the Kurdistan Region of Iraq
Ticker	TSX-V <sup>(1)</sup> : WZR
Basic (Fully Diluted) Shares Outstanding <sup>(2)</sup>	475 million (570.6 million)
Director & Officer Ownership <sup>(3)</sup>	4.8%
Market Capitalization <sup>(4)</sup>	US\$712 million
Average Daily Trading Volume (3 month)	0.5 million
Pro Forma Working Capital <sup>(5)</sup>	US\$204.1 million
Gross Contingent Resources <sup>(6)</sup>	974 million BOE
Gross Prospective Resources <sup>(6)</sup>	4.7 billion BOE
Current Pre-Development Production Capacity	5,000 bbl/d (gross)
End 2013 Production Potential	20,000 bbl/d+ (gross)

<sup>(1)</sup> WesternZagros was recognized as a TSX Venture 50® company in 2013. TSX Venture 50 is a trade-mark of TSX Inc. and is used under license.

<sup>(2)</sup> Basic shares outstanding at August 20, 2013. Fully diluted Shares Outstanding include 26.5 million options issued to August 20, 2013 as well as 69 million shares issuable from convertible debentures.

<sup>(3)</sup> Including share ownership, options granted, and assumed conversion of convertible debt as at August 20, 2013.

<sup>(4)</sup> As at August 20, 2013 closing share price

<sup>(5)</sup> Includes \$152 million of working capital at March 31, 2013, and the subsequent receipt of \$13.5 million from the private placement financing, \$96.8 million from convertible debt financing and less \$58.2 million repayment of the Crest loan.

<sup>(6)</sup> Independently audited by Sproule International Limited – see Annual Information Form dated March 22, 2013 for data

## WesternZagros Investment Highlights

- **Highly prospective acreage: 100% deep exploration success**
- **High-impact exploration and appraisal program targeting gross contingent resources of 974 million BOE and gross unrisked prospective resources of 4.7 billion BOE**
- **Light oil with material production growth potential with attractive PSC terms**
- **Pre-development planning underway for Sarqala and Kurdamir**
- **Proven, experienced management team with operational, geological, geophysical and commercial capabilities**
- **Strong partnerships with leading international E&P companies**

# WesternZagros: Pure Play Kurdistan Independent

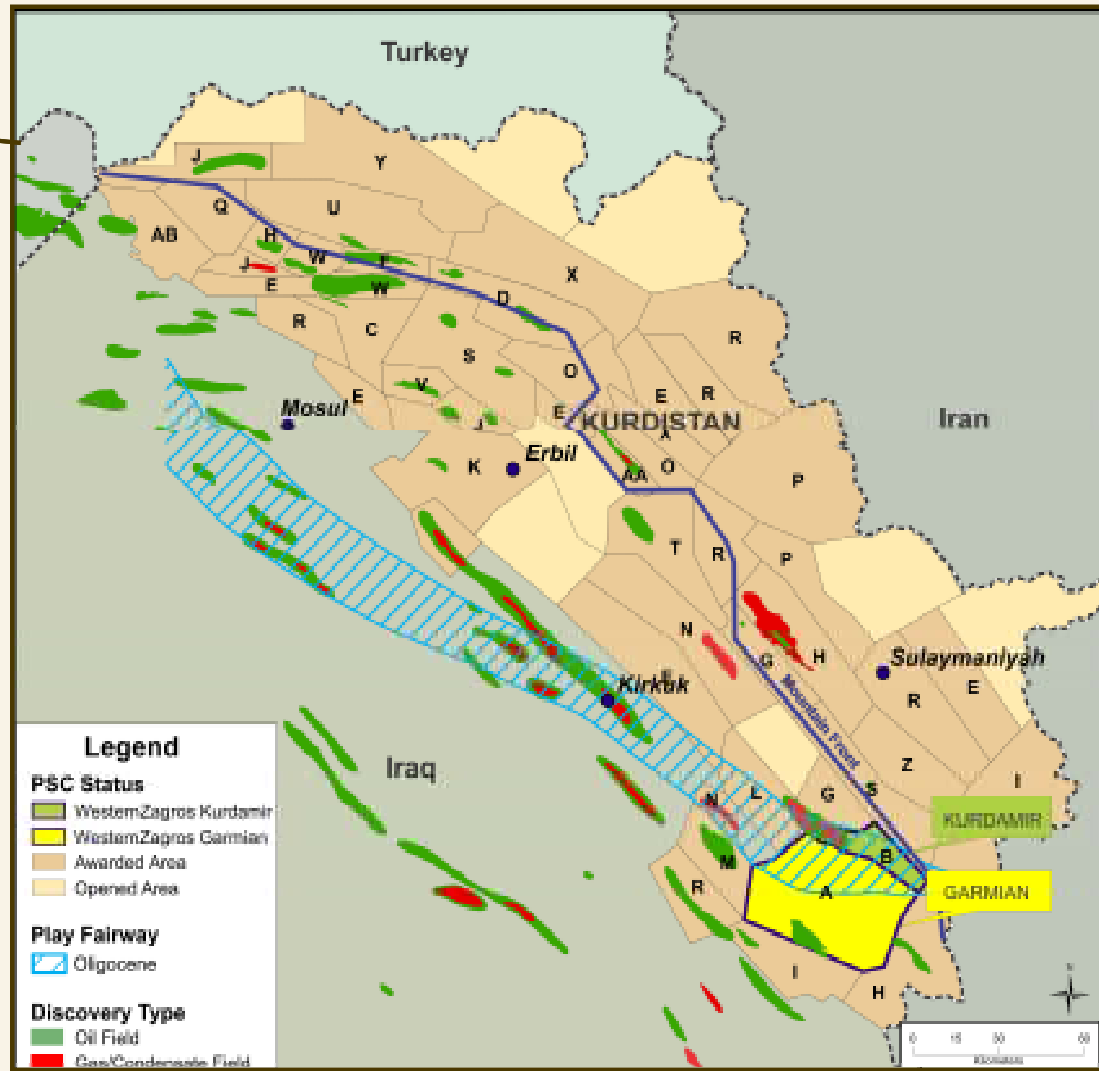


- Early entrant with 500,000 gross acres covering two blocks

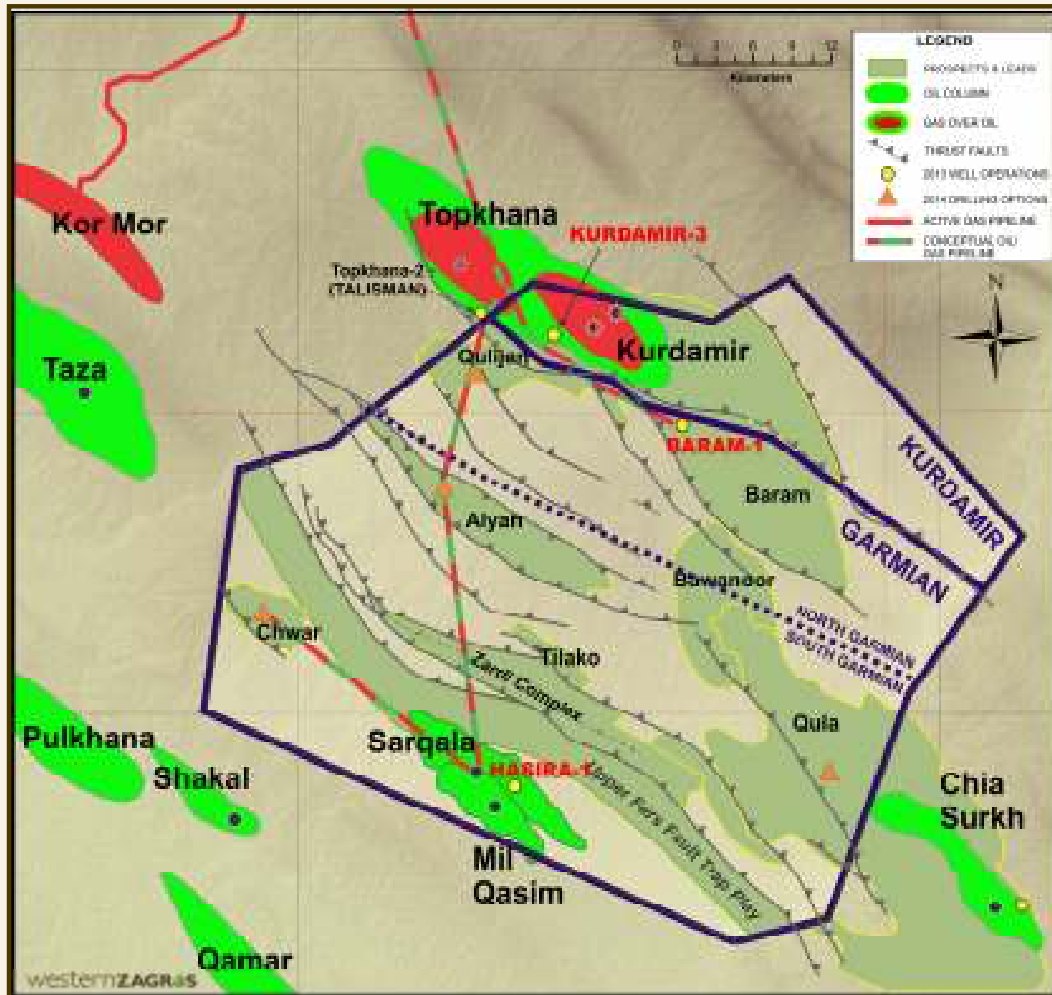
Kurdamir		Garmian	
westernZAGROS	40%	westernZAGROS	40%
TALISMAN ENERGY	40%	GAZPROM NEFT	40%
	20%		20%

- In the Oligocene fairway, on trend with the Kirkuk oil field
- Oil discovered at all four deep wells drilled and tested to date: 100% success rate\*

\* Shallow Upper Bakhtiari two well program not successful



# Highly Prospective Acreage



## Large Scale, High Quality Resources

- 974 million BOE of gross contingent resources already discovered
- 4.7 billion BOE of gross prospective resources yet to be discovered
- 2013 exit production potential of 20,000 bbl/d+
- Phased development keeps capital spend manageable
- Commercial Declaration expected in 2014 for Kurdamir and Garmian

\* Conceptual infrastructure vision subject to KRG approval



# Experienced Management Team with Proven Geological, Operational and Commercial Capabilities

## Executive Team and Senior Management

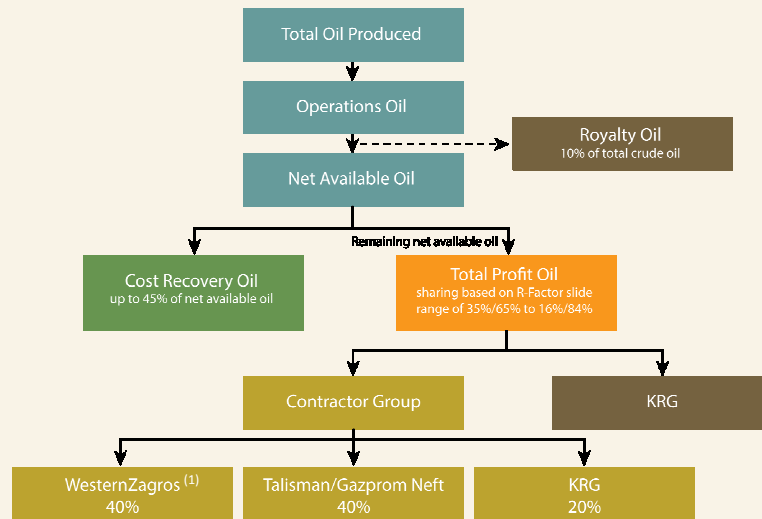
	Yrs Exp
<b>Simon Hatfield</b> — CEO; Director <i>Western Oil Sands, Imperial Oil, Exxon, Petro-Canada, Chauvco and Talisman</i>	30+
<b>Greg Stevenson</b> — CFO <i>Western Oil Sands, Suncor Energy, KPMG</i>	15+
<b>Michael Mossman</b> — SVP, Operations and Engineering <i>BP In the United Kingdom, Latin America, the Middle East and North Africa</i>	35+
<b>Tony Kraljic</b> — VP, Business Development <i>CEDA Int. Corp., Marathon/Western Oil Sands, Shell, Arthur Andersen</i>	15+
<b>Mike Tinkler</b> — VP, Exploration and Reservoir Development <i>Husky Energy, Hunt Oil</i>	30+
<b>Mary Benassi</b> — VP, Human Resources <i>Sherritt International, UFA, Agrium</i>	30+
<b>Dr. George Pinckney</b> — Executive Advisor, Corporate Projects <i>Western Oil Sands, Mobil Oil and ExxonMobil</i>	36+
<b>Bill Jack</b> — General Manager Kurdistan <i>BP positions through United Kingdom, North Africa, Russia, Australia, Kuwait, and North America</i>	35+
<b>Dave Reeve</b> — General Manager, Petroleum Engineering <i>Petro-Canada, Santos</i>	30+
<b>Lance Berg</b> — Garmian Development Project Manager <i>Mobil, ExxonMobil, NAL, Petremanas</i>	30+

## Board

	Yrs Exp
<b>Fred Dymont</b> — Chairman <i>Maxx Petroleum, Ranger Oil, Governor of the Canadian Association of Petroleum Producers (CAPP), Director at Tesco, ARC Energy Trust and TransGlobe</i>	35+
<b>David Boone</b> — Non-Executive Director <i>EnCana, PanCanadian Energy, Imperial Oil, President &amp; CEO of Barrick Energy Inc.</i>	30+
<b>John Frangos</b> — Non-Executive Director <i>Western Oil Sands, BHP Billiton</i>	40+
<b>Jim Houck</b> — Non-Executive Director <i>The Churchill Corporation, Western Oil Sands, ChevronTexaco, FrontStreet Director at ARC Energy Trust</i>	40+
<b>John Howland</b> — Non-Executive Director <i>Extensive international business and management experience in privately held and public corporation, including as the chairman and CEO of one of the larger grain companies in the U.S.</i>	25+
<b>Randall Oliphant</b> — Non-Executive Director <i>Barrick Gold, Executive Chairman of New Gold Inc. On the Advisory Board at Metalmark Capital and Franco-Nevada</i>	25+
<b>Eric Stoerr</b> — Non-Executive Director <i>Royal Bank of Scotland, North American Energy Finance Group Crest Investment Partners Representative</i>	19+
<b>William Wallace</b> — Non-Executive Director <i>Barrett Resources, Plains Petroleum, Texaco, CSX Oil and Gas</i>	40+

# Attractive Fiscal Terms

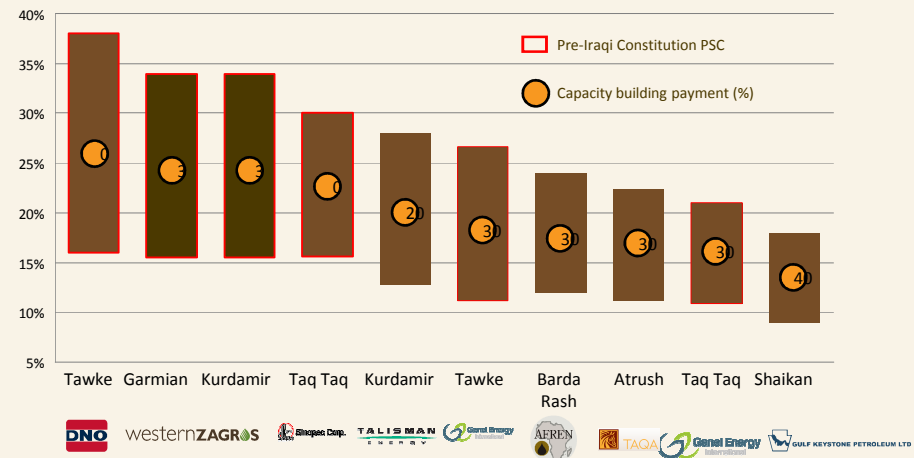
## Summary of PSC Terms



- Oil Case: 16% to 35% of Profit Oil depending on R factor<sup>(2)</sup>
- Gas Case: 20% to 40% of Profit Oil depending on R factor<sup>(2)</sup>
- WesternZagros funds 60% of costs on Kurdamir and 50% of costs on Garmian; recovered through cost oil

(1) KRG is entitled to a 3% capacity building bonus of WesternZagros profit oil for a net effective share of 38.8%.  
 (2) R factor is the ratio of cumulative revenues over cumulative costs

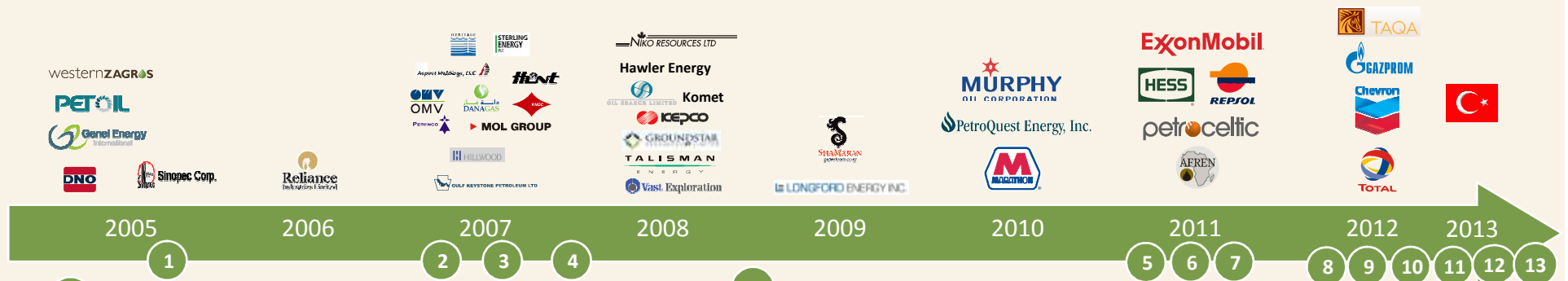
## Profit Oil Allocation and Capacity Building Payments



Source: KRG

- WesternZagros has top quartile PSC terms for both Kurdamir and Garmian PSCs due to first mover advantage in Kurdistan
- All PSCs are governed by the same framework, but with significant ranges for both cost recovery and capacity building payments which affect the end contractor profit oil allocation

# Evolving Political Environment, Increasing Investment



- 1 **October 2005**  
Iraqi constitution adopted
- 2 **February 2007**  
Draft Federal Petroleum Law
- 3 **June 2007**  
Agreement on initial revenue sharing – 17% of net oil revenues from all regions in Iraq go to Kurdistan
- 4 **August 2007**  
KRG Petroleum Law approved
- 5 **February 2011**  
Iraq Prime Minister announces Kurdistan PSCs will be respected. Oil exports from Kurdistan resume
- 6 **May 2011**  
Federal Ministry of Finance confirms release of the first oil export payment to KRG contractors (approximately 50% of net revenues)
- 7 **June & September 2011**  
Kurdistan producers receive first two payments for oil exports from Federal Ministry of Finance

- 8 **April & August 2012**  
KRG cease oil exports April 1 due to a dispute with the Federal Government. KRG resumes oil exports to progress reconciliation with the Iraqi Central Government over the oil and gas law
- 9 **September 2012**  
Agreement signed with the KRG and Federal Government to increase Kurdistan’s oil exports and one arrears payment from Baghdad to KRG
- 10 **December 2012**  
KRG cease oil exports December 25 due to ongoing dispute with the Federal Government
- 11 **January 2013**  
KRG approves trucked oil exports from Taq Taq field directly to Turkey and in February the KRG Ministry of Natural Resources announces intentions to build its own export pipeline to Turkey
- 12 **March 2013**  
Under a commercial framework agreement with the KRG, an unnamed Turkish government entity plans to explore at least six blocks and partner with ExxonMobil in a number of licenses. Turkey has indicated it will facilitate direct oil and gas exports
- 13 **April 2013**  
Agreement with the KRG and Federal Government to form a committee towards resolution of export payments



# Strong Partnerships with International Operators

- WesternZagros is partnered with established oil and gas operators on both its licenses:

- Talisman Energy on the Kurdamir PSC
- Gazprom Neft on the Garmian PSC



- These partnerships provide a number of benefits:

- External validation of the prospectivity of WesternZagros's assets
- Extensive technical and operational expertise
- Reduced operational risk and capital costs going forward

- In May, 2013, Talisman announced it had "a very interesting asset in Kurdistan"











- "We're in a very exciting phase today of exploration in Kurdistan, where Kurdamir and Topkhana could turn out to be the largest discoveries in the 20-year history of Talisman"* – from Talisman CEO during Talisman Q2 2013 earnings on August 1, 2013

- Gazprom Neft assigned as the Third Party Participant for the Garmian PSC in August 2012:

- "Russia's oil producer Gazprom Neft plans to invest around \$1 billion into the Garmian and Shakal blocks located in the south of Iraqi Kurdistan in 2013-2015"* – from Gazprom Neft's First Deputy CEO, Vadim Yakovlev press release dated June 7, 2013

# High-Impact Exploration and Appraisal Program – 2013 Forecast

WesternZagros has a fully funded 2013 capital program

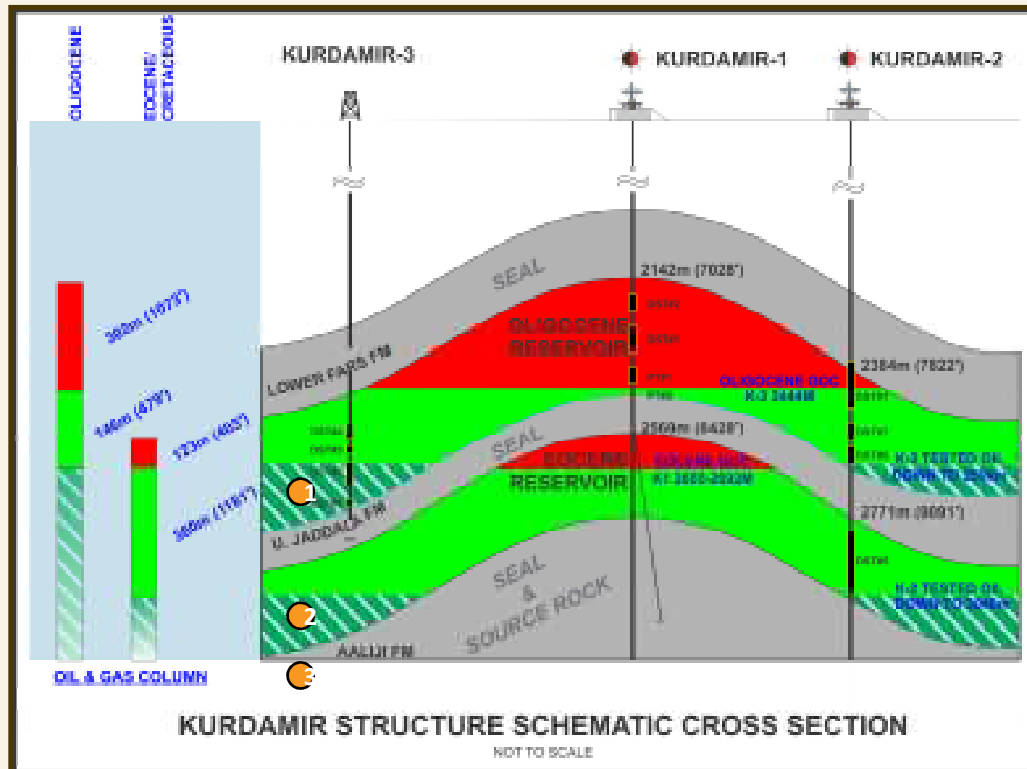
Kurdamir Block		US\$48mm	Q2 '13	Q3 '13	Q4 '13
 Kurdamir-3 Appraisal Well	US\$26mm		Kurdamir-3 Spud Date February 22, 2013		
 Kurdamir-3 Sidetrack <sup>(1)</sup>	US\$9mm		Kurdamir-3		
 Kurdamir 3D Seismic Appraisal Program	US\$7mm		3D Commenced Jan 2013		
 Kurdamir-2 Pre-Development Planning <sup>(1)</sup>	US\$7mm		Pre-Development Planning (Subject to KRG Approval)		
Garmian Block		US\$73mm			
 Hasira-1 Exploration Well	US\$24mm		Hasira-1 Spud Date June 6, 2013		
 Baram-1 Exploration Well	US\$23mm		Baram-1 Spud date Aug 13, 2013		
 Mil Qasim Upper Bakhtiari 3 Well Program	US\$5mm		Shallow Wells Spud Date May 19, 2013		
 Future Well Planning	US\$4mm		Future Well Planning		
 2D / 3D Garmian Seismic Appraisal Program	US\$9mm		3D Exp. June 2013		
 Sarqala-1 Pre-Development Planning <sup>(1)</sup>	US\$8mm		Pre-Development Planning (Subject to KRG Approval)		
General & Administrative Costs and Other		US\$7mm			
Remaining Capital Program		US\$104- US\$128 mm			
Pro Forma Working Capital <sup>(2)</sup>		US\$204.1mm			

Exploration and Appraisal Program and related forecasted spending is under review and will be updated following Q2 2013 earnings results

(1) Represents contingent projects based upon certain results and KRG approvals

(2) Includes \$152 million of working capital at March 31, 2013, and the subsequent receipt of \$13.5 million from the private placement financing, \$96.8 million from convertible debt financing and less \$58.2 million repayment of the Crest loan.

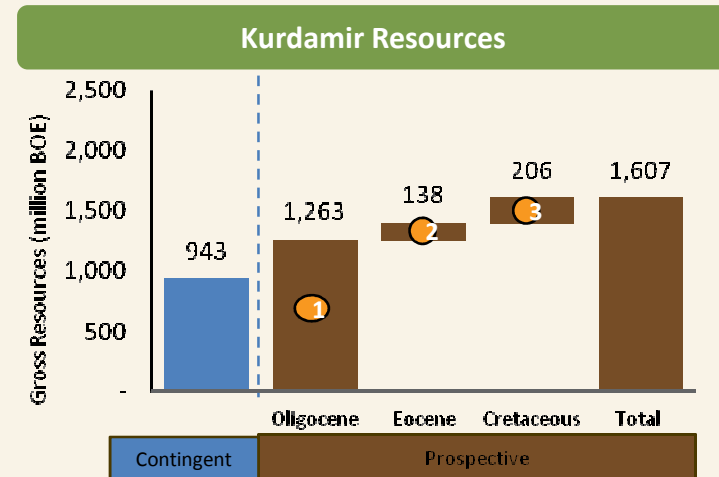
# Kurdamir: Giant Light Oil Discovery



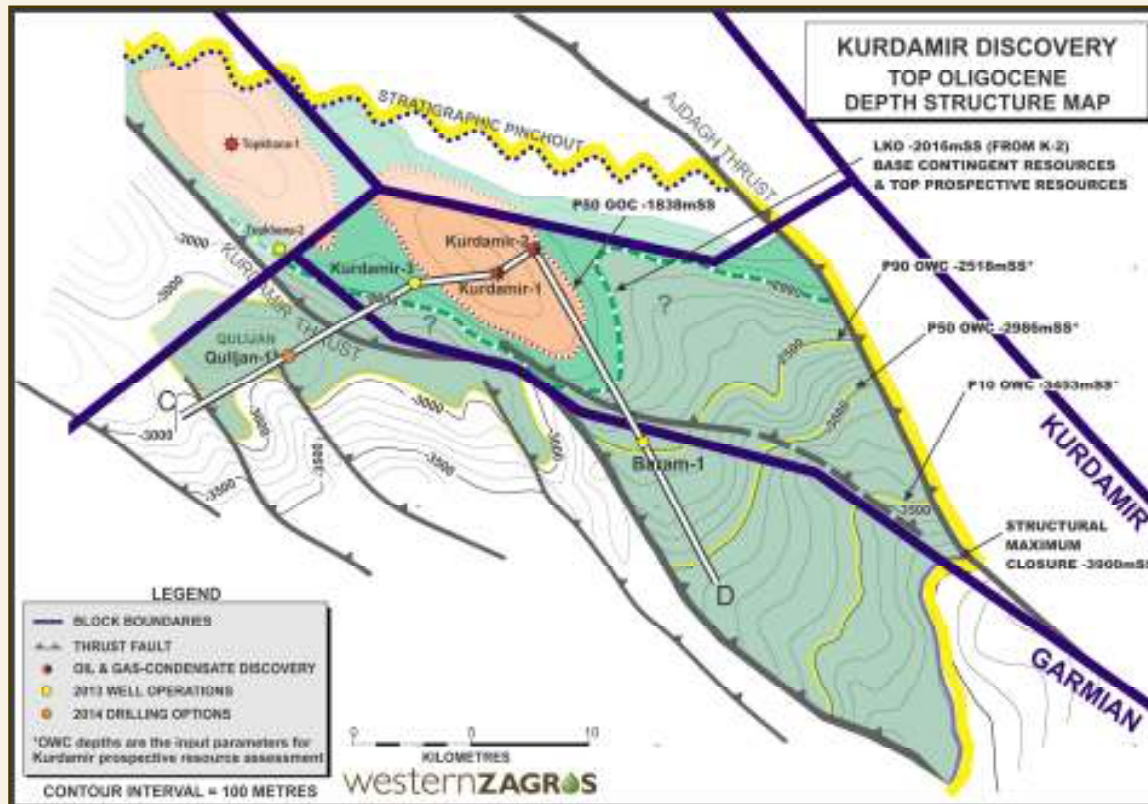
- Kurdamir-2 Oligocene tested commercial rates of 3,450 bbl/d of light 38 degree API oil and 8.8 million cubic feet of gas/day
- Potential of up to 7,000 bbl/d from vertical well
- Future horizontal well could substantially increase flow rate
- Kurdamir-3 interim test results yielded oil and water to 2,788 metres

- Kurdamir-1 and Kurdamir-2 found 974 million BOE contingent resources within Oligocene and Eocene reservoirs
- Kurdamir-2 confirmed oil in Oligocene, Eocene and Cretaceous reservoirs with the potential for a super giant oil field

Kurdamir-3 (currently testing)	
Spud date	February 22, 2013
Target	Oligocene
Production Potential	4,000 – 7,000 bbl/d
Estimated Net Cost	\$25 - 30 million



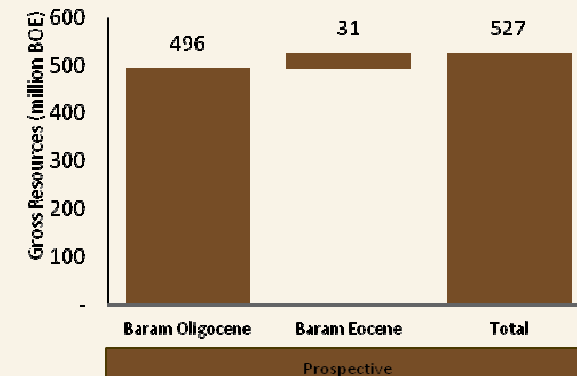
# Baram-1: High Impact Exploration



## Baram-1 Well

- Exploration well planned targeting the Oligocene reservoir; with potential to prove extension of Kurdamir structure onto Garmian Block
- Potential for Baram to be a separate compartment of the Kurdamir Discovery and/or connected to Qulijan

## Baram Resources



## Baram-1 Well

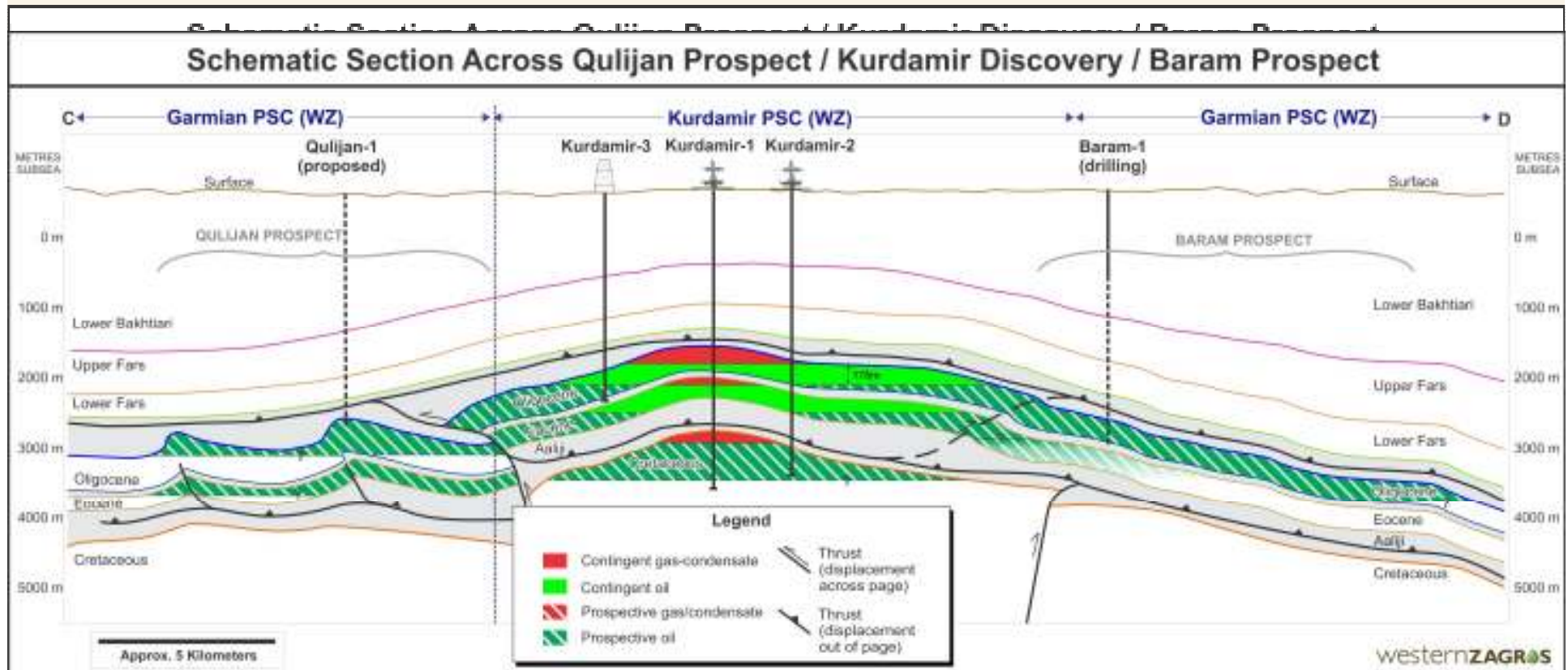
Spud date	August 13, 2013
Target Reservoir / Proposed TD	Oligocene 3,800 m
Production Potential	4,000 – 7,000 bbl/d
Estimated Net Cost	\$25 - 26 million



Baram-1 Rig

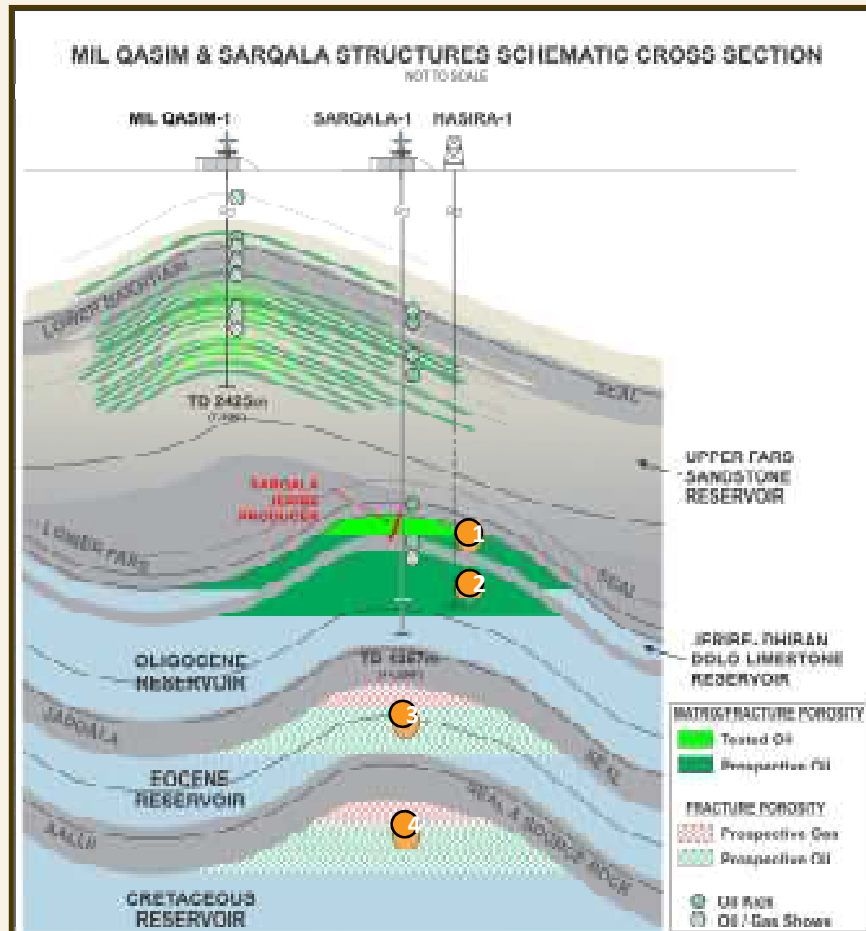


# Qulijan Potential Rises



- ◆ Qulijan Prospect under re-evaluation with the potential for Qulijan to be connected to Baram

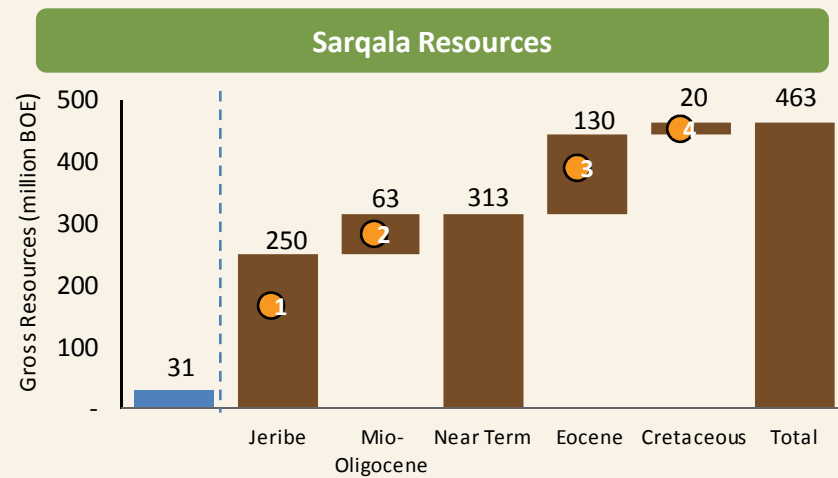
# Hasira-1: Low Risk Exploration and Jeribe Appraisal



## Hasira-1 Well

- Exploration well targeting the Mio-Oligocene
- Secondary objective of appraising the Jeribe-Dhiban reservoir
- Potential to complete the well in either reservoir

Hasira-1 Well	
Spud date	June 6, 2013
Target Reservoirs / Proposed TD	Jeribe ① Oligocene ② 4,200 m
Production Potential	5,000 – 15,000 bbl/d
Estimated Net Cost	\$25 - 28 million



Contingent      Prospective

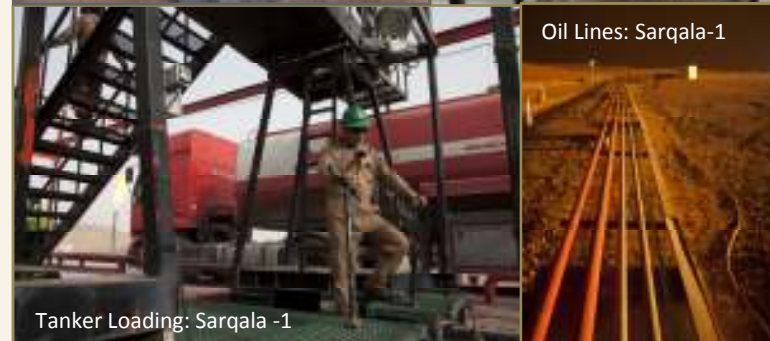


# Sarqala-1: Production Capabilities

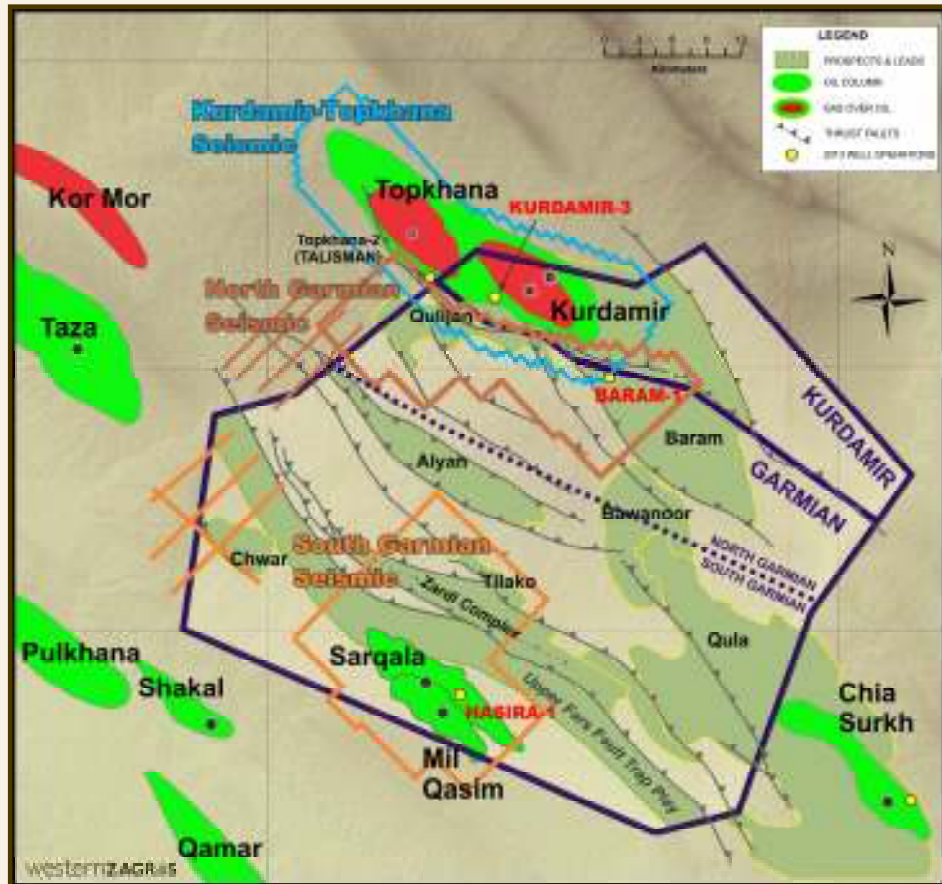
- Sarqala-1 Discovery well encountered gross interval of 2,335 meters
- Achieved maximum flow rates in excess of 9,000 bbl/d\*
- Pre-development production current capacity at 5,000 bbl/d with workover planned to increase capacity up to 10,000 bbl/d subject to KRG approval
- Produced over 1 mmbbls, no gas cap or water leg encountered in Sarqala-1
- Further Jeribe appraisal to be conducted through Hasira-1 well and seismic acquisition



\* Constrained by surface facilities



# North and South Garmian: Future Exploration Prospects



North Garmian 3D seismic acquisition survey started August 6, 2013 to help define Baram and Qulijan structures. Completed acquisition of Sarqala 3D and 2D at Chwar and Alyan. Kurdamir, Sarqala and Mil Qasim 3D seismic interpretation expected by end 2013.

## Qulijan

- Following success of Kurdamir, increased exploration potential in the Oligocene and Eocene reservoirs
- Qulijan well site has been prepared and is drill ready

## Chwar

- Low risk potential exploration prospect in the Jeribe-Dhiban and Mio-Oligocene reservoirs

## Alyan

- Low-moderate risk exploration opportunity within the Jeribe and Oligocene play fairways

## Qula

- Potential downdip extension to Chia Surkh Discovery in the Jeribe-Dhiban, Euphrates, and Oligocene reservoirs

## Zardi Complex

- Potential exploration prospects in the Jeribe, Oligocene, and Eocene reservoirs

## Upper Fars Fault Trap Play

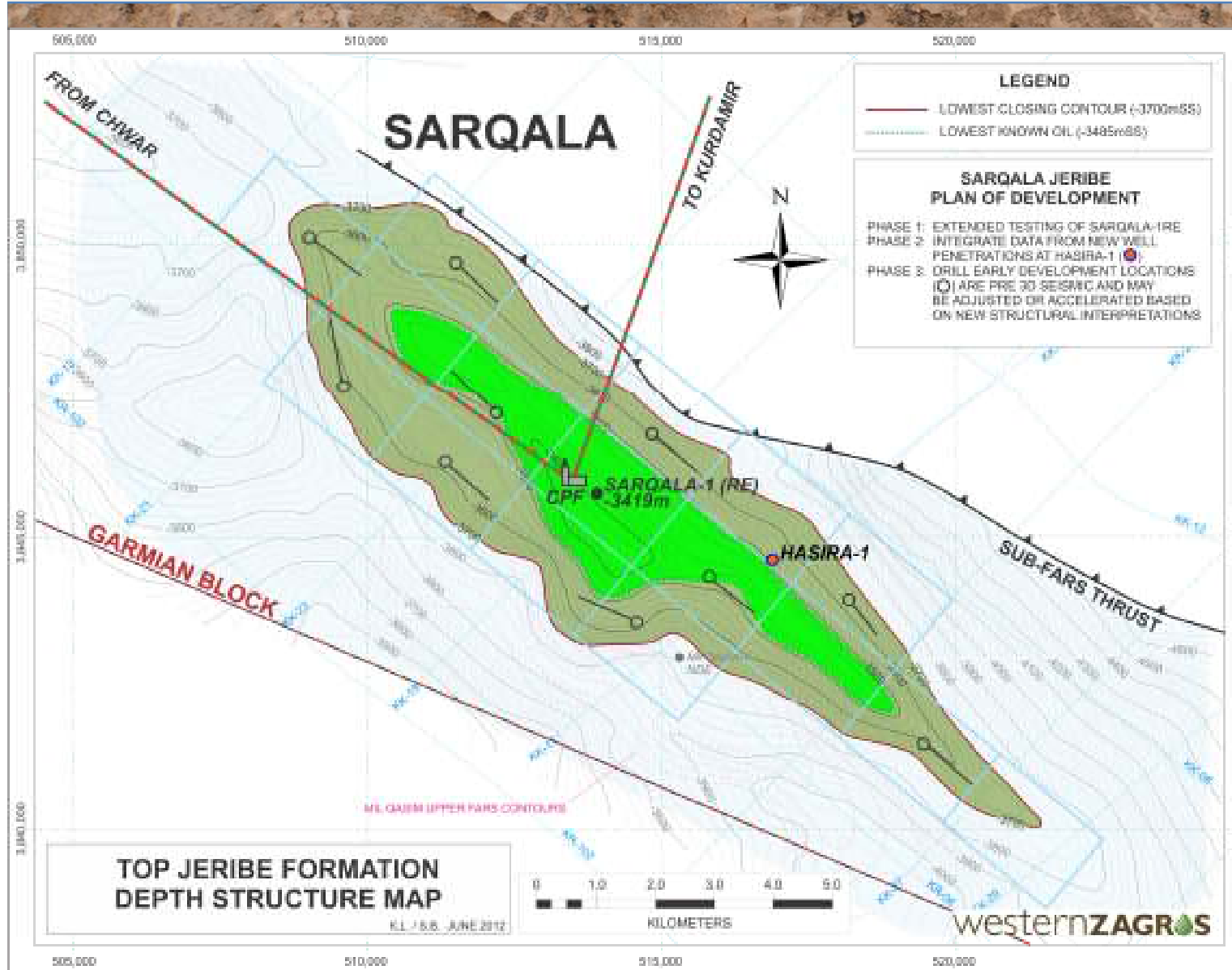
- Potential exploration prospects in the Upper Bakhtiari and Upper Fars reservoirs

## Tilako

- Potential exploration prospects in the Jeribe reservoir

Well planning and securing long lead items underway for 2014 drilling program

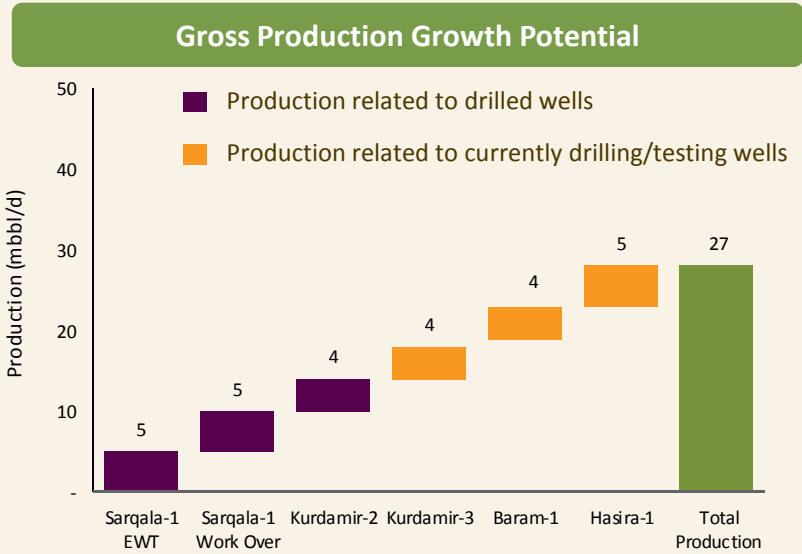
# South Garmian: Sarqala Field Conceptual Development



- Primary Reservoir: Jeribe-Dhiban
- Potential upside of additional adjacent prospects
- Potential for cooperative infrastructure development
- South Garmian potential capacity: 125,000 bbl/d

# Significant Production Growth Potential

- Sarqala-1 EWT produced 1 million barrels of light crude oil at rate of ~5,000 bbl/d
  - Plan to increase to up to 10,000 bbl/d following a work-over program subject to KRG approval
  - Pre-development engineering underway for potential phased, modular and expandable production facilities
- Kurdamir pre-development planning at ~4,000 bbl/d subject to KRG approval
- Production to be sold into the export market at Brent-linked pricing
  - Kurdistan reportedly trucking ~ 70,000 bbl/d of oil to Turkey



### Oil Tankers Hauling Sarqala Crude to Markets

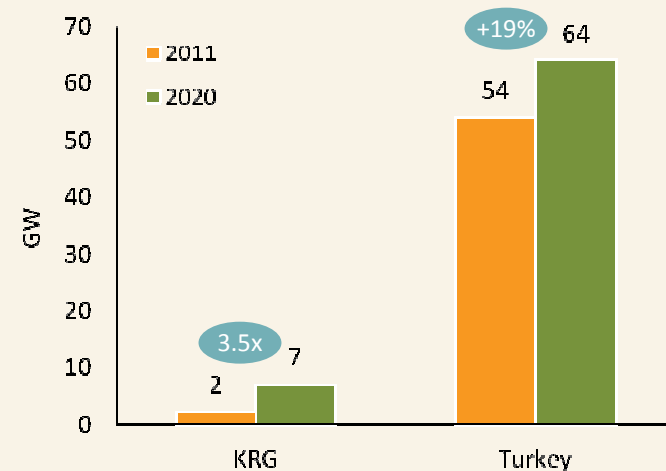




# Gas Monetisation

- ◆ A number of initiatives are underway to improve Kurdistan’s infrastructure for gas commercialization
  - ◆ DNO has launched a fast-track development to supply gas to the Dohuk Power Plant
- ◆ Turkey is a prime export destination for gas production with strong macro fundamentals and geographic proximity
- ◆ Significant incremental domestic and exports natural gas demand with gas-to-power as the key driver
  - ◆ Natural gas comprises ~45% of Turkey’s power generation with electricity demand growing at ~7% p.a.<sup>(2)</sup>

Existing and Projected Power Generation Capacity in Turkey and KRG (GW)<sup>(1)</sup>



## Gazprom Neft – WesternZagros’s Partner in the Garmian PSC

- ◆ Gazprom, the parent company of Gazprom Neft, WesternZagros’s partner on the Garmian licence, is the leading gas supplier to Turkey (~60% market share)<sup>(3)</sup>
- ◆ In November 2012, Gazprom signed a 30-year gas export deal with four Turkish offtakers

AKFEL GROUP

KIBAR HOLDING

BOSPHORUS GAZ CORPORATION

INDEX® HOLDING

<sup>(1)</sup> Sources: Turkish Energy Market: An Investor's Guide 2012; The Oil & Gas Year Kurdistan Region of Iraq 2012. Turkey’s 2020 gas demand based on average of low and high scenarios

<sup>(2)</sup> 2011-2020 CAGR as per 2012 Energy Market Regulatory Authority

<sup>(3)</sup> Based on 2011 data. Source: BP Statistical Review June 2012

# Kurdamir and Garmian: Contingent and Prospective Resources

Play / Prospect	Mean – Oil Only (MMbbl, Gross)	Mean – Oil and Gas (MMBOE, Gross)
<b>Contingent Resources</b>		
Kurdamir Block – Kurdamir	545	943
Garmian Block - Sarqala	24	31
<b>Total Unrisked Contingent Resources</b>	<b>569</b>	<b>974</b>
<b>Prospective Resources - Appraisal</b>		
Kurdamir	1,313 *	1,607 *
Baram	434	527
Sarqala	296	463
Mil Qasim	106	121
<b>Sub Total Prospective Resources - Appraisal</b>	<b>2149</b>	<b>2718</b>
<b>Prospective Resources - Exploration</b>		
Qulijan	86	183
Zardi Complex Play	233	649
Chwar	25	36
Alyan	17	34
Upper Fars Fault Trap Play	705	798
Bawanoor Saddle Play	120	282
<b>Sub Total Prospective Resources - Exploration</b>	<b>1186</b>	<b>1982</b>
<b>Total Unrisked Prospective Resources</b>	<b>3335</b>	<b>4700</b>
<b>Total Garmian Block</b>	<b>2022</b>	<b>3093</b>
<b>Total Kurdamir Block</b>	<b>1313</b>	<b>1607</b>

Note: Independently audited by Sproule International Limited – see Annual Information Form dated March 22, 2013 for data

\* Kurdamir Resource Estimates subject to revision following completion of Kurdamir-3 well testing



# Exploration Program Focused on Capture of Resource Base

4.7 billion BOE of unrisks prospective resource base

Exploration
Prospective Resources (undrilled)
1982 million BOE

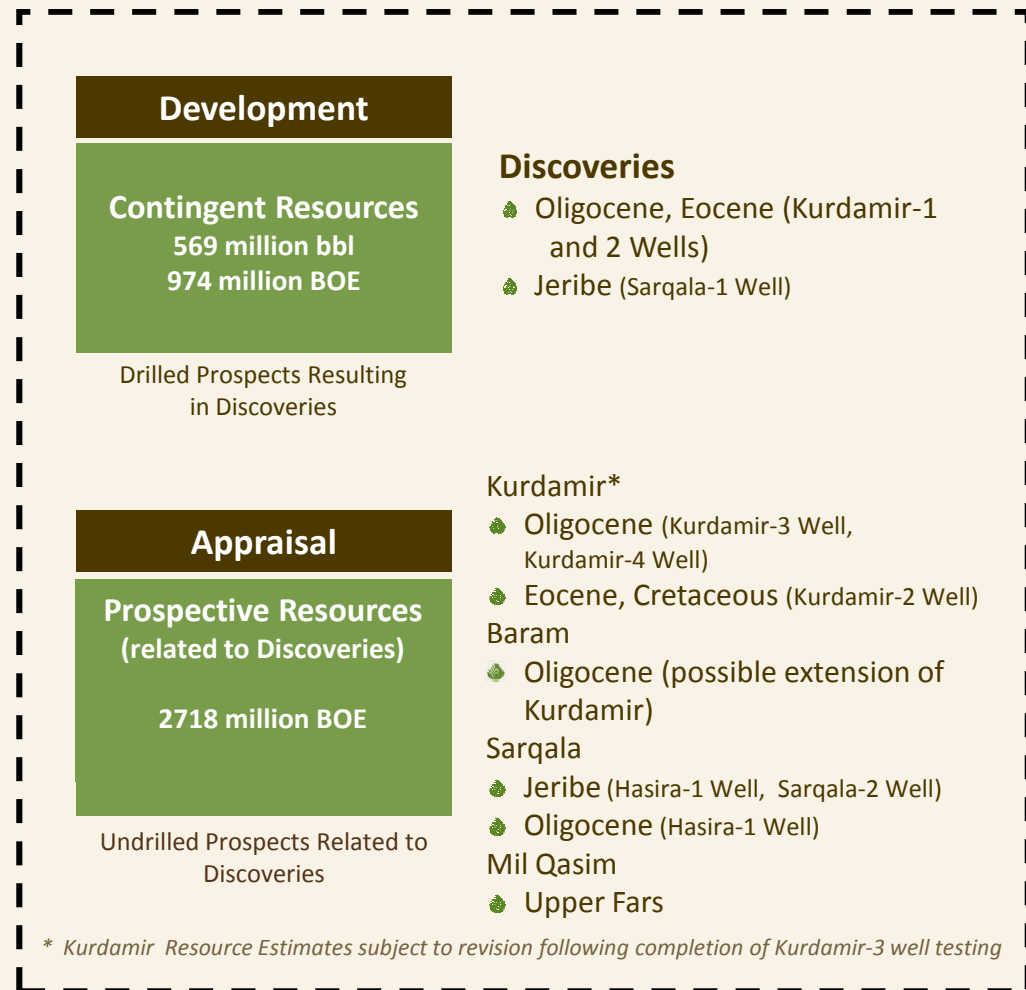
### Prospects/Plays

- Qulijan
- Zardi Complex Play
- Chwar
- Upper Fars Fault Trap Play
- Bawanoor Saddle Play
- Alyan

### Exploration Period End Dates

- Kurdamir: 1 September 2014
- Garmian: 31 December 2014

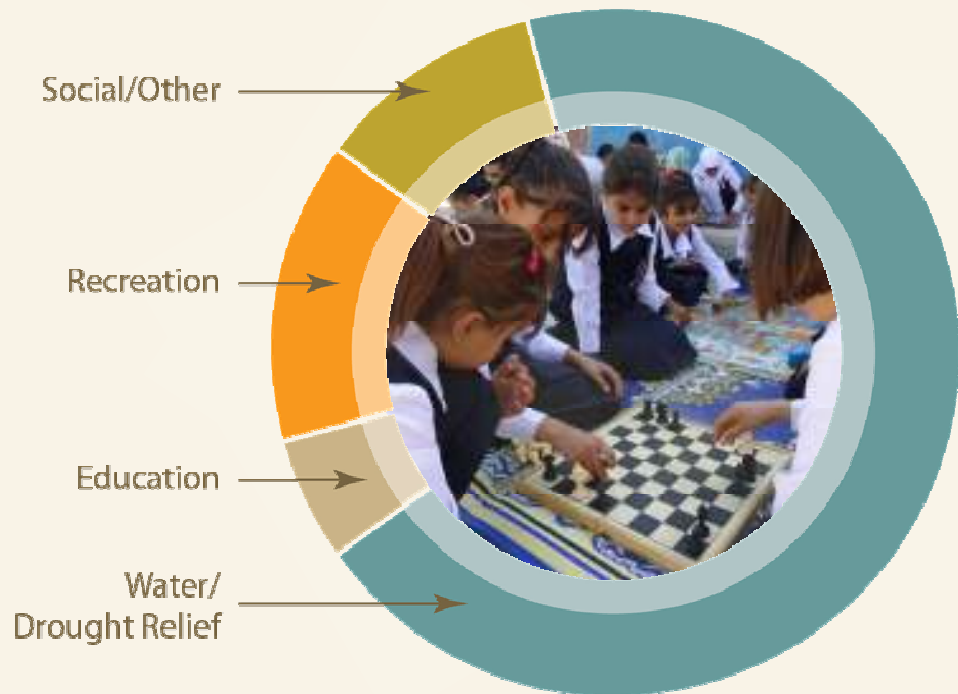
*Acreege relinquished at the end of exploration period if undrilled*



*Acreege & resource secured through appraisal program*

# Corporate Social Responsibility: Making a Difference

## Corporate Social Responsibility Investment Priorities



- Engaging key stakeholders where we operate
  - Consulting with communities
  - Working with NGOs and KRG institutions
- Establishing sustainable long-term benefits for the local community
  - Creating a positive impact in the local community and improving quality of life
  - Employing local personnel
- Participating in the United Nations Global Compact
  - Adhering to the Ten Principles<sup>(1)</sup>

Long-term benefits for the local community: health, water, education and recreation  
Strong focus on health, safety and security

<sup>(1)</sup> First Annual United Nations Global Compact Communication on Progress available on the Company's website at [www.westernzagros.com](http://www.westernzagros.com)

## Towards the Future...Awakening the Kurdish Oil Giant



### Kurdistan: Tremendous Progress and Tremendous Potential

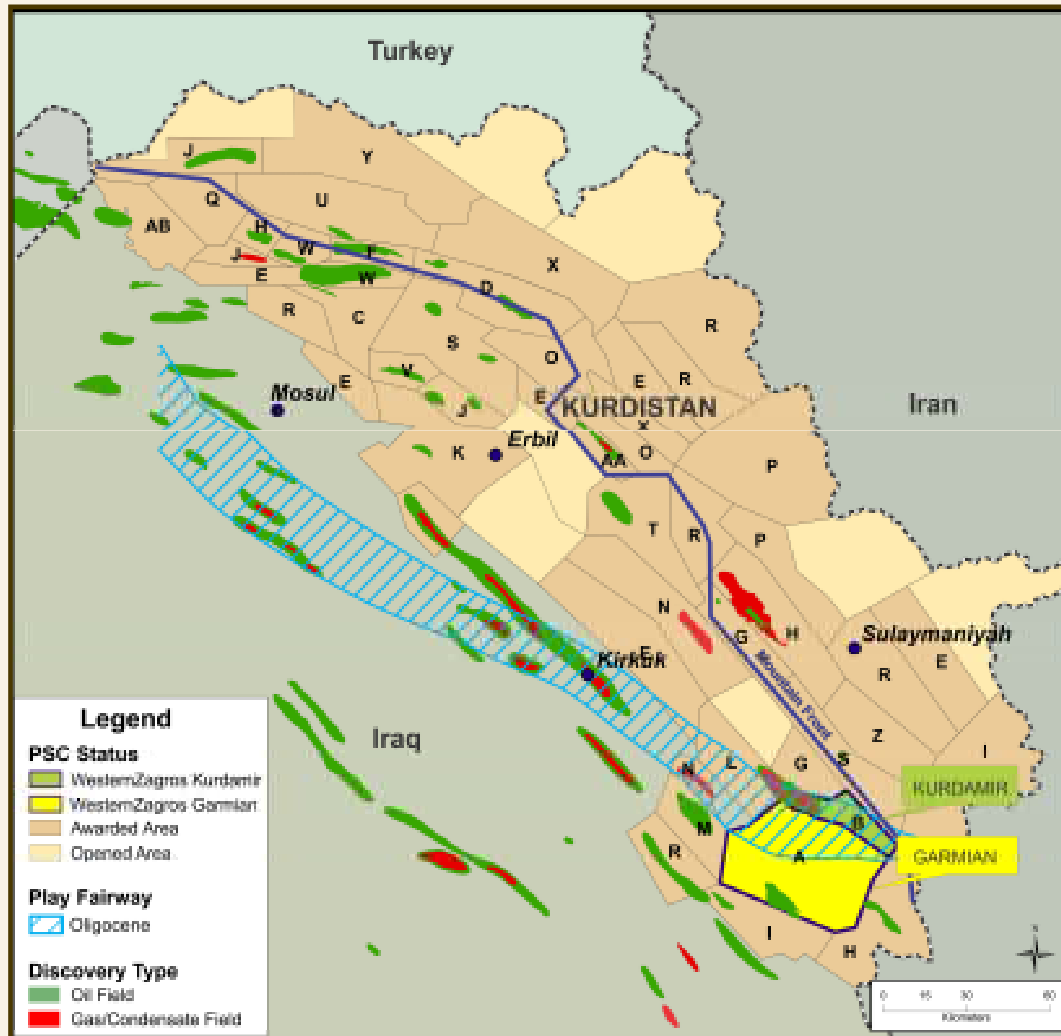
- **WesternZagros was a pioneer in the Region**
- **Notable light oil discoveries achieved; more to come**
- **Declaration of Commerciality and Infrastructure development progressing. Khurmala to Fish Khabur oil pipeline reported to be operational Q4 2013**

# Appendix





# Prospective Acreage: Close to Fully Contracted



	Block	Operator
A	Garmian	WesternZagros
B	Kurdamir	Talisman
C	Ain Sifni	Hunt
D	Akre-Bijeel	MOL / Kalegran
E	Al Qush/Baeshiq/Pirmam/Betwata/Qara-Hanjeer/ #6	Exxon
F	Atrush	TAQA
G	Bazian / Sangaw South	KNOC
H	Chia Surkh / Ber Bahr / Miran	Genel
I	Shakal / Halabja	Gazprom Neft
J	Tawke / Erbil / Dohuk	DNO
K	Hawler	Oryx
L	Topkhana	Talisman
M	Taza	Oilsearch
N	KorMor / Chemchamal	Dana Gas (Pearl Petroleum)
O	Harir / Safeen	Marathon/Total
P	Qala Dze / Pirmigrun	Repsol
Q	Central Dohuk	Murphy
R	Arbat / Khalakan / Pulkhana, Choman / Hindren / Jebel Kanol	Turkish State Company
S	Qarah Dagh / Sarta / Rovi	Chevron
T	Taq Taq	TTOPCO
U	Sarsang	Hillwood
V	Barda Rash	Afren
W	Shaikan / Sheikh Adi	Gulf Keystone
X	Dinarta / Shakrok	Hess
Y	Sindi-Amedi	Perenco
Z	Baranan	Total
AA	Bina Bawi	OMV
AB	Sulevani	Petroquest

# Monetisation: Increasing Transportation and Market Options



## Existing oil pipelines

- Kirkuk – Ceyhan pipeline significantly underutilized 🟡
- 2012 exports of 0.4 million bbl/d versus 1.6 million bbl/d nameplate capacity
- Tawke Station to Fish Khabur tie in. 100,000 bbl/d capacity. Installed and operated by DNO 🟡

## New oil pipelines: Kurdistan and Turkey

- Taq Taq to Khurmala: 81 km. 20" Capacity circa 150,000 bbl/d . Completed and ready to flow oil
- Khurmala to Fish Khabur: 24" opening to 36" 🟡 Under construction, ready for operation in Q4 2013. Capacity circa 300,000 bbl/d 🟡

## Existing gas pipelines:

- Kormor to Chemchemical Power Plant to Erbil Power Plant. 173 km. 24" Currently delivering circa 350 MMSCF/d to the power plants 🟡

## Planned gas pipelines:

- Dohuk Block to Dohuk Power Plant: 50 km approximate distance 🟡



# Caution to the Reader

This presentation contains forward-looking statements with respect to WesternZagros, including but not limited to operational information, future exploration and testing plans and estimated costs and timing associated therewith, working capital, production, and resources. Forward-looking information typically contains statements with words such as “anticipate”, “estimate”, “potential”, “could”, or similar words suggesting future outcomes. WesternZagros cautions readers not to 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 potential production rates may not be indicative of long-term performance or of ultimate recovery. In addition, the forward looking information is made as of the date hereof, and WesternZagros assumes no obligation to update or revise such to reflect new events or circumstances, except as required by law.

Forward looking information is based on management's current expectations and assumptions regarding, among other things, plans for and results of drilling activity and testing programs, future capital and other expenditures (including the amount, nature and sources of funding thereof), future economic conditions, future currency and exchange rates, future oil prices (including domestic prices), continued political stability, continued participation of the Company's co-venturers, successful resolution of disputes, ability to successfully market its production, continued ability to obtain qualified staff and equipment in a timely and cost efficient manner. In addition, budgets are based upon WesternZagros' current exploration and appraisal plans and anticipated costs both of which are subject to change based on, among other things, the actual results of drilling and testing activity, unexpected delays, availability of 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.

WesternZagros's operations are subject to all the risks normally incident to the exploration, production, development and operation of crude oil and natural gas properties and the drilling of crude oil and natural gas wells, including encountering unexpected formations or pressures, premature declines of reservoirs, potential environmental damage, blow-outs, fires and spills, all of which could result in personal injuries, loss of life and damage to property of WesternZagros and others; environmental risks; inherent uncertainties in interpreting geological data; delays in collecting payment for production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the ability to attract and retain key personnel; and the risk of commodity price and foreign exchange rate fluctuations.

All of WesternZagros's assets are located in Kurdistan. As such, WesternZagros is also subject to political, economic, and other uncertainties, including, but not limited to, the uncertainty of negotiating with foreign governments, expropriation of property without fair compensation, adverse determinations or rulings by governmental authorities, changes in energy policies or the personnel administering them, nationalization, currency fluctuations and devaluations, disputes between various levels of authorities, arbitrating and enforcing claims against entities that may claim sovereignty, authorities claiming jurisdiction, potential implementation of exchange controls, royalty and government take increases and other risks arising out of foreign governmental sovereignty over the areas in which WesternZagros's operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrections. WesternZagros's operations may be adversely affected by changes in government policies and legislation or social instability and other factors which are not within the control of WesternZagros including, among other things, adverse legislation in Iraq and/or the Kurdistan Region, a change in crude oil or natural gas pricing policy, renegotiation or nullification of existing concessions and contracts, taxation policies, economic sanctions, the imposition of specific drilling obligations and the development and abandonment of fields.

The ability of WesternZagros to successfully carry out its business plan is primarily dependent on the continued support of its shareholders, the discovery of economically recoverable reserves, its co-venturers' continued participation in the exploration activities under the PSCs, and the ability of the Corporation to obtain financing to develop reserves. WesternZagros's cash balance may not be sufficient to fund its ongoing activities at all times and carry the KRG's carried interests under the PSCs. From time to time, WesternZagros may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. In addition, any change in the co-venturers' participation could increase or reduce the Company's capital requirements. Failure to obtain such financing on a timely basis could cause WesternZagros to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. It is possible that future global economic events and conditions may result in further volatility in the financial markets which, in turn, could negatively impact WesternZagros's ability to access equity or debt markets in the future.

Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors should not place undue reliance on these forward-looking statements. For a full discussion of the risk factors including the risks and level of uncertainty associated with the Company's ability to recover resources from the PSC lands, please refer to the Company's Annual Information Form dated March 22, 2013 on SEDAR at [www.sedar.com](http://www.sedar.com).

# Caution to the Reader, (Cont'd.)

## Presentation of Resource Information

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.

"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 resource 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 prospective resource 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.

All resource estimates presented are gross volumes for the indicated reservoirs, without any adjustment for the Company's working interest or encumbrances. The effective dates of the resource estimates is February 8, 2013 and all estimates presented have been independently audited by Sproule International Limited as of such date.

The Company's Statement of Oil and Gas Information contained in its Annual Information Form dated, March 22, 2013 ("AIF") filed on SEDAR at [www.sedar.com](http://www.sedar.com) contains additional detail with respect to the resource assessments and includes the significant risks and uncertainties associated with the estimates and the recovery and development of the resources and, in respect of contingent resources, the specific contingencies which prevent the classification of the resources as reserves.

All resource estimates presented herein are mean estimates, being the average from the probabilistic assessment that was completed for the reservoir or combined mean estimates, being an arithmetic sum of the mean estimates for individual reservoirs. Readers should refer to the AIF for a detailed breakdown of the high (P10), low (P90) and best (P50) estimates for each of the individual reservoir assessments.

[www.westernzagros.com](http://www.westernzagros.com)

**Head Office**

**600, 440 – 2nd Avenue S.W.**

**Calgary, Alberta, Canada**

**T2P 5E9**

**Tel: 1-403-693-7017**

**Fax: 1-403-233-0174**

**email : [investorrelations@westernzagros.com](mailto:investorrelations@westernzagros.com)**



**Baram-1 Well Aug 2013**