# TABLE OF CONTENTS

ABBREVIATIONS AND CONVERSION FACTORS ................................................................. 2
DEFINITIONS ....................................................................................................................... 3
PRESENTATION OF OIL AND GAS RESERVES AND RESOURCES INFORMATION ............ 7
CURRENCY ......................................................................................................................... 10
FOREWARD-LOOKING INFORMATION .............................................................................. 10
WESTERNZAGROS RESOURCES LTD ............................................................................... 11
GENERAL DEVELOPMENT OF THE BUSINESS .............................................................. 12
DESCRIPTION OF THE BUSINESS .................................................................................. 15
COMPETITIVE CONDITIONS, INCLUDING KEY STRENGTHS AND CHALLENGES ............ 16
HEALTH, SAFETY, ENVIRONMENT AND SECURITY (“HSE&S”) AND CORPORATE SOCIAL RESPONSIBILITY (“CSR”) ................................................................. 17
INFORMATION ON THE KURDISTAN REGION OIL AND GAS INDUSTRY .................... 19
PSC OVERVIEW AND COMMITMENTS ............................................................................ 27
ASSET OVERVIEW ............................................................................................................ 32
KURDAMIR BLOCK ........................................................................................................... 35
GARMIAN BLOCK ............................................................................................................ 41
OTHER POTENTIAL KURDAMIR AND GARMIAN BLOCK PROJECTS ......................... 44
STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION .......... 46
DESCRIPTION OF CAPITAL STRUCTURE ......................................................................... 54
DIVIDENDS ....................................................................................................................... 57
PRIOR SALES .................................................................................................................... 57
DIRECTORS AND EXECUTIVE OFFICERS ..................................................................... 57
RISK FACTORS .................................................................................................................. 60
LEGAL AND REGULATORY PROCEEDINGS .................................................................. 75
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS ............... 75
AUDITORS, TRANSFER AGENT AND REGISTRAR ............................................................ 76
MATERIAL CONTRACTS .................................................................................................... 76
INTERESTS OF EXPERTS ................................................................................................. 76
ADDITIONAL INFORMATION ............................................................................................ 77
SCHEDULE A ..................................................................................................................... 78
CONTINGENT RESOURCES DATA AND PROSPECTIVE RESOURCES DATA ................. 78
SCHEDULE B-1 ................................................................................................................ 90
FORM 51-101F2 REPORT ON RESERVES DATA AND PROSPECTIVE RESOURCES DATA BY AN INDEPENDENT QUALIFIED RESERVES EVALUATOR ...................................................... 90
FORM 51-101F2 REPORT ON CONTINGENT RESOURCES DATA AND PROSPECTIVE RESOURCES DATA BY AN INDEPENDENT QUALIFIED RESERVES EVALUATOR ........................................ 92
SCHEDULE C .................................................................................................................... 94
FORM 51-101F3 REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION ........................................................................... 94
ABBREVIATIONS AND CONVERSION FACTORS

In this Annual Information Form, the following abbreviations have the meanings set forth below.

<table>
<thead>
<tr>
<th>Natural Gas</th>
<th>Oil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mcf</td>
<td>bbl</td>
</tr>
<tr>
<td>thousand cubic feet</td>
<td>barrel</td>
</tr>
<tr>
<td>Mcf/d</td>
<td>bbl/d</td>
</tr>
<tr>
<td>thousand cubic feet per day</td>
<td>barrel or barrels per day</td>
</tr>
<tr>
<td>Mscf/d</td>
<td>MMbbl/d</td>
</tr>
<tr>
<td>thousand standard cubic feet per day</td>
<td>million barrels per day</td>
</tr>
<tr>
<td>MMcf</td>
<td>MMbbl</td>
</tr>
<tr>
<td>million cubic feet</td>
<td>million barrels</td>
</tr>
<tr>
<td>MMcf/d</td>
<td>MMbbl/d</td>
</tr>
<tr>
<td>million cubic feet per day</td>
<td>million barrels per day</td>
</tr>
<tr>
<td>MMscf/d</td>
<td>Bbbl</td>
</tr>
<tr>
<td>million standard cubic feet per day</td>
<td>billion barrels</td>
</tr>
</tbody>
</table>

| Bcf          | Bbbl |
| billion cubic feet | billion barrels |
| Bcf/d        | Bbbl/d |
| billion cubic feet per day | billion barrels per day |
| Tcf          | Tcm  |
| trillion cubic feet | trillion cubic metres |

<table>
<thead>
<tr>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>API</td>
</tr>
<tr>
<td>°API</td>
</tr>
<tr>
<td>BOE</td>
</tr>
<tr>
<td>BOE/d</td>
</tr>
<tr>
<td>MMBOE</td>
</tr>
<tr>
<td>GW</td>
</tr>
<tr>
<td>mSS</td>
</tr>
<tr>
<td>MW</td>
</tr>
<tr>
<td>°C</td>
</tr>
<tr>
<td>ft</td>
</tr>
<tr>
<td>m</td>
</tr>
<tr>
<td>m³</td>
</tr>
<tr>
<td>km</td>
</tr>
<tr>
<td>km²</td>
</tr>
<tr>
<td>psi</td>
</tr>
<tr>
<td>scf</td>
</tr>
</tbody>
</table>

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units)

<table>
<thead>
<tr>
<th>To Convert From</th>
<th>To</th>
<th>Multiply By</th>
</tr>
</thead>
<tbody>
<tr>
<td>ft</td>
<td>m</td>
<td>0.305</td>
</tr>
<tr>
<td>m</td>
<td>ft</td>
<td>3.281</td>
</tr>
<tr>
<td>miles</td>
<td>km</td>
<td>1.610</td>
</tr>
<tr>
<td>km</td>
<td>miles</td>
<td>0.621</td>
</tr>
<tr>
<td>acres</td>
<td>km²</td>
<td>0.004</td>
</tr>
<tr>
<td>km²</td>
<td>acres</td>
<td>247.1</td>
</tr>
<tr>
<td>bbl</td>
<td>m³</td>
<td>0.158</td>
</tr>
<tr>
<td>m³</td>
<td>bbl</td>
<td>6.292</td>
</tr>
<tr>
<td>Mcf</td>
<td>1,000 m³</td>
<td>0.0281</td>
</tr>
<tr>
<td>1,000 m³</td>
<td>Mcf</td>
<td>35.493</td>
</tr>
</tbody>
</table>
DEFINITIONS

In this Annual Information Form, the following words and phrases have the meanings set forth below, unless otherwise indicated.

"ABCA" means the Business Corporations Act (Alberta), together with any or all regulations promulgated thereunder, as amended from time to time;

"AIF" means this Annual Information Form;

"Arrangement" means the plan of arrangement among WesternZagros, WOSI, Marathon Oil Corporation, 1339971 Alberta Ltd. and WZRI completed October 18, 2007;

"Asayish" means the Internal Security Agency of the KRG;

"Board" means the board of directors of the Company;

“BOTAS” means BOTAS Petroleum Pipeline Corporation, a state owned Turkish pipeline company;

“BSA” means the Board of Supreme Audit;

“CBP” means Capacity Building Support Payment;

"Class A Preferred Shares" means the Class A preferred shares, issuable in series, in the capital of the Company;

"Class B Preferred Shares" means the Class B preferred shares in the capital of the Company;

"COGE Handbook" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time;

"Common Shares" means the common shares in the capital of the Company;

"Company" or "WesternZagros" means WesternZagros Resources Ltd. and its subsidiaries, unless the context requires otherwise;

"Computershare" means Computershare Trust Company of Canada;

"Contractor Group" means WesternZagros, the KRG and Repsol for the Kurdamir PSC or WesternZagros, the KRG, and Gazprom Neft for the Garmian PSC, as the context requires;

"Convertible Notes" means the convertible senior unsecured notes issued by the Company;

“CPF” means Central Processing Facility;

"Crest" means Crest Energy International LLC;

"Crest 2013 Loan Agreement" means the restated and amended senior secured loan agreement dated March 13, 2013 between the Company and Crest;

"Crest 2014 Loan Agreement" means the loan agreement dated August 14, 2014, as amended, between the Company and Crest providing for the Debt Facility;
"Crest Investment Agreement" means the investment agreement dated March 18, 2013 between the Company and Crest;

"Debt Facility" means the $200 million senior debt facility to be provided to the Company by Crest;

“Cumulative Costs” as defined in each PSC means all Petroleum Costs actually incurred;

“Cumulative Revenues” as defined in each PSC means the total amount of revenue actually received by the contractor for recovery of its Petroleum Costs and its share of profit petroleum;

"Declaration of Commerciality" means a written statement submitted pursuant to the terms of the Garmian PSC or Kurdamir PSC, as applicable, specifying that a discovery of petroleum on the Garmian Block or Kurdamir Block, as applicable, has been determined to be a commercial discovery, meaning that it is potentially commercial when taking into account all technical, operational, commercial and financial data collected when carrying out appraisal works or similar operations, including recoverable Reserves, sustainable regular production levels and other material technical, operational, commercial and financial parameters, all in accordance with prudent international petroleum industry practice;

"Development Period" means the period under each PSC, for which the Company has an exclusive right to develop and produce a commercial discovery, which is an initial period of 20 years with an automatic right to a 5 year extension with one possible further 5 year extension, subject to KRG approval;

"Draft Federal Petroleum Law" means the draft Iraq federal petroleum law for which consensus was reached on February 15, 2007 by a committee comprising representatives of Kurdistan and the parties included in the Council of Representatives (Cabinet) of the Government of Iraq;

“DST” means drill stem test;

"EPSA" means the Exploration and Production Sharing Agreement which was signed by the Company and the KRG on May 4, 2006, amended and ratified on February 26, 2007 and eventually replaced by the Original PSC and then the Kurdamir and Garman PSCs;

"Equity Backstop" means the commitment of Crest to purchase Common Shares and Non-Voting Preferred Shares in accordance with the Equity Backstop Agreement;

"Equity Backstop Agreement" means the equity backstop agreement between the Company and Crest dated August 14, 2014;

"EWT" means extended well test;

"Exploration Period" means the time period allowed under each of the Company’s PSCs prior to the Development Period;

“FDP” means Field Development Plan;

"Garmian Block" means the area covered by the Garmian PSC consisting of an exploration and production project area in Kurdistan;

"Garmian PSC" means the Production Sharing Contract which was entered into by WZL and the KRG on July 25, 2011 with respect to the Garmian Block as further amended by WZL, the KRG and Gazprom Neft on July 31, 2012;

"Gazprom Neft" means Gazprom Neft Middle East B.V.;
"Giant Field" in reference to a petroleum field, means a field containing more than 500 MMBOE of ultimately recoverable petroleum;

"Government of Iraq" means the Federal Government of Iraq;

"IOC" means International Oil Company;

"Iraq" means the entirety of the Republic of Iraq, including without limitation, Kurdistan;

"Iraq Constitution" means the permanent constitution of Iraq approved by the people of Iraq in the general referendum on October 15, 2005;

"ISIS" means the Islamic State of Iraq and al-Sham, a U.S. designated terrorist group;

“JOA” means Joint Operating Agreement;

“KRG” means the Kurdistan Regional Government;

"Kurdamir Block" means the area covered by the Kurdamir PSC consisting of an exploration and production project area in Kurdistan;

"Kurdamir PSC" means the Original PSC as amended by an Amendment Agreement which was entered into by WZL, Talisman and the KRG on July 25, 2011 with respect to the Kurdamir Block, as further amended by the parties on August 15, 2012;

"Kurdistan" or “Kurdistan Region" means the Kurdistan Region of Iraq;

"Kurdistan Council" means the Regional Council for the Oil and Gas Activities of the Kurdistan Region of Iraq established under the Kurdistan Petroleum Law;

"Kurdistan Petroleum Law" means the Oil and Gas Law of the Kurdistan Region - Iraq, together with any or all regulations promulgated thereunder, as amended from time to time;

“LKO” means lowest known oil;

"LTI" means a lost time incident;

"MENA" means Middle East, North Africa;

"MNR” means the Ministry of Natural Resources of the KRG;

"Model PSC" means the model production sharing contract for use by the KRG;

"NI 51-101" means National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities;

"NOC" means North Oil Company;

"Non-Voting Preferred Shares" means the Class A Preferred Shares, Series 1 in the capital of the Company;

"Note Indenture" means the Note Indenture governing the Convertible Notes dated as of June 18, 2013 between the Company and Computershare, as trustee;

“OWC” means oil-water contact;
"Original PSC" means the Production Sharing Contract which was signed by WZL and the KRG on February 28, 2008 with respect to the entirety of the PSC Lands;

"Peshmerga" means the Kurdistan Region National Guard;

“Petroleum Costs” as defined in each PSC means all costs and expenditures incurred by the contractor for the petroleum operations for which the contractor is entitled to recover under each PSC, including decommissioning costs, development costs, exploration costs, marketing costs and production costs.

"PSCs" means Production Sharing Contracts with the KRG, and specific to Western Zagros, refers to the Kurdamir PSC and the Garmian PSC collectively;

"PSC Lands" means, collectively, the Kurdamir Block and the Garmian Block;

"Region" means a region of Iraq that is constitutionally established pursuant to the Iraq Constitution;

“Repsol” means the subsidiary of Repsol S.A., Talisman (Block K44) B.V.;

"Rights Offering" means the rights offering completed by the Company pursuant to a short-form prospectus dated October 6, 2014, as amended;

"Shareholders” means holders of Common Shares and "Shareholder" means any one of them;

"Shareholder Rights Plan" means the Company’s shareholder rights plan established pursuant to an amended and restated shareholder rights plan agreement dated as of June 6, 2013 between the Company and Computershare;

"SOMO" means the Iraqi State Organization for Marketing of Oil;

"Special Committee" means the Special Committee of the Board formed in 2014 to oversee the review of the strategic and financing opportunities available to the Company;

"Sproule" means Sproule International Limited, the Company’s independent qualified reserves evaluator and auditor;

"Sproule Garmian Report" means the independent report prepared by Sproule evaluating the crude oil Reserves of the Company, and auditing the Company’s estimates of certain Prospective Resources volumes in the Jeribe / Upper Dhiban reservoir on the Garmian Block dated March 16, 2016 and effective December 31, 2015;

“Sproule Kurdamir Report” means the independent audit report of the Company’s estimates of certain Contingent and Prospective Resources volumes in the Oligocene reservoir on the Kurdamir Block prepared by Sproule dated March 16, 2016 and effective December 31, 2015;

"Sproule Reports" means the Sproule Garmian Report and the Sproule Kurdamir Report;

"Super-giant field" in reference to a petroleum field, means a field containing more than 5 billion BOE of ultimately recoverable petroleum;

“Talisman” means Talisman (Block 44) B.V., a wholly-owned subsidiary of Talisman Energy Inc, prior to its acquisition by Repsol S.A.;

"TSXV" means the TSX Venture Exchange;
"WOSI" means Western Oil Sands Inc. (now Marathon Oil Canada Corporation); 

"WZL" means WesternZagros Limited; and 

"WZRI" means WesternZagros Resources Inc.

Certain other terms used herein but not defined herein are defined in NI 51-101 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101.

PRESENTATION OF OIL AND GAS RESERVES AND RESOURCES INFORMATION

All oil and natural gas resource information, including estimated production rates, contained in this AIF has been prepared and presented in accordance with NI 51-101 and the COGE Handbook. The recovery and resource estimates provided in this AIF are estimates only. Actual Reserves, Contingent Resources and Prospective Resources and future production from such resources may be greater than or less than the estimates provided herein or in the documents incorporated by reference herein.

Numbers in the resources tables and other oil and gas information contained in this AIF may not add due to rounding.

Definitions

With respect to the reserves and resources data contained herein, the following terms have the meanings indicated:

"2P" in relation to Reserves means Proved plus Probable Reserves.

“3P” in relation to Reserves means Proved plus Probable plus Possible Reserves.

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

“Chance of Discovery” means the estimated probability that exploration activities will confirm the existence of a significant accumulation of potentially recoverable petroleum.

“Chance of Development” means the estimated probability that, once discovered, a known accumulation will be commercially developed.


"Contingent Resources" means 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. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent Resources may be sub-classified as Economic Contingent Resources or Sub-economic Contingent Resources.

"Contingent Gas Resources" has the same meaning as Contingent Resources but is specific to quantities of gas.
"Contingent Oil Resources" has the same meaning as Contingent Resources but is specific to quantities of oil.

"Developed Reserves" are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

"Developed Non-Producing Reserves" are those reserves that either have not been on production, or have previously been on production but are shut-in and the date of resumption of production is unknown.

"Developed Producing Reserves" are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

“Economic Contingent Resources” means those Contingent Resources that are currently economically recoverable.

"Gross" in relation to the Company's interest in resources or production, means 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 to the KRG pursuant to the provisions of the applicable PSC.

"Gross Block" is an estimate of resources which represents the total volumes for the indicated reservoirs attributable to 100 percent of the Garmian Block or Kurdamir Block, as applicable, without any adjustments for the Company's working interest. For a description of the production sharing terms under the Company PSCs, readers should refer to the AIF under the heading "PSC Overview and Commitments - Production Sharing Contract Payment Terms”.

"Net" in relation to the Company's interest in resources or production, means the Company's 40 percent working interest (operating or non-operating) share after deduction of royalty petroleum, profit petroleum, production bonuses and capacity building support payments to the KRG pursuant to the provisions of the applicable PSC.

"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 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 proved plus probable plus possible 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 plus possible 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 proved plus probable plus possible reserves.

"Prospective Resources" means 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 and a chance of development. The chance of commerciality is the product of these two risk components.

"Prospective Gas Resources" has the same meaning as Prospective Resources but is specific to quantities of gas.

"Prospective Oil Resources" has the same meaning as Prospective Resources but is specific to quantities of oil.
"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.

"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.

“ROTR” means resources other than Reserves and includes Contingent Resources and Prospective Resources.

“Sub-economic Contingent Resources” means those Contingent Resources that are not currently economically recoverable. To classify as such, there should be a reasonable expectation of a change in economic conditions within the near future that will result in them becoming economically viable.

Use of Unrisked Estimates

The unrisked estimates of Contingent Resources referred to in this AIF 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. The estimates of Contingent Resources involve implied assessment, based on certain estimates and assumptions, that the resource described exists in the quantities predicted or estimated and that the resource can be profitably produced in the future. (See “Schedule A, Contingent Resources Data and Prospective Resources Data” for details regarding risked estimates for ROTR.)

The unrisked estimates of Prospective Resources referred to in this AIF 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. (See “Schedule A, Contingent Resources Data and Prospective Resources Data” for details regarding risked estimates for ROTR.) 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.

BOEs

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.

Further Information

Readers should refer to “Statement of Reserves and Other Oil and Gas Information” in this AIF for further information on the Company’s reserves and other resources estimates for the PSC Lands. In addition, details of the PSC Lands and the Company’s interests therein are contained in the AIF under the headings “Asset Overview”, “Kurdamir Block” and “Garmian Block”.
CURRENCY

WesternZagros has adopted the U.S. dollar as its functional and reporting currency. Unless otherwise indicated, references herein to "$" or "dollars" are to United States dollars. References herein to "Cdn$" are to Canadian dollars.

The following table sets forth, for each of the periods indicated, the high and low rates of exchange for one United States dollar expressed in Canadian dollars, the average rate of exchange during each such period and the end of period rate, each based on the noon buying rate published by the Bank of Canada.

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
<td>Low</td>
<td>Average</td>
</tr>
<tr>
<td></td>
<td>Cdn$1.3990</td>
<td>Cdn$1.1643</td>
<td>Cdn$1.0697</td>
</tr>
<tr>
<td></td>
<td>Cdn$1.1643</td>
<td>Cdn$1.0614</td>
<td>Cdn$0.9839</td>
</tr>
<tr>
<td></td>
<td>Cdn$1.0697</td>
<td>Cdn$1.0299</td>
<td>Cdn$1.0636</td>
</tr>
</tbody>
</table>

FORWARD-LOOKING INFORMATION

This AIF contains certain forward-looking statements and forward-looking information (collectively "forward-looking statements") within the meaning of applicable securities laws. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "potential", "predict", "project", "should", "target", "will", or similar words suggesting future outcomes or language suggesting an outlook. In particular, this AIF includes forward-looking statements pertaining to, but not limited to, the following:

- plans for drilling, testing and development activity and the timing, funding and estimated costs associated therewith;
- estimated commitments and operations under the PSCs;
- business plans and strategies;
- future production capability and capacity of wells and facilities;
- plans for increasing or bringing on new production;
- future production, sales and export possibilities;
- future pipeline and infrastructure development;
- expected payment terms for oil production;
- potential additions to Reserves and Contingent Resources; and
- expectations regarding the Iraqi political system and regulation of the oil and gas industry.

Statements relating to Contingent Resources and Prospective Resources are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions about the profitable production of the resources described. Readers are also cautioned that disclosed test rates and results are not necessarily indicative of long-term performance or of ultimate recovery.

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will in fact be realized. Actual results may differ, and the difference may
be material and adverse to WesternZagros and its securityholders. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Reliance on such information may not be appropriate for other purposes, such as making investment decisions.

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 availability of debt financing or access to alternate financing, the continued ability to sell production in the domestic or export markets and the 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 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, risks relating to the ability to access export markets and receive payments in accordance with the PSC terms on a timely basis, 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.

These factors should not be considered exhaustive. These and other factors are discussed in greater detail in this AIF under the heading "Risk Factors".

The forward-looking statements contained herein are made as of the date hereof and the Company assumes no obligation, except as required by applicable securities legislation, 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 AIF are expressly qualified by this cautionary statement.

WESTERNZAGROS RESOURCES LTD.

Introduction

WesternZagros is a publicly traded, Calgary-based, international oil and gas company focused on acquiring properties and exploring for, developing and producing crude oil and natural gas in the Kurdistan Region of Iraq. WesternZagros, through its wholly-owned subsidiaries, holds a 40 percent working interest in each of the Garmian PSC and the Kurdamir PSC. The Company's Common Shares are listed on the TSX Venture Exchange under the symbol "WZR" and the Company is a reporting issuer or equivalent in each of the provinces of Canada.
Incorporation and Organization

WesternZagros was incorporated under the ABCA on August 22, 2007. On October 17, 2007, WesternZagros amended its articles to add the Class A Preferred Shares and Class B Preferred Shares to its authorized capital. The head office of WesternZagros is located at 600, 440 - 2nd Avenue S.W., Calgary, Alberta, T2P 5E9 and its registered office is located at 4600, 525 – 8th Avenue S.W., Calgary, Alberta, T2P 1G1.

Intercorporate Relationships

The percentage of votes attaching to all voting securities of WesternZagros’s subsidiaries beneficially owned, or controlled or directed, directly or indirectly, by WesternZagros, as well as the jurisdiction where the subsidiary was incorporated, continued, formed or organized, as the case may be, is set forth below.

Employees

As at year end 2015, the Company had a total of 147 employees, comprised of 34 employees in the Calgary office and 113 employees in Kurdistan.

GENERAL DEVELOPMENT OF THE BUSINESS

WesternZagros was incorporated for the sole purpose of participating in the Arrangement which was completed on October 18, 2007. In connection with the Arrangement, through a series of transactions, WesternZagros acquired from WOSI all of the outstanding shares of WZRI which held the EPSA. In connection therewith, a Business Acquisition Report was filed on SEDAR and can be accessed at www.sedar.com.

During the latter half of 2007 and in early 2008, WesternZagros was in discussions with the Kurdistan Council with respect to the Council's requested conformity of the EPSA with the Model PSC introduced in August 2007 when the Kurdistan National Assembly passed the Kurdistan Petroleum Law (see "Information on the Kurdistan Oil and Gas Industry - Iraq Petroleum Law and Kurdistan Petroleum Law"). On February 28, 2008, WesternZagros concluded these discussions and signed the Original PSC, amending and restating the EPSA.
Three Year History

Fiscal Year Ended December 2013

On March 19, 2013, the Company closed a second strategic financing with Crest pursuant to the Crest Investment Agreement and collected a total of $119.9 million in proceeds. This total consisted of $57.5 million of debt pursuant to the Crest 2013 Loan Agreement and $62.4 million of equity from a non-brokered, private placement of 51 million Common Shares issued by the Company at a price of Cdn$1.25 per Common Share. This increased Crest’s ownership to 19.8 percent of the Company’s issued and outstanding shares at that time. The debt was originally repayable in September 2014 and interest accrued at 6 percent per annum, but was subsequently repaid in full during 2013.

On April 4, 2013, WesternZagros completed a further marketed private placement of Common Shares of the Company and sold 11,431,422 Common Shares at a price of Cdn$1.25 per Common Share for gross proceeds of $14.1 million. The net proceeds of $13.5 million were then used to repay $13.3 million of the principal amount and $0.2 million of accrued interest under the Crest 2013 Loan Agreement.

On June 18 and July 2, 2013, the Company completed the issuance of Cdn $100 million aggregate principal amount of Convertible Notes to investment funds managed by Paulson & Co. (Cdn $70 million), Crest (Cdn $19.8 million) and other qualified investors (Cdn $10.2 million). The Convertible Notes were governed by the Note Indenture and had a face value of Cdn$1,000 per note, a coupon rate of 4 percent per annum, a maturity date of December 31, 2015, and were originally convertible into Common Shares of the Company at the option of the holders at a conversion price of Cdn$1.45 per Common Share subject to adjustment in certain circumstances (see below for further description of a change to the conversion price in 2014). A portion of the net proceeds received was used to repay the remaining outstanding amount under the Crest 2013 Loan Agreement, including applicable accrued interest, while the remainder was available for funding ongoing operational activities and corporate expenses.

Fiscal Year Ended December 31, 2014

In the first quarter of 2014, following approval from the KRG of the Declaration of Commerciality for the Garmian Block, the Company began its transition from an exploration company to a development company. This was followed with the submission to the KRG of a development plan for the Garmian Block and the Declaration of Commerciality and a development plan for the Kurdamir Block. As development plans are approved by the Company, its co-venturers and the KRG and as the Company advances development of the Kurdamir and Garmian blocks, the Company will require significant additional capital in order to fund these activities, including the drilling of development wells and the construction of facilities and supporting infrastructure. As a result, the Board determined it to be an appropriate time to review the strategic and financing opportunities available to the Company and accordingly, in February 2014, established the Special Committee to oversee this process.

The Special Committee and the Board conducted an extensive review process into August 2014 and, after having evaluated a broad range of alternatives, WesternZagros entered into the Equity Backstop Agreement and the Crest 2014 Loan Agreement with Crest and announced that it would undertake the Rights Offering.

In connection with the Crest 2014 Loan Agreement, Crest and the Company also amended the terms of the Crest Investment Agreement such that Crest has the current right to nominate two individuals for election to the Board and has the right to nominate one additional individual for election to the Board upon any draw down on the Debt Facility, provided that such director would only remain a director for as long as, and so long as, any loans under the Debt Facility remain outstanding. As at December 31, 2015, the Company had not drawn any amounts under the Debt Facility and Crest had no representation on the Board. As such, Crest has the right to nominate up to two Board members as of the date hereof and a third member upon any draw under the Debt Facility.
On November 18, 2014, the Company completed the Rights Offering and related Equity Backstop, issuing an aggregate 32,937,293 Common Shares and 274,755,015 Non-Voting Preferred Shares, at Cdn$0.65 per share for total gross proceeds Cdn$200 million. Through the Equity Backstop Agreement, Crest funded an aggregate of Cdn$183.7 million of the proceeds and then held 101,867,066 million (19.9 percent) of the outstanding Common Shares and 100 percent of the Non-Voting Preferred Shares which are convertible into Common Shares on a one to one basis upon certain terms and conditions. As a result of the Rights Offering, the Convertible Notes became convertible into Common Shares at the option of the holders at a conversion price of Cdn$1.44 per Common Share, which was subject to further adjustment in certain circumstances. In addition, Crest also agreed, in the Crest 2014 Loan Agreement, to provide the Debt Facility of up to $200 million, available to be drawn in two separate tranches, subject to certain conditions precedent: $150 million beginning in October 2015 and a further $50 million beginning in June 2016.

On November 4, 2014, the Company announced that the KRG had requested changes to the development plan submitted for the oil and gas resources on the Kurdamir Block. In December 2014, Talisman 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.

**Fiscal Year Ended December 31, 2015**

On the Kurdamir Block, in the first quarter of 2015, Talisman re-instated its JOA and PSC working interest with the KRG’s acceptance. Following this, in May 2015, Repsol S.A. acquired Talisman Energy Inc. after which Repsol continued the FDP negotiations with WesternZagros and the KRG. The revised development concept under negotiation includes the development of the Oligocene oil and gas discovery and contemplates a shared central processing facility (“CPF”) to process the produced oil and gas with the Kurdamir Block and neighboring Topkhana Block to optimize capital costs with each block conducting its own drilling program. The co-venturers are conducting a number of activities, including front-end engineering of the necessary shared 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.

On the Garmian Block, the Company continued discussions with the KRG and Gazprom Neft to advance the approval of the FDP. During this time, the Company commissioned upgrades to the Sarqala processing facility and received approval from the KRG to commence production from the Sarqala-1 well which began on February 11, 2015. Total gross oil sales during 2015 were 1.7 million barrels of oil with all sales made to the Kurdistan Region domestic market under the auspices of the KRG. Total daily production averaged 5,100 barrels of oil per day during 2015 and was trucked to the domestic market with pre-payment for the oil received from the domestic purchasers. Sarqala crude oil averaged a realized price of $41.42/bbl for 2015. Also on the Garmian Block, the Sarqala-2 lease was constructed and long lead equipment needed for the well has been secured in preparation to spud the well pending KRG approval of the Garmian FDP. The Hasira-1 well was safely suspended in the third quarter of 2015 and future options to utilize the well bore are being evaluated.

From a financing perspective, the Company fully repaid the Cdn $100 million Convertible Notes which matured December 31, 2015, from available funds recognizing a total foreign exchange gain upon repayment of approximately $25 million since the debt was first incurred in 2013. The Company reached an agreement with Crest in December 2015 to defer the first drawdown notice date under the first tranche of its US$200 million unsecured Debt Facility from the original date of January 1, 2016 to May 1, 2016. This enabled the Company to defer interest costs and commitment fees and better aligned the terms of the Debt Facility with the expected need for capital. All other terms under the Crest 2014 Loan Agreement, including the maturity dates, remain unchanged. As the Company prepares for the advancement of the Kurdamir and Garmian development plans, in December 2015, the Board commenced a review of all financing alternatives available in December 2015 including but not limited to, the completion of an alternative debt financing or equity financing, or the farm down or sale of some of the assets of the Company. The Company has retained TD Securities to act as its financial advisor in this regard.
Subsequent to December 31, 2015

Pursuant to the terms of the Garmian PSC, operatorship of the Garmian Block transitioned from WesternZagros to Gazprom Neft effective February 29, 2016.

DESCRIPTION OF THE BUSINESS

WesternZagros is a publicly-traded, Calgary-based, international oil and gas company focused on acquiring, exploring, developing and producing crude oil and natural gas in the Kurdistan Region. WesternZagros holds two PSCs with the KRG that are on trend with, and adjacent to, a number of prolific oil and gas discoveries. WesternZagros has completed the exploration phase under both PSCs and is continuing the appraisal and development of its crude oil and gas discoveries.

WesternZagros’s goal is to develop the resources associated with its discoveries on both blocks:

- Appraise and develop 366 million barrels (“MMbbl”) of unrisked Contingent Resources of oil, 1.8 Tcf of unrisked Contingent Resources of gas, 55 MMbbls of unrisked Contingent Resources of condensate, and delineate the 1 billion barrels (“Bbbl”) of unrisked Prospective Resources of oil and 1 Tcf of natural gas (all Gross Block P50 estimates), in the Oligocene reservoir on the Kurdamir Block.

- Develop 13 MMbbl of 2P light oil Reserves (Gross Block) and appraise and develop an additional 66 MMbbl of unrisked Prospective Resources of oil, Gross Block P50 estimate, in the Jeribe / Upper Dhiban reservoir on the Garmian Block.

See “Statement of Reserves Data and Other Oil and Gas Information”.

The Kurdamir Block is operated by Repsol with a 40 percent working interest. WesternZagros holds a 40 percent working interest and the KRG holds a 20 percent carried interest. A Declaration of Commerciality was filed and FDP was submitted for approval in August 2014. In May 2015, Repsol S.A. completed its acquisition of Talisman Energy Inc. and became engaged in FDP negotiations with WesternZagros and the KRG. Repsol has since revitalized Talisman’s former efforts on Kurdamir. The revised development concept under negotiation includes the development of the Oligocene oil and gas discovery and contemplates a shared central processing facility (“CPF”) to process the produced oil and gas with the Kurdamir Block and neighboring Topkhana Block to optimize capital costs. The co-venturers are conducting a number of activities, including front-end engineering of the 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.

The Company holds a 40 percent working interest in the Garmian PSC. The KRG holds a 20 percent interest and the remaining 40 percent interest is held by Gazprom Neft. WesternZagros filed a Declaration of Commerciality for the Sarqala discovery in December 2013 and submitted a development plan to the KRG for approval in June 2014. Initial oil production commenced from the Sarqala-1 well on February 11, 2015 pursuant to KRG approval. Since inception of production during the first EWT in 2011, Sarqala 1 has produced a cumulative amount of 2.7 MMbbls of light oil with no formation water and no hydrogen sulphide. The co-venturers and the KRG continue discussions in finalizing the approval of the Garmian FDP. Pursuant to the terms of the Garmian PSC, operatorship was transitioned from WesternZagros to Gazprom Neft on February 29, 2016.
Although WesternZagros is a relatively small company in a large and competitive industry, it has certain competitive advantages over some of the larger industry participants due to its early entry into Kurdistan. WesternZagros has an experienced and qualified Board and management team, especially in the areas of international oil and natural gas activity and the financing thereof.

Some specific key strengths of the Company are as follows:

*WesternZagros was an early entrant.*

WesternZagros was the fourth entrant into the Kurdistan Region in 2004 and one of the first companies to sign a PSC with the KRG. As such, WesternZagros has a first-mover advantage in the Kurdistan Region which has resulted in attractive fiscal terms for the Company. This includes a CBP of three percent of profit oil which compares to the 16 percent average CBP for the 42 PSCs published on the KRG’s website.

WesternZagros’s blocks are located south of the Zagros mountain front within the proven Oligocene hydrocarbon fairway and are on trend with the Super-giant Kirkuk oil field. To date, WesternZagros has drilled and tested seven deep exploration and appraisal wells resulting in significant oil and gas discoveries at Kurdamir and Sarqala.

*Light, high quality oil with material production potential*

Both the Kurdamir and Garmian blocks have confirmed light, low sulphur oil that the KRG has identified as desirable for both the domestic and export markets. Garmian crude is highly desirable in the domestic market and reported to be among the crudes in Kurdistan that have the highest diesel component. Kurdistan projects rank among the lowest cost development and production opportunities among global oil projects according to Rystad Energy’s UCube November 2015 database.

The Oligocene reservoir on the Kurdamir Block alone is estimated to hold 366 MMbbl of unrisked Contingent Resources (oil), 55 MMbbls of unrisked Contingent Resources of condensate and a further 1 Bbbl of unrisked Prospective Resources (oil) (all Gross Block P50) in the Oligocene reservoir as audited in the Sproule Kurdamir Report.

The Jeribe / Upper Dhiban reservoir on the Garmian Block is estimated to hold 13 MMbbl of 2P Reserves (Gross Block) and 66 MMbbl of unrisked Prospective Resources of oil, Gross Block P50 as determined in the Sproule Garmian Report.

*Natural Gas with Material Production Potential*

The KRG is committed to gas development with the initial emphasis and first priority being fuel for domestic power generation. By converting all power plants in the Kurdistan Region from diesel to gas fuel, the government estimates savings of approximately three billion dollars per year will be realized. Once domestic demand has been met, the KRG anticipates exporting gas to Turkey, and then also to international markets such as Europe.

The Kurdamir Block and neighbouring Topkhana Block, combined, encompass one of the largest gas fields discovered in the Kurdistan Region. Between the two fields, the unrisked Contingent 2C Gas Resources is approximately 3.8 Tcf based on the Company’s Kurdamir and Talisman’s reported 2013 Topkhana estimates. The KRG has identified these fields as a development project in the Kurdistan Region to provide near term gas to the domestic market with future volumes supplying domestic and export markets. Repsol, one of the world’s largest integrated energy groups, and WesternZagros, a pioneer in the Kurdistan Region, are pursuing a phased joint development plan concept for both blocks with the KRG to supply oil and gas to the Kurdistan Region. The
relatively low H₂S composition of the natural gas and the ability to share facilities’ capital expenditures across the two blocks provide capital cost benefits in advancing the project. The co-venturers and the KRG are in negotiations to finalize the phased development plan for gas and oil production, including a domestic gas sales agreement for Phase 1 gas and potential for future phases to access export markets.

**Proven, experienced management team**

WesternZagros is led by a proven management team with demonstrated capabilities as the past operator of the Kurdamir and the Garmian blocks. The current team has been active in Kurdistan since 2004, which is one of the longer operating histories of a management team currently active in the region. The Company’s management team is led by Simon Hatfield, as Chief Executive Officer, who holds over 35 years of technical, managerial and executive experience, including over 20 years of experience in Iraq. In addition to cooperation with the KRG in developing the resources of Kurdistan, WesternZagros believes it has built strong relationships with the community through its work on water supply, social programs and educational programs. Also refer to the “Directors and Executive Officers” section of this AIF for further information.

**Challenges**

WesternZagros may have limited opportunities to monetize its oil and gas resources despite the KRG having set ambitious oil production targets. The KRG is targeting a goal for crude output of 1 million bbl/d by the end of 2016 and as much as 2 million bbl/d by 2019. Key challenges to achieving these goals include the significant decrease in oil price since June 2014, passing a hydrocarbon law, political instability, sectarian violence and the threat of ISIS. The Company is encouraged by the ongoing planning and construction of oil and gas pipelines and infrastructure within Kurdistan (see “Information on the Kurdistan Oil and Gas Industry – Oil Production and Exports”, “Gas Production and Exports”, “Political and Economic Development”, “Security Developments”, and “Risk Factors”).

**HEALTH, SAFETY, ENVIRONMENT AND SECURITY ("HSE&S") AND CORPORATE SOCIAL RESPONSIBILITY ("CSR")**

**HSE&S**

WesternZagros’s Health, Safety, Environment and Security Committee is comprised of three non-executive directors whose primary function is to assist the Board in fulfilling its oversight responsibilities with respect to the Company’s health, safety, environment and security systems. This includes reviewing the Company’s health, safety, environment and security procedures, corporate social responsibility and related management systems, organizational and staffing needs, and assessing the measurable effectiveness of these policies. The committee makes recommendations to the Board with respect to modifications and enhancements of these practices.

WesternZagros recognizes the importance of, and is committed to, safe, compliant and environmentally conscious operations for its employees, contractors, stakeholders and impacted communities. All levels of management are responsible for providing and maintaining a safe work place through proper procedures, training and equipment. WesternZagros has adopted Canadian and international health, safety, and environmental standards for its Kurdistan Region operations. WesternZagros integrates HSE&S in aspects of its business and operations and the Company continually strives to improve HSE&S performance in all of its activities.

WesternZagros measures many performance indicators to continuously improve its HSE&S performance and enhance its safety culture. These metrics include: 1) lost time injury frequency, 2) total recordable injury
frequency, 3) environmental incidents, 4) vehicle accident rate, and 5) continuous improvement of its security team.

The Company successfully completed 312 days and more than 1.2 million hours free of Lost Time Incidents (“LTI”) in 2015. The Company’s year-end Lost Time Incidents Frequency (“LTIF”) of 0.16 was above its 2015 LTIF target of 0.12, though below the Canadian industry average. Unfortunately, a work-related fatality occurred in a motor vehicle accident on a public highway in the Kurdistan Region in late February 2015.

The Company did not experience any other LTIs in 2015 and its total recordable injury frequency (“TRIF”) rate for 2015 was 0.96. This was slightly above the 2015 target goal of 0.95 though below the Canadian industry average.

The Company’s first priority remains the safety and security of its personnel and stakeholders. While ISIS remains a threat, the Company’s security protocols, in cooperation and in consultation with the Asayish’s security measures implemented by the KRG, help ensure that WesternZagros’s operations in the Kurdistan Region remain safe and secure. Since the precautionary withdrawal of non-essential personnel from our assets in the Kurdistan Region in August 2014, and the subsequent return to normal staffing levels in September 2014, the Company has experienced no disruption to its business activities.

WesternZagros will work in cooperation with the operators of both the Kurdamir and Garmian blocks to ensure all operations focus on optimum health, safety, environment and security procedures, corporate social responsibility programs and related management systems, organizational and staffing needs, and assessment of the effectiveness of these programs.

CSR

Corporate Social Responsibility is part of the essence of what WesternZagros stands for – it requires the Company to engage with its stakeholders more effectively and to successfully manage its social impacts. The Company strives to be an integral part of the communities where it operates and understands that the people who live and work near its operations are its neighbours. WesternZagros’s core values include watching out for its neighbours, protecting the environment and working to support the communities where it operates. Corporate values of integrity and trust are entrenched through the conduct of the Company. It is committed to both managing the “above ground” risks and creating mutual benefit through long-term relationships with those affected by its business, including employees, contractors, community residents, stakeholders and governments.

In 2015, WesternZagros celebrated its eleventh year as a corporate citizen in the Kurdistan Region of Iraq. Over the past year it has continued to build on the many projects it has initiated over the years, which have focused on a variety of local improvements that have had a positive impact on many Kurdish-Iraqi families, communities and businesses. In general, WesternZagros’s CSR programs assisted in the redevelopment and growth of the Garmian region of Kurdistan through initiatives designed to aid the efforts of the community. WesternZagros engaged key stakeholders by consulting with communities and working with non-governmental organizations and KRG institutions. The Company also participates in the United Nations Global Compact and adheres to its ten principles in the areas of human rights, labour, the environment and anti-corruption.

WesternZagros runs its business so that stakeholders benefit from the presence of the oil and natural gas industry. On the PSC Lands this was achieved on the ground through initiatives that create mutual benefits. In 2015, the Company advanced this goal by supporting six key corporate community investment initiatives including local employment, water supply, education, health care, agriculture and recreation. Specific CSR activities included local infrastructure projects on the Garmian Block: construction and refurbishment work on schools, health clinics, fire department, meeting halls and sports fields, and water well and road work initiatives, donations were made by the Company towards Sports Club uniforms, as well as school equipment and office equipment to the management office of the Arbat international displaced persons camp. The Company was actively involved in supporting a job fair at the American University Iraq-Sulaymaniyyah, participating in the Agriculture Improvement
Program, which was initiated in June 2014 and continued in 2015 in conjunction with non-government agency Mcfadden & Associates. The program involves farmer training, seed distribution and evaluation of new farming methods to help support local agriculture development. In addition, the Company initiated a scientific hydrogeology research study, in conjunction with the Sulaymaniyah University, to study the surface water levels and long-term effects of water management in the Garmian Region.

Kurdistan is a semi-autonomous region of federal Iraq with an emerging regulatory regime that has made significant progress for its people since the downfall of the previous regime in 2003. WesternZagros is committed to meeting local regulations and to acting responsibly, and the Company strives to follow relevant Canadian oil and gas regulations and environmental practices where none have yet been developed locally. WesternZagros actively participated in the Region’s civil and social development.

WesternZagros has built trusted partnerships with the people of Kurdistan and contributed to the sociocultural and economic development in the regions where it operated. The Company placed a strong emphasis on the incremental capacity development of local personnel. As operator of the Garmian Block, WesternZagros employed or contracted approximately 260 full and part-time local Kurdish employees and service contractors in corporate offices in the Kurdistan Region, in camps in the Garmian Block and in Sarqala production facilities on the Garmian Block during 2015. Also during this same period, WesternZagros endeavoured to utilize local vendor services including infrastructure and consumables purchases, construction, local vehicle and equipment rentals, local support services and contractor staffing.

INFORMATION ON THE KURDISTAN REGION OIL AND GAS INDUSTRY

The following overview of the Kurdistan Region of Iraq includes a description of oil and gas resources, as well as the economic, energy market and political conditions in the region. Information in this section has been taken from public sources, including the Iraq Oil Ministry and the KRG MNR. Readers are cautioned that information on estimated reserves or other resources in Iraq, Kurdistan and other areas may not have been prepared in a manner in accordance with guidelines outlined in the COGE Handbook and as such may not be comparable to other oil and gas data (including the Company’s) prepared in accordance with such guidelines.

General

Iraq has numerous large, undeveloped oil and natural gas fields and unexplored structures with significant hydrocarbon potential. According to the Oil & Gas Journal, Iraq held 144 billion barrels of proved crude oil reserves as of January 1, 2015, almost 18 percent of proved oil reserves in the Middle East (9 percent of global reserves), ranking fifth in the world. As at December 31, 2013 the International Energy Agency estimated that the Kurdistan Region contained 4 billion barrels of proved reserves. The KRG estimate for total oil resources, including unproved reserves, is 45 billion barrels.

Following the liberation of Iraq in 2003, the first international oil companies to enter the Kurdistan Region of Iraq were: Addax Petroleum Corporation and Genel Energy International Limited (Taq PSC); DNO International ASA (Tawke PSC); WesternZagros (Kurdamir and Garmian PSCs), as well as PETOIL Petroleum, Petroleum Products International Exploration and Production Incorporated (a private Turkish company) and Prime Resources Ltd. (a private US company). Each signed exploration contracts with the KRG between 2004 and 2007.

Following the enactment of the Kurdistan Petroleum Law in 2007, more than 42 energy companies have taken equity interests in 51 PSCs in Kurdistan, including energy majors such as ExxonMobil, Chevron Corporation, Repsol SA, Gazprom Neft and Total Energy Services Inc. Other sizeable oil companies include TAQA, Marathon, and Hunt. See Figure 1 and the accompanying table.
Between 2006 and 2015, 197 wells were drilled on PSCs issued by the KRG. Of these, 65 were exploration wells, resulting in 36 discoveries (55 percent success ratio). The majority of these discoveries have been oil weighted, with several Giant Fields including Kurdamir, Shaikan, Tawke, Atrush, and Bina Bawi.
Government Structure in Iraq and the Kurdistan Region

Iraq is a parliamentary democracy with a federal system of government. The Iraq Constitution guarantees basic rights to all Iraqi people.

The executive branch consists of the Presidency Council (the President and up to three deputy presidents) and a Council of Ministers (consisting of the Prime Minister, three deputy prime ministers and 30 cabinet ministers). The President is the head of state, protecting the Iraq Constitution and representing the sovereignty and unity of the state. The Prime Minister is the direct executive authority and commander in chief. The current President and Prime Minister of Iraq are Fuad Masum and Haider al-Abadi, respectively.

The Council of Representatives is Iraq’s legislature, with 328 elected members serving a four year-term. The last elections were held on April 30, 2014 and conducted under the open regional party list electoral system. This allowed voters to cast a vote for a party and to indicate their preference for particular candidates on the regional party list. The administration which was formed following the elections was broadly inclusive, with representatives from each of the primary Shia Islamist blocs, the major Sunni blocs and the Kurdistan Alliance.

The Kurdistan Region is a federally recognized semi-autonomous political region in Iraq. Kurdistan’s legislature is the Kurdistan Parliament with 111 government seats. The executive body of the Kurdistan Region is the KRG. The KRG cabinet and Prime Minister are selected by the majority party or party list in the assembly. The President of the Kurdistan Region has the highest executive authority and is directly elected by secret ballot by the electorate every four years.

The current President is Massoud Barzani, who was initially elected during the Iraq-Kurdistan Region 2005 elections, assumed office on May 7, 2006, and was re-elected as President on July 25, 2009. The Kurdistan Region’s legislative elections took place on September 21, 2013. The Kurdistan Parliament extended Massoud Barzani’s term for another two years. This extension expired on August 20, 2015 and President Barzani’s term was further extended to 2017.

The current Prime Minister of the KRG is Nechirvan Barzani, who assumed office in the spring of 2012 and Dr. Ashti Hawrami is the Minister of Natural Resources.

Iraq Petroleum Law and Kurdistan Petroleum Law

The Iraq Constitution, which came into force in 2006, contains the fundamental principle that Iraq is a single, federal, independent and fully sovereign state. Within this concept of the Iraq federation enshrined in the Iraq Constitution, only Kurdistan is recognized as a Region. Nevertheless, there are major differences between various political factions on the issues of federalism and the autonomy of regions within Iraq.

Enacting new oil and gas legislation was one of the top priorities of the new Government of Iraq which led to the first Draft Federal Petroleum Law being introduced in February 2007. This new legislation was meant to include all federal regions and to set the framework for foreign oil companies operating in Iraq. However, this oil and gas law was never passed by the government, effectively leaving the country without legislation to govern oil and gas exploration and production, such as: the structure of certain federal institutions, the terms of the model petroleum agreements, and the terms of a law governing revenue sharing.

In June 2007, the KRG developed the Kurdistan Petroleum Law, to be consistent with the role granted to the Regions in the Iraq Constitution and conform to the principles in the Draft Federal Petroleum Law and the draft federal law governing revenue sharing for proposed petroleum activities.

In the absence of progress on the Draft Federal Petroleum Law, the Kurdistan National Assembly approved the Kurdistan Petroleum Law, which came into force in Kurdistan with effect from August 9, 2007. WesternZagros’s activities under its PSCs fall within the jurisdiction of the Kurdistan Petroleum Law. Although certain officials
of the Government of Iraq have expressed an opinion that the Kurdistan Petroleum Law is invalid and that contracts signed with the KRG are illegal. KRG officials maintain that the Kurdistan Petroleum Law is consistent with the Iraq Constitution and the KRG has obtained, and published, an expert legal opinion in this regard.

The Kurdistan Petroleum Law established the Kurdistan Council, comprised of the KRG Prime Minister and several senior KRG ministers. The Kurdistan Council has reviewed all of the contracts entered into before the Kurdistan Petroleum Law was adopted, including the Company’s original EPSA, and amended them in order to bring them into conformity with the Model PSC and the guidelines for commercial terms for PSCs. The PSCs have also subsequently been reviewed by the Kurdistan Council.

Since 2011, parliamentary and various other committees have been established to advance the Federal Petroleum Law with no success. Although federal laws have yet to be enacted to address the petroleum industry and the sharing of petroleum revenues within Iraq, there have been numerous interim agreements between the Government of Iraq and the KRG.

Political and Economic Developments

The latest energy agreement between the KRG and the Government of Iraq was executed in December 2014. This agreement re-stated the Government of Iraq’s right to receive all oil revenues from Kurdish-controlled areas, with the two sides agreeing that:

- The KRG would give 250,000 bbl/d of the crude oil produced in its territory to SOMO at the Ceyhan terminal in Turkey to market.
- Iraq would export up to 300,000 bbl/d of Kirkuk crude through KRG's pipeline to Ceyhan. Iraq would resume federal payments to the KRG that amounting to a 17 percent share of Iraq’s federal budget and pay KRG’s Peshmerga military forces $1 billion. (After sovereign expenses are deducted from the 17 percent, this amount becomes approximately 12 percent).
- Kirkuk crude would be transported via the KRG pipeline to Ceyhan, providing Iraq with a commercial outlet for its northern production.

In the first half of 2015, both sides fell short in meeting their commitments, providing less crude and less revenue than stipulated. Throughout 2014 and 2015, the Government of Iraq repeatedly cut the KRG off from federal budget transfers, first over a dispute about oil jurisdiction and exports and more recently due to a lack of funds. With the collapse of the revenue-sharing agreement, and to counter its budgetary shortfall, in June 2015, the KRG increased direct crude oil sales via Turkey, after which the Government of Iraq stopped making budget transfers. The KRG completely halted transfers of oil to SOMO in September 2015, incorporating the export flows from NOC operated Kirkuk fields including Jambur, Khabbaz and the Baba Dome into its own independent sales.

Kurdistan’s budget has been affected by the cancellation of monetary transfers from the Government of Iraq, increased costs associated with the ongoing war against ISIS, and having to bear the social, political and economic burden of 1.8 million refugees. Despite an increase in overall production, oil revenues have decreased significantly since 2014 due to lower global oil prices.

The KRG’s reported public sector debt was approximately $17 billion at the end of December 2015. The MNR has been the primary source of revenue for the KRG, overseeing the Region’s oil sales. In September 2015, the MNR commenced payments to IOCs using a portion of the revenues collected from crude oil exports to cover ongoing expenses and support further investment in Kurdistan’s oil fields. Under this plan, the KRG made four monthly payments of $75 million each to IOCs that are providing Kurdish crude for export.

On February 1, 2016, the KRG announced that payments to the IOCs will be based on their PSC contractual entitlements from January 1, 2016, and onwards, with payments expected to be made within 10 working days after month end. Monthly payments will now reflect the PSC terms based on revenues derived from each producing field on a netback basis, adjusting for crude quality differentials compared to Brent prices plus
deduction of applicable transportation charges. The KRG also announced that it will make an additional payment, (equivalent to five percent of the respective monthly netback revenue derived from each field), to the IOCs towards the recovery of their outstanding entitlements and that this percentage is to be increased as oil prices recover. This replaces the interim payment arrangements in place since September 2015 of monthly $75 million gross payments. The KRG has reported that total payments of $65.1 million were made to IOCs in February 2016 for January 2016 production.

In December 2015, the KRG announced fiscal reforms in response to the economic crisis, including:

- Downsizing the public sector. Approximately 70 percent of the budget is spent on salaries and pensions. The KRG’s objective is to create a sustainable program, while protecting those in the bottom tiers.
- The KRG is looking to reduce subsidization of petroleum products. The KRG provides free diesel and natural gas to independent power producers, costing the KRG $3 billion annually.
- The KRG plans to restructure electricity tariffs in order to bring them into line with international markets.

The KRG has put negotiations concerning a federal petroleum law on hold as it works with the Government of Iraq to defeat ISIS. There are currently no indications that a resumption of the December 2014 agreement is imminent, however, the KRG has reported it will continue discussions with its counterparts in the Government of Iraq to reach a resolution on outstanding oil and gas issues.

Security Developments

ISIS launched an attack in June 2014, taking over Mosul, the second largest city in Iraq (after Baghdad), and subsequently other nearby towns. Commencing in August 2014, an international coalition including the United States, Canada, the United Kingdom and numerous other European Union and Middle Eastern countries, (including Australia, Belgium, Denmark, France, Jordan, the Netherlands, Bahrain, Saudi Arabia, Turkey and the United Arab Emirates), have worked in close cooperation with the Government of Iraq and the KRG, providing growing military and humanitarian support. Though ISIS affected northern Iraq production and refinery operations, ISIS did not significantly affect current production in the Kurdistan Region in northern Iraq.

After the ISIS invasion of Kirkuk and surrounding areas, which affected oil production and refinery operations in northern Iraq, the KRG was able to establish control and protection of the region in July 2014. As a result, the KRG now has direct control of the Bai Hassan and the Avana Dome fields and provides protection for the neighbouring NOC operated fields of Jambur, Khabbaz and the Baba Dome.

The KRG, through its Peshmerga forces and Oil Protection Force, provides effective security oversight for key upstream infrastructure, including major oil fields and pipelines. To date, oil and gas infrastructure in the Kurdistan Region has suffered no incidents related to the ISIS presence in northern Iraq.

Kurdistan Region Relations with Turkey

In April 2013, Kurdistan’s Parliament passed a law that established a legal framework for the Region’s oil-funded economic independence from Iraq’s federal system. If the Government of Iraq continued to default on outstanding entitlements, then the KRG reasoned that it should be authorized to use all other legal means available to compensate for unpaid dues, including monetizing oil produced in the Kurdistan Region. The billions of dollars that the KRG claim as an outstanding receivable for exports of oil that flowed through Iraqi federal-controlled pipelines since 2011 and its reduction of the KRG’s federal budget allocations were the reasons cited for pursuing the ability to independently export Kurdish crude oil.

Based on this legal framework, and a succession of joint cooperation agreements in 2012 and 2013, the KRG began to maximize their economic autonomy by forging a bilateral energy partnership with Turkey. A 50 year
formal agreement for the export of oil and gas between Turkey and the Kurdistan Region of northern Iraq was executed in November 2013 whereby Kurdistan agreed to export 2 million bbl/d of oil to world markets and at least 10 billion cubic metres of gas to Turkey by 2018, with an option to expand export volumes up to 20 billion cubic meters in early 2020s.

Current pipeline capacity in Kurdistan for oil exports is approximately 700,000 bbl/d and, with additional compression, is anticipated to reach 1 MMbbl/d. Future gas exports will be based on both domestic gas infrastructure and expansions that are planned to tie in new gas discoveries into the existing domestic gas infrastructure as well as pipeline expansions planned to export gas to Turkey. See “Commercial Developments – Gas Production and Exports”.

Commercial Developments

Oil Production and Exports

Oil production in the Kurdistan Region has grown exponentially, going from nothing a decade ago, to over 600,000 bbl/d in 2015. In addition, several producing fields in the Kirkuk area came under KRG control following the expansion of its area of protection in July 2014 as a result of the Iraqi war with ISIS, including Bai Hassan and the Avana Dome. The KRG constructed a 36 inch pipeline connecting these fields, along with Iraqi NOC controlled Kirkuk fields of Jambur, Khabbaz and the Baba Dome to the Khurmala-Fish Khabur oil pipeline to Turkey.

The KRG reported exports through the Khurmala-Fish Khabur-Turkey pipeline averaged 584,000 bbl/d in December 2015, with approximately 436,000 bbl/d from KRG-controlled fields and approximately 148,000 bbl/d from the NOC controlled Kirkuk fields. The KRG is targeting 1 million bbl/d of exports in 2016 and as much as 2 million bbl/d by 2019. The following chart shows the oil produced by the KRG operated and NOC operated fields and the total KRG oil exports in bbl/d for 2015.

![Kurdistan Region 2015 Domestic and Export Oil Production Chart]


In addition to increasing exports, Kurdistan supplied crude oil to its growing domestic refining market. At year-end 2015, the KRG had 120,000 bbl/d of domestic refining capacity in its three refineries; Erbil (Kalak), Sulaymaniyyah (Bazian) and Tawke, and an additional 30,000 bbl/d from the Kirkuk refinery. A total of 70,000 bbl/d of refinery expansions are planned by 2018 and the KRG issued calls for expressions of interest for the
building of up to three new refineries to process up to 100,000 bbl/d each. The Kurdistan region also has between 100 to 150 topping plants that account for an estimated 145,000 bbl/d of additional refining capabilities.

Gas Production and Exports

The KRG has expressed its commitment to develop the Region’s natural gas resources with an initial emphasis placed on fuel for domestic electricity generation. By converting all diesel fueled power plants in the Kurdistan Region to natural gas, the KRG estimates that it can realize savings of approximately $3 billion per year.

The KRG also plans to export natural gas to Turkey under the gas export accord signed in November 2013, and ultimately to Europe. Under the gas accord, the KRG plans to export at least 10 billion cubic metres of gas to Turkey with initial deliveries commencing in 2019-2020. The KRG has the option to double gas exports to 20 billion cubic metres a year by the early 2020s.
With natural gas consumption in Turkey increasing rapidly over the past decade, reaching a high of 1.7 Tcf in 2014, Turkey is looking to source alternative and cost advantaged gas to meet its growth needs while displacing high priced gas supplies from Russia and Iran.

The domestic gas market has focused on fuel feedstock to meet the growth of its regional power demand over the past several years. In 2007, the KRG’s electricity generation capacity was 482 MW; by year end 2015, the Kurdistan Region had a capacity of almost 3 GW. Continuing the trend, the KRG is targeting an electricity generating capacity of 6.5 GW in the near future to supply increasing domestic demand and economic development. Much of the growth in electricity generation is associated with the three major power plants in Erbil, Sulaymaniyah and Dohuk with the goal of fully transforming these plants to utilize natural gas rather than diesel fuel.

Current natural gas production in Kurdistan is primarily supplied from the Kor Mor gas field at approximately 320 MMcf/d and associated gas from the Khurmala oil field (approximately 100 MMcf/d). To date, expansions of the Kor Mor field and development of the Chemchemal gas discovery have been deferred pending the outcome of a legal dispute over these fields.

There are two other significant gas projects in the Kurdistan Region with pending development plans under negotiation which the KRG has identified as anchor gas projects: the Miran/Bina Bawi and the Kurdamir/Topkhana projects.

The Miran/Bina Bawi project includes an estimated 8.4 Tcf of gross mean sales gas between the two blocks (as estimated by the operator) with H$_2$S composition of up to 20 percent. It is reported that the operator has agreed to provide raw gas to the KRG for a delivery fee with the KRG responsible for developing the required midstream infrastructure. The capital costs to advance the midstream investment are estimated at $2.5 billion and efforts are underway by the KRG to secure the necessary financing to advance the project. The operator estimates first gas by 2019.

The Kurdamir/Topkhana Blocks includes an estimated 3.8 Tcf of unrisked 2C natural gas Contingent Resources between the two fields based on the Company’s Kurdamir and Talisman’s reported 2013 Topkhana estimates with an H$_2$S composition of less than 1 percent. Repsol and WesternZagros are pursuing shared surface facilities for the Kurdamir Block and the Topkhana Block to optimize the capital costs and synergize production for development across the two fields. The KRG is responsible for advancing the gas pipeline infrastructure from the existing gas pipeline to the Chemchemal power plant to the Kurdamir/Topkhana block boundary. The co-venturers and the KRG are negotiating a domestic gas sales contract for Phase 1 gas production estimated at approximately 150 MMcf/d shared equally between the two fields with future phases targeting export markets. Repsol estimates first gas as early as the fourth quarter of 2017.

The existing natural gas pipeline infrastructure includes a 176 kilometre pipeline (with a maximum capacity of 600 MMcf/d) shipping gas from the Kor Mor field to power generation plants in Erbil, Sulaymaniyah and Khurmala. With the advancement of these two significant gas projects, the KRG is pursuing expansions of its gas pipeline infrastructure to tie in these new fields. In addition, the KRG is also pursuing expansion of the existing gas pipeline infrastructure to the Kurdistan-Turkish border to export the fuel to Turkey. In Turkey, BOTAS, the Turkish gas utility, plans to build a pipeline to tie into the Kurdish gas export pipeline, the Sirnak Natural Gas Pipeline. The first leg will link the existing network to the southeastern city of Mardin with the second leg running from Mardin to Silopi, at the Kurdistan border.

Figure 3 illustrates the existing and planned gas pipelines within Kurdistan.
PSC OVERVIEW AND COMMITMENTS

WesternZagros, through its subsidiaries, holds an interest in the Kurdamir PSC and the Garmian PSC. The Kurdamir and Garmian PSCs each govern a separate contract area. The Kurdamir contract area is operated by Repsol who holds a 40 percent working interest. WesternZagros holds a 40 percent working interest and the KRG holds a 20 percent working interest. The Contractor Group for the Kurdamir PSC is the Company, Repsol and the KRG and the Contractor Group for the Garmian PSC is the Company, Gazprom Neft and the KRG. The Company holds a 40 percent working interest in the Garmian PSC, the KRG holds a 20 percent working interest and the remaining 40 percent working interest is held by Gazprom Neft. The Garmian contract area was operated by WesternZagros as at December 31, 2015. Subsequently, operatorship of the Garmian contract area was transferred to Gazprom Neft on February 29, 2016, pursuant to the terms of the Garmian PSC.
The contracting party to the Kurdamir and Garmian PSCs is WesternZagros Limited, a wholly-owned subsidiary of the Company. In accordance with the terms of the PSCs, there are certain restrictions, mainly related to obtaining the KRG’s prior consent, on the ability of the wholly-owned subsidiary to sell, transfer, assign or otherwise dispose of all or part of the rights, obligations and interests under each of the PSCs, or where there is a change in control for the wholly-owned subsidiary itself.

Management committees have been established under the terms of both the Kurdamir PSC and the Garmian PSC to provide direction on and approvals for matters related to operations governed by the PSCs. The management committee for the Kurdamir PSC is made up of two members appointed by the KRG and two members appointed by Repsol as the operator. The management committee for the Garmian PSC is made up of two members appointed by the KRG and two members from the Contractor Group, one appointed by WesternZagros and one appointed by Gazprom Neft. The management committees review and approve all work programs and budgets and review, provide advice and make certain recommendations on other operational matters as is required under the PSCs. The chairman of each management committee is a senior representative of the MNR.

**Exploration Period and Minimum Work Exploration Obligations**

Under the Kurdamir PSC, the Exploration Period thereunder was subdivided into two sub-periods, with the first exploration sub-period having ended on August 31, 2012, and the second two year exploration sub-period having ended on August 19, 2014 with the Declaration of Commerciality.

During the first exploration sub-period, the Kurdamir PSC stipulated that the Contractor Group had an obligation to drill the Kurdamir-2 exploration well in order to evaluate the Oligocene, Eocene and Cretaceous formations, and commit a minimum of $50 million (gross) for the purpose of drilling and testing the Kurdamir-2 well. The Kurdamir-2 well was spud October 2011 and was drilled to a total depth of approximately 4,000 metres by June 30, 2012, resulting in the Company meeting its commitments related to the first exploration sub-period.

During the second exploration sub-period, the Kurdamir PSC specified the obligation to drill one appraisal well with the commitment of a minimum financial amount of $30 million (gross) for this purpose. It further stated that either 35 line kilometres of 2D seismic data or forty (40) square kilometres of 3D seismic data within the Kurdamir Block area may be acquired, processed or interpreted. These operations needed to be completed by September 1, 2014 to meet the minimum work obligations under the Kurdamir PSC for the second exploration sub-period. The Kurdamir-3 well was spud in February 2013 and completed drilling and testing operations in December 2013. A 3D seismic appraisal program on the Kurdamir Block was completed in July 2013. These operations satisfied the minimum work obligations under the Kurdamir PSC for the second exploration sub-period. The Company and Repsol then concluded the second exploration sub-period with a Declaration of Commerciality being filed on August 19, 2014. With the submission of the Declaration of Commerciality, the Development Period of the Kurdamir PSC commenced effective August 19, 2014. An initial development plan was then filed on August 31, 2014, for KRG approval.

Subsequent to 2015 year end, the KRG approved the Kurdamir production area to be considered in the Field Development Plan as proposed by the co-venturers. The approved production area as outlined in the map below resulted in the relinquishment of the undeveloped area (a total of 42 square kilometres) and included additional acreage to encompass the entire hanging wall of the Kurdamir structure as defined on 3D seismic data. WesternZagros, Repsol and the KRG continue negotiations in respect of a final FDP.
The Garmian PSC stipulates that the Exploration Period thereunder shall be subdivided into two sub-periods, with the first exploration sub-period having ended on December 31, 2011, and the option of a second exploration sub-period of two years with a possible further one year extension. The Garmian PSC stipulated that during the first sub-period the Contractor Group had the obligation to perform mapping and sampling field work and to drill the Mil Qasim-1 well to evaluate the Upper Fars formation with the commitment of a minimum of $25 million (gross) for these purposes. During the year ended December 31, 2011, the Company drilled the Mil Qasim-1 exploration well in order to meet these commitments.

During the second exploration sub-period, the Garmian PSC specified the obligation to drill one exploration commitment well and spend a minimum of $25 million (gross) on drilling and associated geological and geophysical activities. The Company concluded the second exploration sub-period on the Garmian PSC with the completion of drilling and testing activities at Baram-1. The Company and Gazprom Neft submitted a Declaration of Commerciality to the KRG on December 23, 2013 for the Sarqala discovery. Under the terms of the Declaration of Commerciality, the co-venturers relinquished prospects on the Garmian Block that were not covered by the development plan, such as Chwar, Qula, Qulijan and Baram which were considered non-core to WesternZagros’s development plans. The KRG accepted the Declaration of Commerciality and, accordingly, the Development Period of the Garmian PSC commenced effective December 23, 2013. The Company and Gazprom Neft then submitted to the KRG a development plan on June 19, 2014, outlining how the field and other discoveries on the Garmian Block will be developed, including future development wells, facilities and other infrastructure. The Company, Gazprom Neft and the KRG continue negotiations in respect of a final FDP.

**PSC Payments**

Annual PSC payments are payable to the KRG by the Contractor Group during the Development Period. On the Kurdamir Block, the annual PSC payments are $1.2 million gross and on the Garmian Block, the annual PSC payments are initially $0.9 million and then reduced to $0.6 million for 2017 onwards.

The PSC stipulates production bonus payments to the KRG by the Contractor Group based on certain production thresholds reached on the respective blocks after approval of the development plans as outlined in the table below.
<table>
<thead>
<tr>
<th>Gross Block Production*</th>
<th>Production Bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Kurdamir Block</strong></td>
<td><strong>Garmian Block</strong></td>
</tr>
<tr>
<td>Upon first production</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Cumulative production of crude oil or natural gas reaches 10 million barrels of oil or oil equivalent</td>
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<td>Cumulative production of crude oil or natural gas reaches 25 million barrels of oil or oil equivalent</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>Cumulative production of crude oil or natural gas reaches 50 million barrels of oil or oil equivalent</td>
<td>$40,000,000</td>
</tr>
</tbody>
</table>

* For purposes of Production Bonuses, the Contractor Group shall declare the commercial discovery to be either a Crude Oil Commercial Discovery or a Non-Associated Gas Commercial Discovery and in no circumstances shall a production Bonus be due in respect of both Crude Oil and Non-Associated Gas.

Capacity Building Support Payments are payable on three percent of WesternZagros’s share of any Profit Oil received for both blocks.

**Development, Production and Markets**

The Kurdamir and Garmian PSCs provide each respective Contractor Group with the exclusive right to develop and produce any commercial discoveries. The Development Period for producing a commercial discovery is an initial term of 20 years from the date of declaring a commercial discovery with a further automatic right to a five year extension. If commercial production is possible at the end of the first extension period then the Contractor Group shall be entitled to an extension of a further five years under the same terms as in the applicable PSC if a request is made by the Contractor Group at least six months before the end of the first five year extension. Pursuant to the terms of the PSCs, WesternZagros has the right to market its share of oil on the world market. There is an obligation under both of the PSCs to make oil production available to meet regional market demand. Pursuant to both of the PSCs, the price for natural gas is based on the actual price obtained at the delivery point, and ultimate sales contracts and final sales prices are subject to KRG approval.

Under the auspices of the KRG, production commenced on the Garmian Block in early 2015 with monthly sales decrees to supply crude oil into the domestic market. Oil sales were subject to an interim payment mechanism established by the KRG which provided the contractor group with 50 percent of the proceeds and required the domestic purchasers to prepay for their purchase prior to delivery. With the new payment arrangements announced by the KRG On February 1, 2016, the KRG announced it will commence compensating IOCs’ on the basis of their contractual revenue entitlement under their respective PSCs. In addition, the KRG has said that it will provide an additional 5 percent of the netback revenue to IOCs to compensate them for outstanding production receivables. The new payment mechanism will replace the previous domestic sales terms utilized for Sarqala production.

The Company faces certain risks around the payment mechanism for any exports of crude oil and political uncertainties which could ultimately impact development, production and markets (see “Risk Factors”).

**Production Sharing Contract Payment Terms**

The production sharing terms under the PSCs are illustrated in the schematic below, which is followed by a description of the payment terms.

Of the “Total Oil Produced”, “Operations Oil” is available to the Contractor Group for operational needs for the work performed under the PSC. The remaining oil is subject to a 10 percent royalty payment to the KRG. The balance following payment of this royalty is the “Net Available Oil”.

30
Up to 45 percent of the Net Available Oil is available for Cost Recovery (see further below) with the remainder allocated to “Profit Oil”. In the case of gas, up to 55 percent of the net available gas is available for Cost Recovery with the remainder allocated to “Profit Gas.”

Petroleum Costs that are capable of being recouped from the proceeds of Cost Recovery oil include all costs and expenditure incurred by the Contractor Group for exploration, development, production and decommissioning operations, as well as other applicable costs and expenditure incurred directly or indirectly with these activities.

The portion of Profit Oil or Profit Gas available to the Contractor Group is based on a sliding scale depending on a calculated R-Factor. The R-Factor is established by reference to the ratio of the Contractor Group’s Cumulative Revenues actually received to Cumulative Costs actually incurred. As a result of the R-Factor calculation, after Petroleum Costs have been recouped in the future, the Company’s overall net entitlements would be reduced accordingly in conjunction with the impact on reduced cost and profit oil.

**Oil Case**

When the R-Factor (revenue/cost) is below one, the Contractor Group is entitled to 35 percent of the Profit Oil. The Contractor Group’s percentage is then reduced on a linear scale to a minimum of 16 percent if the ratio is 2 or greater. In each case the KRG is entitled to the balance.

1) WesternZagros entitled to 60% on Kurdamir and 50% on Garmian based on funding required under both PSCs
2) R factor is the ratio of Cumulative Revenues over Cumulative Costs
3) KRG is entitled to a 3% capacity building bonus of WesternZagros profit oil for a net effective share of 38.8%

**Gas Case**

On the Kurdamir Block, when the R-Factor is below one, the Contractor Group is entitled to 40 percent of the Profit Gas. The Contractor Group’s percentage is then reduced on a linear scale to a minimum of 20 percent if the ratio is 2.75 or greater. Cost Recovery Gas is up to 55 percent of Net Available Gas. In each case the KRG is entitled to the balance.
WesternZagros is entitled to 60% on Kurdamir based on funding required under the PSC.

R factor is the ratio of Cumulative Revenues over Cumulative Costs.

KRG is entitled to a 3% capacity building bonus of WesternZagros profit gas for a net effective share of 38.8%.

WesternZagros is entitled to a 40 percent share of the Profit Oil or Profit Gas calculated to be available to the Contractor Group, provided that it must pay to the KRG under each of the PSCs a Capacity Building Support Payment equal to three percent of its share of Profit Oil or Profit Gas, as applicable.

**Stability Clause**

In order to mitigate the political risk of the general region, stability clauses are included in the Kurdamir PSC and the Garmian PSC. Such clauses guarantee the legal, fiscal and economic framework prevailing at the time the relevant PSC was entered into. If there is any change in the legal, fiscal and/or economic framework under the laws of Kurdistan or other laws applicable in or to Kurdistan that detrimentally affects WesternZagros, necessary measures will be taken and/or the terms and conditions of the Kurdamir PSC and Garmian PSC will be altered so as to restore WesternZagros to the same overall economic position that it would have been in had no such change in the legal, fiscal and/or economic framework occurred. Furthermore, to the extent future laws within Kurdistan are implemented and such laws would benefit WesternZagros, it is entitled to obtain such benefits on a prospective basis.

**ASSET OVERVIEW**

WesternZagros’s principal assets are two blocks, the Kurdamir Block and the Garmian Block, located in the Kurdistan Region of Iraq that are on trend with the Super-giant Kirkuk oil field and adjacent to a number of prolific oil and gas discoveries. The figure below illustrates the location of the Kurdamir and the Garmian contract areas in the Kurdistan Region.
WesternZagros has drilled seven deep exploration and appraisal wells on the PSC Lands (Sarqala-1, Hasira-1 Kurdamir-1, Kurdamir-2, Kurdamir-3, and Mil Qasim-1) and on acreage that has subsequently been relinquished to the KRG (Baram-1), as depicted below and made four discoveries. Currently, only Sarqala-1 is on production. No wells were completed in the most recently completed financial year. The Company’s wells within the Kurdamir and Garmian Blocks are depicted below:
Table of Properties

<table>
<thead>
<tr>
<th>Block Name &amp; Wells</th>
<th>WesternZagros PSC Working Interest (percent)</th>
<th>WesternZagros PSC Paying Interest (percent)</th>
<th>Date awarded to/acquired by WesternZagros</th>
<th>Holders of remaining PSC working interest (percent)</th>
<th>Designated Operator</th>
<th>Maximum contract term (4)</th>
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<tbody>
<tr>
<td>Kurdamir Block:</td>
<td></td>
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<td></td>
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<tr>
<td>Kurdamir-1</td>
<td>40</td>
<td>60</td>
<td>May 4, 2006(1)</td>
<td>Repsol (40), KRG (20)(2)</td>
<td>Repsol</td>
<td>August 19, 2044</td>
</tr>
<tr>
<td>and Kurdamir-2 and</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Kurdamir-3</td>
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<td></td>
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<td></td>
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<tr>
<td>Garmian Block:</td>
<td></td>
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<td></td>
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<tr>
<td>Sarqala-1, Mil Qasimland</td>
<td>40</td>
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<td>May 4, 2006(1)</td>
<td>Gazprom Neft (40), KRG (20)(2)</td>
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<tr>
<td>Hasira-1</td>
<td></td>
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</tbody>
</table>

(1) Date on which the original EPSA was executed by the KRG and the Company’s subsidiary, WZL. The EPSA was eventually amended to become the Kurdamir PSC and Garmian PSC.

(2) WesternZagros funds 100 percent of the KRG costs on the Kurdamir Block and 50 percent of the KRG costs on the Garmian Block, ultimately to be recovered by WesternZagros through the KRG’s share of Cost Recovery Oil.

(3) The Garmian PSC mandated that at the end of the Exploration Period in December 2013, operatorship was to transfer from WesternZagros to Gazprom Neft. This was completed effective February 29, 2016.

(4) The Development Period is for an initial 20 year period from the date of commercial discovery. Upon submission of the development plan, the KRG has 60 days, on a best effort basis, to approve it. The terms of the PSC allow for an extension of the development period based on the number of days required to approve the plan beyond the aforementioned 60 days. If commercial production is still possible at the end of this period, the contractors are entitled to an automatic five year extension. If commercial production is still possible at the end of the last period then the Contractor Group shall be entitled to one extension of a further five years under the same terms as in the applicable PSC if a request is made by the Contractor Group at least six months before the end of the first five year extension.

2D and 3D Seismic Surveys

Regional 2D Seismic

The Company has approximately 2,800 kilometres of 2D seismic data across its blocks and adjacent areas which provide an extensive database for regional understanding. Much of the data was acquired by WesternZagros over the course of several seismic campaigns from 2005 to 2013 and a small amount was from data trades with other Operators.

Kurdamir 3D Seismic

In 2013 a total of 714 square kilometres of 3D seismic was acquired by WesternZagros and Talisman over Kurdamir, Topkhan and the northern portion of the original Garmian Block to more clearly define the stacked Oligocene, Eocene and Cretaceous reservoirs. The data were processed as a single survey and provide an extensive, high quality 3D data-set for the development of the Kurdamir and Topkhan fields, including the location of future wells and the identification of naturally fractured areas within the reservoir.

Garmian 3D Seismic

In 2012 WesternZagros acquired 325 square kilometres of 3D seismic over the Sarqala and Mil Qasim structures and surrounding areas to optimize the placement of future Jeribe appraisal and development wells, improve the Company’s understanding of fracturing within these structures and further evaluate other reservoir targets. The 3D covers the majority of the Garmian Production Area and provides full-fold seismic coverage at the block boundary.
Kurdamir Asset Overview

The Kurdamir Block comprises an onshore development project area of 245 square kilometres containing oil, gas and condensate discoveries in the Oligocene, Eocene and Cretaceous reservoirs. The Kurdamir Block includes the Kurdamir discovery in the Oligocene reservoir containing an estimated 366 MMbbl of unrisked Contingent Resources of oil, 1.8 Tcf of unrisked Contingent Resources of gas, 55 MMbbls of unrisked Contingent Resources of condensate, 1 Bbbl of unrisked Prospective Resources of oil and 1 Tcf of natural gas (all Gross Block P50 estimates) as audited in the Sproule Kurdamir Report. A Declaration of Commerciality was filed and FDP was submitted for approval in August 2014. In May 2015, Repsol S.A. acquired Talisman Energy Inc. after which Repsol continued the FDP negotiations with WesternZagros and the KRG. The revised development concept under negotiation includes the development of the Oligocene oil and gas discovery. The development contemplates a shared CPF to process the produced oil and gas from the Kurdamir Block and neighbouring Topkhana Block to optimize capital costs. The co-venturers are conducting a number of activities, including front-end engineering of the facilities and future wells and negotiating agreements for the sale of gas, oil and condensate production, in support of the final submission of the Kurdamir FDP to the KRG. See “Kurdamir Appraisal and Development Activity, Facilities Project Description: Kurdamir Oligocene Contingent and Prospective Resources”.

To date, three wells have been drilled on the Kurdamir structure. Hydrocarbons have been proven in three separate carbonate reservoirs – Oligocene, Eocene and Cretaceous. The Oligocene represents the primary reservoir and well results and 3D seismic data indicate that Kurdamir is a giant oil, condensate and gas discovery. The main elements of the Kurdamir Oligocene discovery are:

- Major structural-stratigraphic trap in the hanging-wall of the Kurdamir thrust fault
- NW-SE fault bounded, elongate structure of approximately 6 X 20 kilometres size on the Kurdamir block
- Oligocene comprises a 140 metre thick porous carbonate reservoir interval, enhanced by natural fractures
- Major gas cap (estimated 1.8 Tcf of unrisked Contingent Resources of gas (Gross Block P50)) is contained in an independent four-way, dip-closed structure
- Extensive high quality, light, 38 to 42 degree API crude oil leg with low H2S and CO2 (estimated 366 MMbbl of unrisked Contingent Resources of oil (Gross Block P50)) underlies the gas cap
- Oil is interpreted to be trapped in a large, combination structural-stratigraphic trap
- A maximum oil test rate of 3,450 bbl/d was achieved from the Kurdamir-2 well
- Kurdamir-2 EWT produced approximately 90,000 bbls oil without any formation water

The Kurdamir gas-oil contact is at a depth of approximately 1838mSS and is constrained by the well data. The ultimate extent of the oil leg has yet to be proven, although the Kurdamir-3 well results have proven that it is at least as deep as 2049mSS, based on the ODT in Kurdamir-3 from the Static Production Log data. The Kurdamir-3 and the Baram-1 well results suggest that it is likely that the oil column extends significantly deeper on the structure and current interpretations of the well and seismic data suggest two main alternatives:

- Oil leg extends to a depth of at least the base of the Oligocene in the Kurdamir-3 well at a depth of 2228mSS – based on Kurdamir-3 petrophysical analysis, mud-gas liberation and oil recovered from DST#1.
- Oil leg extends to a depth of 2675mSS - an oil-water contact (“OWC”) was encountered at this depth in the Baram-1 well and interpretation of the 3D seismic suggests it may represent a common OWC for the Kurdamir Oligocene hanging-wall structure.
The figure below provides a structure map of the Top Oligocene Porous Reservoir for the Kurdamir structure showing the well locations, extent of the gas cap and the different options for the extent of the deeper oil leg.

The large size of the Kurdamir hydrocarbon column height is consistent with analogue fields within Kurdistan and other surrounding regions.

In summary, the Kurdamir hydrocarbon column heights for the alternative ODT’s are estimated as follows:

- Gas Column Height = 313m
- Oil Column Height = 209m for ODT at -2049mSS (base of current Contingent Resources)
- Oil Column Height = 388m for ODT at -2228mSS (base of Oligocene in Kurdamir-3 well)
- Oil Column Height = 835m for ODT at -2675mSS (assuming Baram-1 OWC is a common contact for Kurdamir)

The following figure provides a schematic cross section of the Kurdamir Oligocene reservoir, showing the depth of the hydrocarbon contacts and the extent of the Contingent and Prospective Resources. The section is projected deeper to show the Oil Water Contact encountered in the Baram-1 well.
Kurdamir Appraisal and Development Activity

Facilities Project Description: Kurdamir Oligocene Contingent and Prospective Resources

The revised development concept under negotiation includes the development of the Oligocene oil and gas discovery and contemplates a shared CPF to process the produced oil and gas with the Kurdamir Block and neighboring Topkhana Block to optimize capital costs. The wells and gathering systems will be separate and dedicated to each of the blocks. Repsol is the common operator of both the Topkhana and Kurdamir PSC blocks. WesternZagros does not have an interest in the Tophkana Block.

Due to the size of the project and in order to prudently manage the development costs and uncertainties for a project of this type the Kurdamir development will be a phased development that will be executed over a period of several years. Phase 1 will focus on the initial development of a portion of the current Contingent Resources and will include the production of gas, condensate and oil.

The Kurdamir Oligocene Contingent Resources comprise a gas cap with unrisked volumes of 1.8 Tcf of natural gas, 55 MMbbls of condensate and a deeper oil leg with 366 MMbbls of oil (all Gross Block P50 estimates). The Kurdamir Oligocene Prospective Resources comprise an unrisked Gross Block P50 oil volume of 1 Bbbl and Tcf of natural gas.

The Kurdamir development project is being advanced based on a conceptual development study using subsurface information, well results and facilities engineering studies for the design and costing of the CPF and other surface facilities. The Phase 1 surface facilities concept is a 150 MMscf/d sales gas facility (with capacity shared equally between Kurdamir and Topkhana at 75 MMscf/d for each) and liquids handling for condensate and oil. The Phase 1 development plan includes two deviated gas production wells (existing Kurdamir K-2 workover plus one new well) and a new dedicated oil leg production well. First commercial production is expected to be achieved within the next two to five years, subject to KRG approval of the Field Development Plan and Final Investment Decisions by each of the PSC co-venturers. The total Kurdamir project cost to first commercial production (Phase 1 Development) is estimated to be in the range $370 to $390 million (gross), $225 to $235 million (net WZR).

It is anticipated that a range of seven to nine production wells will be needed to support the full development and recovery of the current estimates of contingent oil and gas resources on the Kurdamir structure, although the number of wells will ultimately depend on the performance of the reservoir.
Significant Prospective Resources of 1 Bbbl (Gross Block P50 estimates) have been assessed associated with the extension of the oil leg in the Oligocene reservoir. The upside associated with these additional resources will be further delineated as part of the phased development approach and they will be incorporated into an expanded development plan as appropriate. The increase in Contingent Resources through additional drilling over the coming years and the structural location of the regional OWC for the Oligocene reservoir (no regional water leg has been identified to date) will be significant factors in defining the ultimate size of the Kurdamir development project.

Based on the reservoir performance from the Phase 1 wells a decision will be made on facilities expansion for additional development phases which could include either:

- Up to two additional gas trains with an additional 150 MMscf/d capacity each (shared between Kurdamir and Topkhana);
- Full-field oil development with additional oil facilities and no additional gas trains; or
- Hybrid of the first two scenarios.

“Schedule A – Contingent Resources Data and Prospective Resources Data” to this AIF contains further information relating to the Company’s appraisal and development activities and project descriptions.

**Kurdamir Well History**

**Kurdamir-1**

The Kurdamir-1 well was drilled in 2010 to a total depth of 4,077 metres and represents the discovery well for the Kurdamir Structure. The well encountered hydrocarbons in the Oligocene, Eocene and Cretaceous formations over a gross interval of 1,900 metres. The Oligocene was cored and logged and two open-hole drill stem tests confirmed the presence of a gas and condensate reservoir over an interval of 313 metres. Two further tests through casing, subsequently indicated the existence of an oil column in the Oligocene reservoir beneath the gas and condensate interval which led to the drilling of the Kurdamir-2 well.

**Kurdamir-2**

Drilling of the Kurdamir-2 well was completed in December 2012. The is located approximately two kilometres northeast of the Kurdamir-1 discovery well and evaluated the Oligocene, Eocene, and Cretaceous reservoirs on the northeast flank of the structure. Kurdamir-2 confirmed the presence of an oil column in both the Oligocene and Eocene reservoirs and extended the previous lowest known oil depth to a level deeper than the limit of the simple four way closure for each reservoir, proving the existence of a significantly larger trap than initially interpreted. No oil-water contact was encountered in Kurdamir-2 and the well was subsequently put on EWT in May 2014 and produced 90,000 bbls of oil without any formation water over a 44 day period. The well was initially drill-stem tested at a maximum rate of 3,450 bbl/d and 8.8 MMcf/d. At the end of the EWT the oil rate was approximately 2,500 bbl/d and >20 MMcf/d. The increased gas rate and consequent reduction in oil rate is interpreted to be a result of an increase in gas cap contamination into the well-stream.

**Oligocene Reservoir**

The Kurdamir-2 wireline logs indicate a porous zone of 140 metres thickness within the Oligocene interval all of which is hydrocarbon bearing. Well log data indicate 22 metres of gross natural gas pay above 118 metres of gross oil pay. A total of three DST’s were conducted (one open hole and two cased hole tests). The maximum test rate for oil was 3,450 bbl/d (38 to 42 degree API) and 8.8 MMcf/d of gas with no evidence of formation water.

The table below summarizes the flow rates from all three intervals tested within the 168 metres gross hydrocarbon column (22 metres of gas and 146 metres of oil) encountered in the Oligocene reservoir in the Kurdamir-2 well:
<table>
<thead>
<tr>
<th></th>
<th>Tested Interval (mSS)</th>
<th>Stabilized Oil Rate (bbl/d)</th>
<th>Gas Rate (MMcf/d)</th>
<th>Oil API</th>
<th>Apparent Gas-Oil Ratio (scf/bbl)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Kurdamir-2 Oligocene reservoir tests</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DST 1 Open hole test (March 2012)</td>
<td>-1,838 to -1,872</td>
<td>950</td>
<td>7.3</td>
<td>42°</td>
<td>38°</td>
</tr>
<tr>
<td>DST 7 Second cased hole test (December 2012)</td>
<td>-1,924 to -1,948</td>
<td>2,184</td>
<td>10.4</td>
<td>42°</td>
<td>42°</td>
</tr>
<tr>
<td>DST 6 First cased hole test (November 2012)</td>
<td>1,965 to -1,986</td>
<td>3,450</td>
<td>8.8</td>
<td>38°</td>
<td>2,550</td>
</tr>
</tbody>
</table>

The gas rates relative to oil rates for all three test intervals were higher than expected due to the following reasons:

- DST 1 was an open hole test conducted across the gas-oil contact and, consequently, the test was dominated by gas flowing from the gas cap.
- DST 6 and 7 were cased hole tests that have anomalously high gas rates that the Company interprets was due to gas being pulled down fractures or other high permeability zones within the reservoir that connected to the gas cap or through channels in the cement behind casing.

In May, 2014, the Company conducted a 44-day EWT at the Kurdamir-2 well to better understand the Kurdamir discovery and to prepare for future development activities and for further delineation of the Prospective Resources. Cumulative oil production was approximately 90,000 barrels and no formation water was produced. The Company views these test results as support that the current Contingent Resource estimates for the Oligocene reservoir on the Kurdamir Block represent a conservative view. During testing, the oil flow rate was restricted by the capacity of the gas flare.

**Eocene Reservoir**

The Kurdamir-2 well encountered an oil bearing, fractured reservoir section with a gross thickness of 275 metres similar to the Eocene reservoir section encountered in the Kurdamir-1 well. A single cased hole test was performed over a net perforated interval of 108 metres and resulted in the flow of light, 45 degree API oil and sub-commercial flow rates. No formation water was recovered during the test. Following an acid fracture stimulation, the well flowed back a mixture of oil, emulsion and spent acid.

**Cretaceous Reservoir**

The Kurdamir-2 well reached a final total depth of approximately 4,000 metres within the Cretaceous-age Shiranish reservoir which is comprised of a gross interval of 510 metres of naturally-fractured marlstones and limestones. Testing through casing was completed in three intervals in the Shiranish reservoir and confirmed an oil discovery in low permeability fractured limestones. The oil recovered was 39 to 40 degree API, although the reservoir exhibited non-commercial flow rates in this location and it was considered insufficient to allow any Contingent Resources to be assessed. The Company remains encouraged that the Shiranish reservoir testing program recovered oil from a depth that is significantly deeper than the limit of closure of the Kurdamir structure at the Cretaceous reservoir level as mapped from seismic data.

**Kurdamir-3**

Kurdamir-3 was drilled on the southwest flank of the Kurdamir structure targeting the Oligocene reservoir at a location approximately 3.2 kilometres away from Kurdamir-1. The key results of the Kurdamir-3 well are summarized as:

- Established an ODT for the Contingent Resources in the Oligocene reservoir at -2049mSS, which represents the deepest ODT of any of the wells drilled to date.
Confirmed the oil to be light (38 to 42 degree API), high quality crude with low H₂S (approximately 0.5 percent) and CO₂ (<1 percent).

Indicated from DST results, wireline log data and mud-gas data that the Kurdamir Oligocene oil column extends to at least as deep as the base of the Oligocene interval in the Kurdamir-3 well at a depth of -2228mSS, which is 179 metres deeper than the base of the current Contingent Resources. The resources in the interval from -2049mSS to -2228mSS currently comprise part of the Prospective Resources that have been assessed by the Company for the Oligocene reservoir.

Provided support for the interpretation that the Oligocene reservoir is involved in a considerably larger trap than the seismically defined independent four-way closures that contain separate gas caps at Kurdamir and Topkhana and that there is a common oil leg that is shared between the two blocks that extends significantly deeper.

Flow rates were lower than expected due to the lower density of fractures encountered in the Oligocene reservoir at Kurdamir-3 in comparison with Kurdamir-1 and 2. However, the well was located using 2D seismic and it is anticipated that future wells located using 3D seismic will be better located to encounter natural fractures and deliver higher flow rates.

The gas-to-oil ratio of approximately 1,000 to 1,100 standard cubic feet per barrel, indicates that the oil leg is likely in connection with the gas cap on the crest of the structure.

Four DSTs were conducted in the Oligocene reservoir at Kurdamir-3, each of which confirmed the presence of light oil:

- **DST #1** was conducted over a perforated interval of 12 metres, between -2,162 and -2,174 mSS, across a fracture zone below the base of the reservoir with the objective of proving new lowest known oil. After acidizing the interval, the zone produced a limited amount of oil and spent acid.
- **DST #2** was conducted over four perforated intervals within a gross interval of 105 metres from -2,000 to -2,105 mSS. After acidizing the zones, the well produced 38 degree API oil at low rates with an average water cut of 65 percent.
- **DST #3** was conducted over a perforated interval of 20 metres between -1,960 and -1,980 mSS and flowed 37 degree API light oil at a rate of 633 bbl/d with an average water cut of 55 percent.
- **DST #4** was conducted over a perforated interval of 11 metres between -1,925 and -1,941 mSS and flowed 885 bbl/d of 37 degree API light oil with an average water cut of 55 percent.

There are three alternative interpretations for the source of the water produced in DST#2:

- The water is derived from a deeper source below the depth of the tested interval due to an ineffective cement bond behind casing which allowed formation water from below the tested interval to flow up the annulus of the well and into the tested intervals.
- The water is derived from the zone of high water saturation that is located within the DST#2 test interval and a localised OWC is present at a depth of around -2049mSS due to a lens of “perched” water (stranded water) within an overall interval that is oil saturated.
- The water is derived from the zone of high water saturation that is located within the DST#2 test interval and a field-wide OWC is present at a depth of around -2049mSS. As the weight of evidence in the Kurdamir-3 suggests that the Oligocene below -2049mSS is oil charged this interpretation is considered to be a conservative alternative.

In early 2014, WesternZagros analyzed the Kurdamir-3 well log and test data, and concluded that the formation water encountered in the DST#2 was most likely from a deeper interval.

The water produced in DST #3 and #4 is interpreted to be a contaminant in the tests and well log data and fluid composition supports that the water was sourced from deeper than the tested intervals and entered the tests via channels in the cement behind well casing. Expert analysis by a third party concluded that due to problems with cement bond integrity there was water channeling upwards through the cement in the well bore annulus that connects DST intervals #3 and #4 to the deeper DST #2 interval. The petrophysical analysis of the DST #3 and DST #4 intervals does not indicate the presence of movable formation water. This further supports that the source of the water in DST #3 and #4 is either from within the DST #2 interval or deeper.
The Baram-1 well was spudded on the (then) northern portion of the Garmian Block on August 13, 2013 targeting a prospect in the Oligocene reservoir. An open-hole test of this reservoir at Baram confirmed a gross interval of 73 metres that flowed 42 degree API light oil and water at an approximate rate of 600 bbl/d. The wireline log and test data obtained indicate the test was conducted across an oil-water contact in low permeability reservoir. Subsequently, the Baram well was relinquished to the KRG as it was considered non-core to WesternZagros’s development plans for the Garmian Block.

GARMIAN BLOCK

Garmian Asset Overview

The Garmian Block consists of an onshore development project area of 131 square kilometres which contains the Sarqala-1 and Mil Qasim-1 oil discoveries. The Garmian Block includes the Sarqala discovery in the Jeribe / Upper Dhiban reservoir containing an estimated 13 MMbbl of 2P Reserves (Gross Block) and 66 MMbbl of unrisked Prospective Resources of oil, Gross Block P50 as determined in the Sproule Garmian Report.

The Garmian development plan was submitted to the KRG on June 19, 2014. The co-venturers continue to work with the KRG in securing final approval of the FDP which will include a solution to manage the associated natural gas produced from the Sarqala field and the most effective strategy to manage asphaltene accumulations in the producing wellbores.

During this time, the KRG has allowed for the commencement of production while the field development plan is finalized. Cumulative production for calendar 2015 was approximately 1.7 MMbbl. Since inception of production during the first extended well test in 2011, Sarqala 1 has produced a cumulative amount of 2.7 MMbbls of light oil with no formation water and no hydrogen sulphide. Subject to FDP approval, the Sarqala-2 well is anticipated to be spud following the contracting of a drilling rig. The Sarqala-2 well site has been prepared and long lead equipment has been secured.

To date, two wells have been drilled on the Sarqala Jeribe structure; Sarqala-1 and Hasira-1. Hydrocarbons have been proven in two separate carbonate reservoirs – Jeribe / Upper Dhiban and Mio-Oligocene. The main elements of the Sarqala Jeribe/ Upper Dhiban, which represents the primary reservoir, are:

- NW-SE, elongate structure of approximately 2.5 X 15 kilometres
- Jeribe/ Upper Dhiban comprises an approximately 60 metre thick porous carbonate reservoir interval, enhanced by natural fractures
- Undersaturated oil column with no gas cap
- High quality, sweet, light, 40 degree API crude oil with no H2S or CO2
- A maximum oil test rate of >11,500 bbl/d was achieved from the Sarqala-1 well
- Sarqala-1 was producing at an average rate of >5,100 bbls/d at year end 2015
- Sarqala-1 has produced a total of approximately 2.7 million bbls oil without any formation water

The current depth of the LKO for the Jeribe/ Upper Dhiban reservoir is at -3501mSS, which represents the top of the DST#1 interval in the Hasira-1 well. The ultimate extent of the oil leg has yet to be proven, although the lack of any produced water associated with Sarqala-1 production suggests that it is deeper than -3501mSS and may extend to as deep as -3760mSS, which represents the deepest closing contour for the structure as mapped on 3D seismic. The figure below shows a schematic cross section of the Jeribe and Mio-Oligocene reservoirs across the Sarqala structure. S-1/S-1RE, S-2 and H-1 are the Sarqala-1, Sarqala-2, and Hasira-1 wells respectively.
Garmian Appraisal and Development Activity

Facilities Project Description: Garmian Jeribe / Upper Dhiban Reserves and Prospective Resources

The Garmian facilities project is focused on the development of the Jeribe / Upper Dhiban reservoir which is estimated to contain 13 MMbbl of 2P oil Reserves and unrisked P50 Prospective oil Resources of 66 MMbbl (both Gross Block) as determined in the Sproule Garmian Report. These Prospective Resources represent potentially recoverable volumes on the Sarqala structure within the Garmian PSC that are located:

a) below the base of the current proved plus probable plus possible (3P) reserves in the same Jeribe / Upper Dhiban reservoir as assessed by Sproule to a depth of -3,501 mSS based on the structural elevation of the reservoir penetrated by the Hasira-1 well; and
b) down to -3,760 mSS, the structural elevation of the four-way dip closure (spill point) of the Sarqala oil reservoir as mapped by WesternZagros using 3-D seismic.

The co-venturers believe that a phased development leads to the most efficient exploitation of the Jeribe / Upper Dhiban reservoir at Sarqala. This project utilizes existing and proposed production equipment to facilitate quick production of oil, and provision of associated gas to the KRG at the block boundary. Project phasing allows for capital expenditure optimization by acquiring important reservoir size, quality and deliverability information with which to design a fit for purpose facility.

- Phase 0, which included establishing commercial production from the Garmian Jeribe / Upper Dhiban reservoir in the Sarqa-la-1 well and installation of basic production facilities is now complete and in production. Surface facilities have the capacity to handle additional production up to 15,000 bbl/d. Cumulative production for calendar 2015 since the Sarqala-1 well recommenced commercial production on February 11, 2015, was approximately 1.7 MMbbl and 2.7 MMbbl since inception,
without the presence of water. Solution gas produced with the oil is currently flared. The Garmian PSC co-venturers are working with the KRG on a future gas handling options.

- Phase 1 development will begin after approval for the field development plan is obtained and includes the drilling of up to two development wells to establish the additional productive capacity of the field. The Garmian co-venturers plan to commence drilling a new production well, Sarqala-2, following field development plan approval from the KRG. The phased plan contemplates an additional well in 2018 at an estimated cost of $50 to $70 million gross, $25 to $35 million net, to drill and develop. As currently envisaged, the third well will be drilled to a depth sufficient to establish the presence of oil down to approximately -3,760 mSS, which is the structural spill-point of the Jeribe reservoir.

- Subsequent development phases are contingent on the Phase 1 well results which should determine the degree that the reservoir is filled to the depth of the structural spill-point. Thereafter, the PSC co-venturers may embark on an expansion of the existing facilities, the construction and installation of an expanded loading terminal and undertake sufficient additional development drilling as deemed necessary to increase production to an estimated 25,000 bbl/d.

“Schedule A – Contingent Resources Data and Prospective Resources Data” to this AIF contains further information relating to the Company’s appraisal and development activities and project descriptions.

**Garmian Well History**

**Sarqala-1**
Drilling operations at the Company’s first exploration well, commenced on May 8, 2008, and were suspended in March 2009 due to operational issues. In March 2011, the Company re-entered the Sarqala-1 well bore and made a significant oil discovery in the Jeribe and Upper Dhiban reservoirs, after drilling an approximate 100 metre long sidetrack to a depth of 3,893 metres. Hydrocarbon shows and log results indicate a potential gross pay interval of over 55 metres and the well flowed light 40 degree API oil. The well achieved a maximum flow rate of over 9,000 bbl/d after flowing and stabilizing the well at progressively bigger choke sizes until limited by the flow capacity of surface equipment. The maximum flow rate was achieved on a 52/64 inch choke with a wellhead pressure of 2,475 psi. No water was produced during the testing program.

In October 2011, WesternZagros commenced an EWT and the Company sold its first oil into the domestic market in Kurdistan. Production from the EWT started at approximately 2,000 bbl/d and increased to 5,000 bbl/d by the end of December 2011. After eight months on EWT, the Jeribe and Upper Dhiban formations in the Sarqala-1 well had produced approximately 1 MMbbl of light oil.

During 2014, a workover of the Sarqala-1 well was conducted install larger production tubing to increase the flow capacity of the well and to replace the subsurface safety valve. The Company tested the well at rates of up to 11,500 bbl/d of 40 degree API oil from the Jeribe/Upper Dhiban reservoir. The new flow rate 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. In addition, production facility upgrades were completed that increased the processing capacity up to 15,000 bbl/d.

Production to the domestic market commenced on February 11, 2015 with the Sarqala-1 well producing approximately 1.7 MMbbl at an average rate of 5,100 bbl/d in 2015 Since inception of production during the first extended well test in 2011, Sarqala 1 has produced a cumulative amount of 2.7 MMbbls of light oil with no formation water and no hydrogen sulphide.

**Hasira-1 Well**
The Hasira-1 exploration and appraisal well was spudded on June 6, 2013 with the dual objectives of being an appraisal well for the Jeribe reservoir from the Sarqala Discovery and an exploration commitment well for the deeper Oligocene formation that had exhibited oil shows during the drilling of the Sarqala-1 well.
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 Oligocene reservoirs. Logging and initial open hole tests have confirmed light oil in both the reservoirs.

Wireline log interpretations and an open-hole test in the Jeribe reservoir confirmed the presence of oil and similar reservoir properties as observed in Sarqala-1. The open-hole test flowed oil to surface; however, due to mechanical issues, the test was prematurely suspended before a full testing program could be completed. This test established the current depth of the LKO for the Jeribe/Upper Dhiban reservoir is -3501mSS, which represents the top of the DST#1 interval in the Hasira-1 well. The ultimate extent of the Sarqala oil leg has yet to be proven, although the lack of any produced water associated with Sarqala-1 production suggests that it is deeper than -3501mSS and may extend to as deep as -3760mSS, which represents the deepest closing contour for the structure as mapped on 3D seismic.

The open hole test in the Oligocene reservoir flowed 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 the Jeribe/Upper Dhiban reservoir at Sarqala-1, i.e. approximately 40 degree API and no indications of hydrogen sulphide.

A Mio-Oligocene cased-hole testing program was conducted on the Hasira-1 well in early 2015 during which there was considerable influx of reservoir formation debris and the test had to be terminated before a definitive oil flow could be achieved. The well has since been suspended. 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.

**Mil Qasim-1 and Upper Bakhtiari Wells**

Mil Qasim-1 was WesternZagros’s second exploration well on the Garmian Block and is located three kilometres away from Sarqala-1. The drilling and testing of Mil Qasim-1 fulfilled the Company’s remaining work commitments for the first exploration sub-period under the Garmian PSC. Mil Qasim-1 was drilled to a total depth of 2,425 metres in December 2011. The well encountered a gross hydrocarbon bearing interval of approximately 800 metres containing numerous sandstones (each in the range of 2-13 metres thick) in the Lower Bakhtiari and Upper Fars formations.

In addition, the Mil Qasim-1 well encountered hydrocarbon shows in a high porosity conglomerate and sandstone interval approximately 25 metres thick in the shallow Upper Bakhtiari formation at depths of approximately 500 to 700 metres. WesternZagros drilled two wells to test the potential of the shallow Upper Bakhtiari Formation in 2013. This two well program recovered oil and gas at sub-commercial rates and formation water. The wells have consequently been suspended.

**OTHER POTENTIAL KURDAMIR AND GARMIAN BLOCK PROJECTS**

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, including the Kurdamir Eocene and Cretaceous, the Sarqala Mio-Oligocene, Eocene and Cretaceous, and the Mil Qasim Upper Fars reservoirs. As these reservoirs do not form part of the initial phases of the 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.

The following figure provides a schematic cross section of the Kurdamir structure, showing the Oligocene, Eocene, and Cretaceous reservoir intervals, well locations, hydrocarbon column heights and the test intervals in the three wells.
The following figure provides a schematic cross section of the Sarqala structure, showing the Mio-Oligocene, Eocene, Cretaceous and Upper Fars reservoir intervals, well locations, and the test intervals in the three wells.
WesternZagros engaged Sproule to prepare the Sproule Garmian Report relating to the Company’s crude oil Reserves and certain Prospective Resources on the Garmian Block as at December 31, 2015; and to prepare the Sproule Kurdamir Report relating to certain Contingent and Prospective Resources on the Kurdamir Block as at December 31, 2015. The Sproule Garmian Report is dated March 16, 2016 and the Sproule Kurdamir Report is dated March 16, 2016.

All factual data supplied to Sproule by WesternZagros in connection with the preparation of the Sproule Reports was accepted as presented. The Sproule Reports were prepared in accordance with the definitions and guidelines
set out in the COGE Handbook and in compliance with the requirements of NI 51-101. Among other things, NI 51-101 establishes a regime of continuous disclosure for all oil and gas companies and standardizes reporting and disclosure requirements for upstream oil and gas companies that are reporting issuers. See “Presentation of Oil and Gas Reserves and Resources Information” for certain defined terms relating to resource categories and estimates.

Sproule performed an evaluation for the Company’s proved, proved plus probable, and proved plus probable plus possible oil Reserves on the Garmian Block and an audit of the Company’s P50 estimate of certain remaining Prospective Oil Resources in the Jeribe/Upper Dhiban reservoir, on the Garmian Block as at December 31, 2015. No gas reserves have been assigned, as gas is currently only used for fuel and flare and there are no commercial arrangements for gas sales. In undertaking the evaluation and audit, Sproule considered the conceptual full field development plan (including the initial phases currently submitted to the KRG for approval), estimated associated costs, oil production rates, sales rates and price forecasts, and included the effect of the PSC. Further details with respect to the initial phases of the development plan for the Garmian Block submitted to the KRG are set forth under “Garmian Block, Garmian Appraisal and Development Activity” and in “Schedule A, Contingent Resources Data and Prospective Resources Data.”

Sproule also performed an audit of the Company’s P50 estimate of the Contingent Resources and Prospective Resources in the Oligocene reservoir on the Kurdamir Block as at December 31, 2015. In undertaking the audit, Sproule considered the conceptual full field development plan (including the initial phases currently submitted to the KRG for approval), estimated associated costs, production rates, sales rates and price forecasts, and included the effect of the PSC. Further details with respect to the initial phases of the development plan for the Kurdamir Block are set forth under “Kurdamir Block - Kurdamir Appraisal and Development Activity” and “Schedule A, Contingent Resources Data and Prospective Resources Data.”

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, including the Kurdamir Eocene and Cretaceous reservoirs, the Sarqala Mio-Oligocene, Eocene and Cretaceous reservoirs, and the Mil Qasim Upper Fars reservoir. As such, the Company did not request Sproule to conduct an updated audit of the Company’s prior resource estimates for these reservoirs.

Forecast Prices and Cost Assumptions

The forecast prices utilized by Sproule in the Sproule Garmian Report for estimating future net cash flow from Reserves are set out in the table below. The Company’s weighted average historical price for the most recent financial year was US$41.42.

<table>
<thead>
<tr>
<th>Year</th>
<th>Oil UK Brent Crude&lt;sup&gt;(1)&lt;/sup&gt; (US$/bbl)</th>
<th>Oil Garmian&lt;sup&gt;(2)&lt;/sup&gt; (US$/bbl)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>45.00</td>
<td>33.70</td>
</tr>
<tr>
<td>2017</td>
<td>60.00</td>
<td>48.70</td>
</tr>
<tr>
<td>2018</td>
<td>70.00</td>
<td>58.70</td>
</tr>
<tr>
<td>2019</td>
<td>80.00</td>
<td>73.00</td>
</tr>
<tr>
<td>2020</td>
<td>81.20</td>
<td>74.20</td>
</tr>
<tr>
<td>2021</td>
<td>82.42</td>
<td>75.42</td>
</tr>
<tr>
<td>2022</td>
<td>83.65</td>
<td>76.65</td>
</tr>
<tr>
<td>2023</td>
<td>84.91</td>
<td>77.91</td>
</tr>
<tr>
<td>2024</td>
<td>86.18</td>
<td>79.18</td>
</tr>
<tr>
<td>2025</td>
<td>87.48</td>
<td>80.48</td>
</tr>
<tr>
<td>2026</td>
<td>88.79</td>
<td>81.79</td>
</tr>
</tbody>
</table>
Notes:
(1) UK Brent Crude prices shown in the table are based on Sproule's December 31, 2015 pricing model.
(2) Oil prices shown in the table and utilized in the Sproule Garmian Report are UK Brent Crude prices adjusted for negative price offsets to account for actual prices received by the Company and quality differential, as well as estimated transportation costs and export tariffs.
(3) Oil prices after 2026 escalate at 1.5 percent per year.

Operating costs are based on the Company's estimate of operating expenses, which include general and administrative costs and field-level costs. General and administrative costs are included to the extent that they are covered under joint operating agreements. Operating costs are assumed to escalate at 1.5 percent on January 1 each year thereafter. Development costs are based on the development plan, authorizations for expenditure, actual costs from recent activity, and 2015 historical costs.

Estimates of Future Net Revenue

The Sproule Garmian Report provides estimates of future net cash flow on a “before tax” and "after tax" basis. The KRG's share of revenues is through a fiscal system governed by the PSCs that includes royalty petroleum, profit petroleum, capacity building support payments, production bonus payments and annual production rental payments to the KRG. Profit petroleum to the KRG is deemed to include a portion representing the corporate tax imposed upon and due by the Company under the applicable PSC. No additional corporate taxes are considered. As such the before and after tax values are identical.

Total revenue share to the Company's interest is before and after adjusting the Gross Reserves to account for royalty petroleum, profit petroleum, production bonuses and capacity building support payments to the KRG pursuant to the provisions of the PSCs. Future net cash flow is calculated after deducting operating costs (including annual production rental payments), abandonment and reclamation costs, development costs, royalty petroleum, profit petroleum, production bonuses and capacity building support payments to the KRG pursuant to the provisions of the PSCs. The after-tax net present value of the Company's Reserves reflects the tax burden on the properties on a stand-alone basis within the scope of the terms of the PSCs. It does not consider the business-entity-level tax situation, or tax planning. It does not provide an estimate of the value at the business entity level, which may be significantly different. The financial statements and the management's discussion and analysis of the Company should be consulted for information at the business entity level.

It should not be assumed that the estimates of future net revenue presented in the tables below represent the fair market value of the Reserves. **Future net revenue values, whether calculated without discount or using a discount rate, 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 the Sproule Garmian Report will be attained and variances could be material. The Reserve estimates provided herein are estimates only and there is no assurance that the estimated Reserves will be recovered. Actual Reserves may be greater than or less than the estimates provided herein.** Each of the Sproule Reports is based on data supplied by the Company and on Sproule's opinions of reasonable industry practice. Readers should review the definitions and information contained herein in conjunction with the following tables and related notes.

Reserves Data

The reserves data presented summarize the Company's oil Reserves and the net present values of future net revenue for the Company's working interest Reserves, all of which relate to the initial phases of the development plan submitted to the KRG with respect to the Jeribe/Upper Dhiban reservoir in the Sarqala discovery on the Garmian Block. The Reserves that have been prepared for the Jeribe/Upper Dhiban reservoir are based on the 3D seismic acquired over the structure in 2013 and the Sarqala-1 well. Sarqala-1 is the first well, was drilled on the crest of the structure, and has produced a cumulative amount of 2.7 million barrels of light oil since inception of
production during the first extended well test in 2011. The reserves data will be updated as future phases of the development plan are advanced and the remaining Prospective Resources are delineated. See “Schedule A” below for a description of certain remaining Prospective Resources pertaining to the Jeribe/Upper Dhiban reservoir.

The reserves data use forecast prices and costs, and the development plan as submitted to the KRG, prior to provision for interest, certain general and administrative expenses or the impact of any hedging activities. Future net revenue has been presented on a before and after tax basis. The Company has not recognized any gas Reserves on the Garmian Block as, under the Garmian PSC, the KRG has the right to develop these resources.

Summary of the Estimates of Reserves and Net Present Values
of Western Zagros Resources Ltd.
Before and After Taxes
(As of December 31, 2015)

<table>
<thead>
<tr>
<th>Reserves Category</th>
<th>Original Recoverable Oil Reserves</th>
<th>Cumulative Oil Production as of 2015-12-31</th>
<th>Remaining Recoverable Oil Reserves</th>
<th>Company Working Interest</th>
<th>Company Gross Oil Reserves</th>
<th>Lessor Royalties and Burdens</th>
<th>Company Net Oil Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Garmian Block, Kurdistan Region of Iraq</td>
<td>Mbbl</td>
<td>Mbbl</td>
<td>Mbbl</td>
<td>%</td>
<td>Mbbl</td>
<td>Mbbl</td>
<td>Mbbl</td>
</tr>
<tr>
<td>Proved Developed Producing</td>
<td>4,729</td>
<td>2,720</td>
<td>2,009</td>
<td>40</td>
<td>803</td>
<td>291</td>
<td>512</td>
</tr>
<tr>
<td>Total Proved</td>
<td>4,729</td>
<td>2,720</td>
<td>2,009</td>
<td>40</td>
<td>803</td>
<td>291</td>
<td>512</td>
</tr>
<tr>
<td>Probable</td>
<td>10,802</td>
<td>0</td>
<td>10,802</td>
<td>40</td>
<td>4,321</td>
<td>1,435</td>
<td>2,886</td>
</tr>
<tr>
<td>Total Proved Plus Probable</td>
<td>15,530</td>
<td>2,720</td>
<td>12,810</td>
<td>40</td>
<td>5,124</td>
<td>1,726</td>
<td>3,398</td>
</tr>
<tr>
<td>Possible</td>
<td>13,707</td>
<td>0</td>
<td>13,707</td>
<td>40</td>
<td>5,483</td>
<td>1,835</td>
<td>3,648</td>
</tr>
<tr>
<td>Total Proved Plus Probable Plus Possible</td>
<td>29,237</td>
<td>2,720</td>
<td>26,517</td>
<td>40</td>
<td>10,607</td>
<td>3,561</td>
<td>7,046</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Net Present Value of Future Net Production Revenues at Several Discount Rates Before and After Taxes (M$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves Category</td>
<td>0%</td>
</tr>
<tr>
<td>Garmian Block, Kurdistan Region of Iraq</td>
<td></td>
</tr>
<tr>
<td>Proved Developed Producing</td>
<td>3,613</td>
</tr>
<tr>
<td>Total Proved</td>
<td>3,613</td>
</tr>
<tr>
<td>Probable</td>
<td>52,063</td>
</tr>
<tr>
<td>Total Proved Plus Probable</td>
<td>55,676</td>
</tr>
<tr>
<td>Possible</td>
<td>210,217</td>
</tr>
<tr>
<td>Total Proved Plus Probable Plus Possible</td>
<td>265,893</td>
</tr>
</tbody>
</table>

Notes:
1. Values may not add or be consistent from one presentation to the next due to rounding.
2. “Remaining Recoverable Reserves” are the total remaining recoverable reserves associated with the acreage in which the Company has an interest.
3. “Company Gross” means the Company’s working interest share of the remaining reserves, before deduction of royalties.
4. “Company Net” means the Company’s cost and profit petroleum volume entitlements, pursuant to the provisions of the Garmian PSC.
5. “Net Production Revenue” is income received from the sale of net reserves of oil, non-associated and associated gas, and gas by-products, less all capital and operating costs.
6. Profit petroleum to the KRG includes a portion representing the corporate tax imposed upon and due by the Company under the applicable PSC. No additional corporate taxes are considered. As such the before and after tax values are identical.
7. The Unit Value before Tax Discounted at 10% is $7.51/bbl for Proved Reserves, $9.57/bbl for Proved Plus Probable Reserves and $21.77/bbl for Proved Plus Probable Plus Possible Reserves.

Reserves Reconciliation

The table below sets forth a reconciliation of the Company’s Gross Reserves as at December 31, 2015 against such Reserves as at December 31, 2014 based on forecast price and cost assumptions.
(1) Gross Reserves means the Company’s working interest reserves before calculation of royalties, and before consideration of the Company’s royalty interests.

### Additional Information Concerning Future Net Revenue

The following table sets forth the elements of undiscounted total future net revenue associated with the Company's oil Reserves in the Garmian Block.

#### NI 51-101
**Total Future Net Revenue (Undiscounted)**

**As of December 31, 2015**

**Forecast Prices and Costs**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Garmian Block, Iraq</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proved</td>
<td>31,443</td>
<td>11,241</td>
<td>13,447</td>
<td>0</td>
<td>3,142</td>
<td>3.613</td>
<td>0</td>
<td>3.613</td>
</tr>
<tr>
<td>Proved Plus Probable</td>
<td>322,287</td>
<td>107,941</td>
<td>87,621</td>
<td>63,481</td>
<td>8,128</td>
<td>55.676</td>
<td>0</td>
<td>55.676</td>
</tr>
<tr>
<td>Proved Plus Probable Plus Possible</td>
<td>745,055</td>
<td>249,673</td>
<td>136,832</td>
<td>63,481</td>
<td>9,156</td>
<td>265.893</td>
<td>0</td>
<td>265.893</td>
</tr>
</tbody>
</table>

---

1. Gross Reserves means the Company’s working interest reserves before calculation of royalties, and before consideration of the Company’s royalty interests.
1. Royalty estimated as the difference between the revenue, costs and future net revenue before income taxes and includes production bonus and capacity building payments required under the terms of the PSC.
2. Income Taxes paid by the government, as outlined in the terms of the PSC, have not been included in the before income tax reserves and net present values; therefore, the before income tax reserves and net present values are presented as being equal to the after income tax reserves and net present values.
3. Operating costs include production bonus and capacity building payments in the PSC.

Additional Information Relating to Reserves Data

Future Development Costs

The following table sets forth the development costs deducted by Sproule in the estimation of the future net revenue for oil reserves in each of the following reserve categories attributable to the Company's working interest in the Garmian Block.

<table>
<thead>
<tr>
<th>Development Costs (Undiscounted)</th>
<th>Based on Forecast Prices and Costs as of December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>-</td>
</tr>
<tr>
<td>2017</td>
<td>-</td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
</tr>
<tr>
<td>Remaining</td>
<td>-</td>
</tr>
<tr>
<td>Total for all years</td>
<td>-</td>
</tr>
</tbody>
</table>

Note:
(1) See "Presentation of Oil and Gas Reserves and Resources Information" for definitions of terms used in the table.

Development costs required for the Company's oil Reserves will be sourced from future cash flow from operations or equity or debt sources as appropriate. The timing of such additional funding may influence the timing of the developmental work expenditures. WesternZagros is of the view that there is limited risk that the costs of funding would render the further development of the Reserves uneconomic.

Production Estimates

The following table sets forth the volume of Gross working interest production, before deduction of royalty petroleum, profit petroleum, production bonuses and capacity building support payments to the KRG pursuant to the provisions of the applicable PSC, estimated for the first year (2016) reflected in the estimates of Gross Proved Reserves and Gross Proved plus Probable Reserves estimated in the Sproule Garmian Report. All production is estimated for the Sarqala field.

<table>
<thead>
<tr>
<th>Reserve Category</th>
<th>Light Oil (Mbbl)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proved</td>
<td>538</td>
</tr>
<tr>
<td>Probable</td>
<td>198</td>
</tr>
<tr>
<td>Proved Plus Probable</td>
<td>736</td>
</tr>
</tbody>
</table>
**Significant Factors or Uncertainties Affecting Reserves Data**

Other than various risks and uncertainties that participants in the oil and gas industry are exposed to generally, the Company is unable to identify any significant economic factors or significant uncertainties that affect any particular components of the reserves data disclosed herein. Readers should review the "Risk Factors” section in this AIF for a broader discussion of the risks and uncertainties facing WesternZagros, including the current legal, political and regulatory situation in the Kurdistan Region of Iraq.

**Contingent Resources Data and Prospective Resources Data**

“Schedule A – Contingent Resources Data and Prospective Resources Data” to this AIF contains further information relating to the Company’s Contingent Resources data and Prospective Resources data.

**Properties with No Attributed Reserves**

The following table sets out WesternZagros’s undeveloped land position, all of which is related to the PSC Lands and located in Kurdistan. The Company does not expect any of its rights to develop and exploit the PSC Lands to expire within one year.

<table>
<thead>
<tr>
<th>Properties</th>
<th>Gross (1)</th>
<th>Net (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kurdamir</td>
<td>60,541 acres</td>
<td>24,216 acres</td>
</tr>
<tr>
<td>Garmian</td>
<td>30,591 acres</td>
<td>12,236 acres</td>
</tr>
<tr>
<td>Total</td>
<td>91,132 acres</td>
<td>36,452 acres</td>
</tr>
</tbody>
</table>

**Notes:**

(1) "Gross" means the total number of acres in which WesternZagros has a working interest.
(2) "Net" means the number obtained by multiplying the number of gross acres by WesternZagros’s 40 percent working interest therein.
(3) The Kurdamir co-venturers and the MNR agreed to a revised development area on February 17, 2016. The acreage in the table reflects this agreement.

During 2015, reserves continued to be attributed by Sproule to the Sarqala oil discovery in relation to a relatively small portion of the PSC Lands. While Contingent Resources have been attributed to the Kurdamir Block, there are still contingencies that prevent their classification as Reserves at this time. In addition, there are certain risks and uncertainties that are associated with the Company's ability to commercially recover resources from the PSC Lands and develop them. See “Schedule A – Contingent Resources Data and Prospective Resources Data”. The Company has completed the Exploration Period and related work commitments under both PSCs and is in the Development Period. See “PSC Overview and Commitments”.

**Oil and Gas Wells**

WesternZagros has drilled seven deep exploration and appraisal wells on the PSC Lands, being Sarqala-1, Hasira-1 Kurdamir-1, Kurdamir-2, Kurdamir-3 and Mil Qasim-1 and on acreage that has subsequently been relinquished to the KRG (Baram-1), and made four discoveries. Currently, only Sarqala-1 is on production. No wells were completed in the most recently completed financial year. For a description of these wells, see “Kurdamir Block – Kurdamir Well History” and “Garmian Block – Garmian Well History”. See “Schedule A - Contingent and Prospective Resources Data” for a description of the Company’s planned future development activities on the PSC Lands.

**Costs Incurred**

The following table summarizes the capital expenditures made by WesternZagros related to its operations in Iraq for the year ended December 31, 2015:
Property Acquisition Costs\(^{(1)}\) | Exploration Costs\(^{(2)}\) | Development Costs\(^{(3)}\)
--- | --- | ---
- | $39.3 million | $12.6 million

Note:

1. All property acquisition costs were incurred in respect of unproved properties.
2. Exploration costs as presented are prior to the change in non-cash investing capital.
3. Development costs as presented are in relation to upgrades to the Sarqala production site and planning and design costs related to the next Sarqala development well.

Production History

For the year ended December 31, 2015, the Company averaged 5,100 barrels of oil per day of Total daily production.

The following tables disclose, on a quarterly basis, for the year ended December 31, 2015, the Company’s 40 percent working interest share of average gross daily production volume (prior to deducting royalties), and the prices received, royalties paid, production costs incurred and resulting netbacks on a per unit of volume basis. All production was from the Sarqala field on the Garmian Block.

Average Daily Production Volume

<table>
<thead>
<tr>
<th>Light and Medium Oil (bbls/d)</th>
<th>Three Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light and Medium Oil</td>
<td>1,137</td>
</tr>
</tbody>
</table>

Prices Received, Royalties Paid, Production Costs Incurred – Light and Medium Oil

<table>
<thead>
<tr>
<th>($ per bbl)</th>
<th>Three Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prices Received(^{(1)})</td>
<td>$41.71</td>
</tr>
<tr>
<td>Royalties(^{(2)})</td>
<td>$41.71</td>
</tr>
<tr>
<td>Operating Expenses(^{(3)})</td>
<td>$13.93</td>
</tr>
<tr>
<td>Field Netback(^{(4)})</td>
<td>$27.78</td>
</tr>
</tbody>
</table>

(1): Based on WesternZagros’s 40 percent working interest oil sales.
(2): Royalties represents the difference between the Company’s working interest oil sales and the Company’s net entitlements.
(3): Operating expenses are comprised of WesternZagros’s working interest operating expenses plus 50 percent of the KRG’s carried interest operating expenses.
(4): Field net-back is a non-IFRS measure.

For the year ended December 31, 2015, the Company’s net share of total production volume was 433 Mbbls of light oil, all of which was produced from the Sarqala field on the Garmian Block.
Taxes and Exchange Controls

Revenues generated pursuant to the PSC by WesternZagros are on a tax paid basis and therefore no income taxes are payable thereunder by WesternZagros in Kurdistan.

There are no existing exchange controls in Iraq which would affect the operations of WesternZagros.

DESCRIPTION OF CAPITAL STRUCTURE

WesternZagros is authorized to issue an unlimited number of Common Shares, Class A Preferred Shares, issuable in series, and Class B Preferred Shares.

Common Shares

Holders of Common Shares are entitled to one vote per Common Share at meetings of holders of Common Shares, to receive dividends if, as and when declared by the Board and to receive pro rata the remaining property and assets of WesternZagros upon its dissolution or winding-up, subject to the rights of shares having priority over the Common Shares.

Class A Preferred Shares

The Class A Preferred Shares are issuable in series, the first series is the Non-Voting Preferred Shares described below, and each additional series of Class A Preferred Shares will have such rights, restrictions, conditions and limitations as the Board may from time to time determine. Holders of Class A Preferred Shares will be entitled, in priority to holders of Common Shares, to be paid rateably with holders of each other series of Class A Preferred Shares the amount of accumulated dividends, if any, specified to be payable preferentially to the holders of such series and, upon liquidation, dissolution or winding up of WesternZagros, in priority to holders of Common Shares, to be paid rateably with holders of each other series of Class A Preferred Shares the amount, if any, specified as being payable preferentially to holders of such series.

Description of Non-Voting Preferred Shares

The articles of the Company were amended on November 18, 2014 to create the Non-Voting Preferred Shares. The Non-Voting Preferred Shares have the rights, restrictions, conditions and limitations set forth below.

Voting

Holders of Non-Voting Preferred Shares are not, except as required by law, entitled to receive notice of, attend or vote at any meetings of Shareholders.

Dividends

The Non-Voting Preferred Shares shall be entitled to receive dividends, if, as and when declared by the Board in parity with the Common Shares, such dividend to be multiplied by the Conversion Ratio (as defined below), as applicable. If WesternZagros pays any dividend, or makes any other distribution on the Common Shares, then contemporaneously therewith, WesternZagros shall pay an identical dividend or make an identical distribution, on a per share basis, (multiplied by the Conversion Ratio, as applicable) on the Non-Voting Preferred Shares and, likewise, no dividend or distribution shall be paid or made on the Non-Voting Preferred Shares (except in the case of an involuntary liquidation event, as described below) unless WesternZagros pays an identical dividend or makes an identical distribution, on a per share basis, on the Common Shares.
Conversion into Common Shares

A holder of Non-Voting Preferred Shares shall have the right, at such holder's option and at no additional cost to such holder, to convert all, or any, of such holder's Non-Voting Preferred Shares into Common Shares on the basis of one Common Share for each Non-Voting Preferred Share, subject to adjustment or modification from time to time as contemplated by the Non-Voting Preferred Share provisions (the "Conversion Ratio"), at any time and from time to time, provided that a holder of Non-Voting Preferred Shares shall not have such right to convert any Non-Voting Preferred Share if, and to the extent, any such conversion and the resulting issuance of Common Shares would result in:

(a) if the Shareholder Rights Plan is in effect at such time, such holder or the transferee, as applicable, becoming the "Beneficial Owner" (within the meaning of the Shareholder Rights Plan) of 20 percent or more of the outstanding Common Shares or any other shares in the capital of the Company entitled to vote generally in the election of all directors unless the application of the Shareholder Rights Plan has been waived by the Board in accordance with the terms thereof; or

(b) if any securities of WesternZagros are then listed on the TSXV, such holder or the transferee, as applicable, becoming a "Control Person" within the meaning of the rules and policies of the TSXV unless the TSXV has approved such conversion and any conditions precedent of the TSXV to such approval have been satisfied.

If 50 percent or more of the Common Shares are acquired by a person (or one or more persons acting jointly or in concert) whether by way of takeover bid, consolidation, amalgamation, arrangement, merger, acquisition or other form of business combination (a "Control Acquisition"), then the corresponding pro rata percentage of the then outstanding Non-Voting Preferred Shares in proportion to the percentage of the then outstanding Common Shares being acquired or purchased pursuant to the Control Acquisition shall be, and shall be deemed to be, automatically converted into the number of shares, cash or other securities or property issued in consideration for the purchase or acquisition of one Common Share, multiplied by the Conversion Ratio, as applicable, pursuant to the Control Acquisition (the "Acquisition Consideration"), without any further action by the Company or the holder of such Non-Voting Preferred Shares and without payment of any additional consideration by such holder. Any conversion of Non-Voting Preferred Shares pursuant to a Control Acquisition shall be deemed to have been made as of the effective time of the Control Acquisition and the rights of the holder of a Non-Voting Preferred Shares as the holder thereof shall cease at such time and the holder shall be treated for all purposes as having become the holder of record of the Acquisition Consideration at such time.

Liquidation

In the event of a distribution by the Company of its assets among its shareholders for the purpose of an involuntary liquidation, dissolution or winding-up of WesternZagros, holders of Non-Voting Preferred Shares will be entitled to receive, from the assets of the Company available for distribution, in respect of each Non-Voting Preferred Shares, in priority to any other classes of shares of the Company (including Common Shares), an amount per Non-Voting Preferred Shares equal to the purchase price paid for each Non-Voting Preferred Shares, together with all dividends on each Non-Voting Preferred Shares declared but unpaid as of the effective date of such distribution.

In the event of a distribution by the Company of its assets among its shareholders for the purpose of a voluntary liquidation, dissolution or winding-up of WesternZagros (which includes a sale of all or substantially all of the assets of the Company), holders of Non-Voting Preferred Shares will be entitled to receive, from the assets of the Company available for distribution, in respect of each Non-Voting Preferred Shares, such distribution in cash, stock and/or property, as applicable, as may be declared and paid on the Common Shares by the Board and as is the same as the type and amount of cash, stock and/or property, as applicable, in respect of each Common Share, multiplied by the Conversion Ratio, as applicable.
**Adjustments**

Certain adjustments shall be made to the Non-Voting Preferred Shares, the Conversion Ratio, the number of Common Shares issuable upon conversion of the Non-Voting Preferred Shares and/or the securities or property to be delivered to the holders upon conversion of the Non-Voting Preferred Shares from time to time, so as to ensure that the rights of the holders of the Non-Voting Preferred Shares are maintained and not adversely affected by certain circumstances affecting the Common Shares, including the following:

(a) a subdivision, redivision or change of the then outstanding Common Shares into a greater number of Common Shares,

(b) a consolidation, combination, reduction or change of the then outstanding Common Shares into a lesser number of Common Shares,

(c) the issuance or distribution of Common Shares to all of the holders of the then outstanding Common Shares by way of stock dividend or otherwise,

(each being a "**Common Share Reorganization Transaction**"),

(d) a capital reorganization, reclassification or change of the Common Shares (other than as a result of a Common Share Reorganization Transaction),

(e) a consolidation, amalgamation, merger, arrangement or other form of business combination of the Company with or into any other person (other than, in connection with a Control Acquisition, any Non-Voting Preferred Shares which are not automatically converted into the Acquisition Consideration) in accordance with the applicable provision of the Articles of the Company,

(f) a sale, lease or exchange of all or substantially all of the property of the Company to any Person (other than in connection with an Involuntary Liquidation Distribution),

(each being hereinafter referred to as a "**Fundamental Change Transaction**"), or

(g) the distribution by the Company to all of the holders of the then outstanding Common Shares of (i) shares of any class or series (whether of the Company or another person) other than Common Shares, (ii) rights, options or warrants to purchase Common Shares (other than options granted pursuant to the provisions of the stock option plan of the Company), (iii) evidences of indebtedness, or (iv) cash (other than by way of a dividend in accordance with the Company's dividend policy from time to time or in connection with an Involuntary Liquidation Distribution), other securities, property or assets (other than in connection with a Fundamental Change Transaction or in connection with an Involuntary Liquidation Distribution).

**Class B Preferred Shares**

The Class B Preferred Shares were created and issued solely for the purpose of facilitating certain required transactions in connection with the Arrangement. Following completion of these transactions, no Class B Preferred Shares were issued or outstanding and WesternZagros has no intention of issuing any further Class B Preferred Shares in the future.
DIVIDENDS

WesternZagros has not declared or paid any dividends on its securities since its incorporation. Any decision to pay dividends on the Common Shares or any other outstanding class of shares, from time to time, will be made by the Board on the basis of the Company's earnings, financial requirements and other conditions existing at such future time. At present, WesternZagros does not anticipate declaring and paying any dividends in the foreseeable future.

PRIOR SALES

No unlisted securities of the Company were sold during the 2015 year.

MARKET FOR SECURITIES

The Common Shares are listed and posted for trading on the TSXV under the symbol "WZR". The following table sets forth the price ranges and volume traded of Common Shares as reported by the TSXV for the periods indicated.

<table>
<thead>
<tr>
<th>Period 2015</th>
<th>High (Cdn $)</th>
<th>Low (Cdn $)</th>
<th>Close (Cdn $)</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>0.49</td>
<td>0.5</td>
<td>0.43</td>
<td>4,426,300</td>
</tr>
<tr>
<td>February</td>
<td>0.48</td>
<td>0.37</td>
<td>0.40</td>
<td>1,196,500</td>
</tr>
<tr>
<td>March</td>
<td>0.42</td>
<td>0.34</td>
<td>0.35</td>
<td>3,354,500</td>
</tr>
<tr>
<td>April</td>
<td>0.39</td>
<td>0.34</td>
<td>0.35</td>
<td>4,381,800</td>
</tr>
<tr>
<td>May</td>
<td>0.36</td>
<td>0.29</td>
<td>0.30</td>
<td>3,904,800</td>
</tr>
<tr>
<td>June</td>
<td>0.31</td>
<td>0.23</td>
<td>0.23</td>
<td>3,307,500</td>
</tr>
<tr>
<td>July</td>
<td>0.23</td>
<td>0.14</td>
<td>0.16</td>
<td>6,099,600</td>
</tr>
<tr>
<td>August</td>
<td>0.18</td>
<td>0.11</td>
<td>0.12</td>
<td>5,834,700</td>
</tr>
<tr>
<td>September</td>
<td>0.19</td>
<td>0.12</td>
<td>0.13</td>
<td>28,263,400</td>
</tr>
<tr>
<td>October</td>
<td>0.14</td>
<td>0.10</td>
<td>0.12</td>
<td>7,614,000</td>
</tr>
<tr>
<td>November</td>
<td>0.13</td>
<td>0.10</td>
<td>0.11</td>
<td>4,363,600</td>
</tr>
<tr>
<td>December</td>
<td>0.11</td>
<td>0.09</td>
<td>0.10</td>
<td>5,096,600</td>
</tr>
</tbody>
</table>

DIRECTORS AND EXECUTIVE OFFICERS

Name, Address and Occupation

The following table sets forth the names, province or state and country of residence, present positions with WesternZagros and principal occupations during the past five years of the executive officers and directors of WesternZagros as of the date hereof.
<table>
<thead>
<tr>
<th>Name and Residence</th>
<th>Office(s) with WesternZagros</th>
<th>Principal Occupations</th>
</tr>
</thead>
<tbody>
<tr>
<td>David J. Boone</td>
<td>Director and Chairman</td>
<td>Independent businessman. From September 2008 to July 2013, President and Chief Executive Officer of Barrick Energy Inc., a wholly owned oil and gas subsidiary of Barrick Gold Corporation (a public gold and precious metals company). Prior thereto, President of Escavar Energy Inc., a private oil and gas company.</td>
</tr>
<tr>
<td>Alberta, Canada</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fred J. Dyment</td>
<td>Director</td>
<td>Independent businessman. Most recently, Chief Executive Officer of Ranger Oil. Prior thereto, Controller, Vice President Finance and Chief Financial Officer of Ranger Oil, and Chief Executive Officer of Maxx Petroleum Company.</td>
</tr>
<tr>
<td>Alberta, Canada</td>
<td></td>
<td></td>
</tr>
<tr>
<td>John Frangos</td>
<td>Director</td>
<td>Independent businessman. Most recently, co-founder, as well as Executive Vice President and Chief Operating Officer of WOSI. Prior thereto, Vice President, International Business Development, BHP Billiton Minerals Business Unit.</td>
</tr>
<tr>
<td>Alberta, Canada</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M. Simon Hatfield</td>
<td>Director and Chief Officer</td>
<td>From April 2009 to present, Chief Executive Officer of WesternZagros. Prior thereto, from October 2007 to April 2009, President of WesternZagros. Prior thereto, Vice President and Managing Director (Oil and Gas Group) of WOSI, a public oil and gas company.</td>
</tr>
<tr>
<td>Alberta, Canada</td>
<td></td>
<td></td>
</tr>
<tr>
<td>James C. Houck</td>
<td>Director and Vice-Chairman</td>
<td>Independent businessman. From January 2009 to July 2012, President and Chief Executive Officer of The Churchill Corporation, a public diversified construction company. Prior thereto, from April 2005 to October 2007, President and Chief Executive Officer of WOSI, a public oil and gas company.</td>
</tr>
<tr>
<td>Alberta, Canada</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Randall Oliphant</td>
<td>Director</td>
<td>From June 2009 to present, Executive Chairman of New Gold Inc., a public mining company.</td>
</tr>
<tr>
<td>Ontario, Canada</td>
<td></td>
<td></td>
</tr>
<tr>
<td>William Wallace</td>
<td>Director</td>
<td>Independent businessman. Most recently, Vice Chairman and Director of Barrett Resources. Prior thereto, President and Chief Operating Officer of Plains Petroleum Company, Regional Vice President and Vice President Exploration with Texaco, and Group Vice President of CSX Oil and Gas Company.</td>
</tr>
<tr>
<td>Colorado, United States</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anton (Tony) Kraljic</td>
<td>Sr. Vice President Finance</td>
<td>From May 2015 to present, Senior Vice President Finance of WesternZagros. Prior thereto, from April 2012 to April 2015, Vice President Business Development, and August 2011 to March 2012, Senior Manager Joint Ventures and Corporate Planning of WesternZagros. Prior thereto, Vice President Finance of CEDA International Corp.</td>
</tr>
<tr>
<td>Alberta, Canada</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
(1) Member of the Audit Committee.
(2) Member of the Governance Committee.
(3) Member of the Compensation Committee.
(4) Member of the Health, Safety, Environment & Security Committee.

Messrs. Boone, Dyment, Frangos, Hatfield, Houck and Oliphant have been directors since 2007. Mr. Wallace has been a director since 2008. Each of the directors was re-elected at the last annual meeting of Shareholders to serve as a director until the next annual meeting of the Shareholders or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with the articles or by-laws of the Company.
As of the date hereof, the directors and executive officers of WesternZagros, as a group, beneficially own, directly or indirectly, or exercise control or direction over 14,439,570 Common Shares or approximately three percent of the issued and outstanding Common Shares. In addition, the directors and executive officers of WesternZagros, as a group, hold Options to purchase 11,333,000 Common Shares.

Cease Trade Orders and Bankruptcies

To the knowledge of management of the Company, no director or executive officer of WesternZagros, or, in the case of (b) below, a Shareholder holding a sufficient number of Common Shares to affect materially the control of WesternZagros is or has been, within 10 years before the date hereof: (a) a director, chief executive officer or chief financial officer of any company (including WesternZagros) that (i) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days (an "order") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or (b) a director or executive officer of any company (including WesternZagros) that, while that person was acting in that capacity, became bankrupt, made a proposal under any legislation relating to its own bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Personal Bankruptcies

To the knowledge of management of the Company, no director or executive officer of WesternZagros, or a Shareholder holding a sufficient number of Common Shares to affect materially the control of WesternZagros, has, within 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or Shareholder.

Penalties or Sanctions

To the knowledge of management of the Company, no director or executive officer of WesternZagros, or a Shareholder holding a sufficient number of Common Shares to affect materially the control of WesternZagros, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

There are potential conflicts of interest to which the directors and executive officers of WesternZagros will be subject in connection with the operations of WesternZagros. In particular, certain of the directors of WesternZagros are involved director positions with other oil and gas companies whose operations may, from time to time, be in direct competition with those of WesternZagros or with entities which may, from time to time, provide financing to, or make equity investments in WesternZagros or in competitors of WesternZagros. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that, in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA. As of the date hereof, management of the Company is not aware of any existing or potential material conflicts of interest between WesternZagros and any director or executive officer of WesternZagros.
RISK FACTORS

Risks Relating to WesternZagros’s Operations in the Kurdistan Region of Iraq

Substantially all of WesternZagros’s assets and operations are located in the Kurdistan Region. Political, economic, legal and social conditions in the Kurdistan Region and in Iraq, as well as in the Middle East (including Turkey) and surrounding areas could materially and adversely affect WesternZagros’s business.

Substantially all of WesternZagros’s assets are located in the Kurdistan Region of Iraq. The Kurdistan Region and Iraq have a history of political and social instability. As a result, the Company is subject to political, economic and other uncertainties that are not within its control. These include, but are not limited to, the uncertainty of negotiating with foreign governments, changes in government policies and legislation, adverse legislation or determinations or rulings by governmental authorities, disputes between the Government of Iraq and the Kurdistan Region and the possibility that these disputes could expand to include disputes over sovereign rights and the Kurdistan Region potentially seeking independence from Iraq, currency fluctuations, devaluations and controls, high inflation, disputes between various levels of authorities, arbitrating and enforcing claims against entities that may claim sovereignty, authorities claiming jurisdiction, potential implementation of exchange controls and/or royalty regimes and increases in the government’s share and other risks arising out of foreign governmental sovereignty over the areas in which WesternZagros’s operations are conducted.

WesternZagros’s operations may also be adversely affected by social instability, changes in crude oil or natural gas pricing policy (or in the personnel administering such policy), availability of oil transport trucks, availability of Iraq pipeline export infrastructure, the necessary political approvals, the availability of the Khurmala-Fish Khabur-Ceyhan pipeline infrastructure which provides anticipated direct export capability for the Kurdistan Region, finding acceptable gas conservation solutions, the risks of war, terrorism, guerrilla activities, insurrections, border disputes, military repression, civil disorder, crime, abduction, expropriation of property without fair compensation, nationalization, renegotiation or nullification of existing concessions and contracts, taxation policies, economic or other sanctions (imposed by other countries or regions), the imposition of specific drilling obligations, oil export or pipeline restrictions and the development and abandonment of fields.

The Company works in good faith to reduce certain of these risks, including through provisions in both the Kurdamir PSC and the Garmian PSC and with the KRG. These provisions guarantee the legal, fiscal and economic framework prevailing at the time the relevant PSCs were entered into. If there is any change in the legal, fiscal and/or economic framework under the laws of Kurdistan or other laws applicable in or to Kurdistan which detrimentally affects WesternZagros, necessary measures will be taken and/or the terms and conditions of the Kurdamir PSC and Garmian PSC will be altered so as to restore WesternZagros to the same overall economic position that it would have been in had no such change in the legal, fiscal and/or economic framework occurred. Furthermore, to the extent future laws within Kurdistan are implemented and such laws would benefit WesternZagros, it is entitled to obtain such benefits on a prospective basis. However, no assurance can be given that such provisions have caused the risks in question to be obviated.

The failure by the Government of Iraq and the Kurdistan Region to resolve the regional dispute, the absence of direct export capability via the Iraq pipeline export infrastructure and/or access to the Khurmala-Fish Khabur pipeline, and the inability of the Company to mitigate the political, economic and social uncertainties associated with exploring for, developing and producing, oil and gas in the Region, may adversely impact WesternZagros’s ability to operate its interests, export oil or realize its full economic benefits under the terms of the PSCs. This may in turn negatively impact WesternZagros’s interest in Kurdistan and adversely impact its business, financial condition, results of operations and prospects.
There is no assurance that the Kurdistan Region of Iraq will not be impacted by the actions of ISIS

If ISIS were to engage in attacks or were to occupy areas within the Kurdistan Region, it could result in the Company and its joint venture partners losing operating control over, and the right to extract and sell hydrocarbons from, either the Garmian Block or the Kurdamir Block or in delays in operations, additional costs for increased security and difficulty in attracting/retaining qualified service companies and related personnel, which could materially adversely impact the Company's business, financial condition and results of operations and prospects.

The Iraq Oil Ministry has historically disputed the validity of PSCs entered into with the KRG and WesternZagros may not be able to completely protect its title to assets in the Kurdistan Region

The Company has interests in two PSCs with the KRG in the Kurdistan Region. The Company believes it has good title to its oil and gas assets and the right to explore for and produce oil and gas from such assets granted by the PSCs. The Iraq Oil Ministry, however, has historically disputed the validity of the KRG’s PSCs and, (indirectly) as a result, the Company’s right and title to its oil and gas assets.

In 2005, the Iraq Constitution was negotiated and was approved by the Iraqi people in a referendum on October 15, 2005. The Iraq Constitution, which came into force in 2006, contains a fundamental principle that Iraq is a single, federal, independent and fully sovereign state. Within this concept of the Iraq federation enshrined in the Iraq Constitution, only the Kurdistan Region is recognized as a Region. Nevertheless, the political issues of federalism and the autonomy of regions within Iraq are matters about which there are major differences between the various political factions in Iraq.

The Iraq Constitution grants a role for Regions in awarding petroleum contracts for certain types of operations, and in regulating those petroleum operations occurring within the Regions. A committee comprising representatives of Kurdistan and the parties included in the Iraqi Parliament reached broad consensus on the Draft Federal Petroleum Law on February 15, 2007. However, a number of material issues remain to be resolved, including completion of the annexes to the Draft Federal Petroleum Law, the structure of certain federal institutions, the terms of the model petroleum agreements contemplated by the Draft Federal Petroleum Law, and the terms of a law governing revenue sharing for petroleum activities. There is uncertainty with regard to the Draft Federal Petroleum Law that may be adopted, and the timing of such adoption (if at all). There is uncertainty as to what impact, if any, such adoption may have on the economic terms of the PSCs, including the future payment mechanism, contracting rights, management authorities and revenue sharing allocation. If any law that may ultimately be adopted has a negative impact on the current terms of the PSCs, this may have a material adverse impact on the Company’s operating decisions and on the future financial condition of the Company.

The KRG developed the Kurdistan Petroleum Law to be consistent with the role granted to the Regions in the Iraq Constitution and in conformity with the principles reflected in the Draft Federal Petroleum Law and in the draft federal law governing revenue sharing for petroleum activities proposed in June 2007. In the absence of progress on the Draft Federal Petroleum Law, on August 6, 2007, the Kurdistan National Assembly approved the Kurdistan Petroleum Law which came into force in Kurdistan with effect from August 9, 2007. KRG officials maintain that the Kurdistan Petroleum Law is consistent with the Iraq Constitution and the KRG has obtained, and published on January 29, 2008, an expert legal opinion in this regard. WesternZagros’s activities under its PSCs fall within the jurisdiction of the Kurdistan Petroleum Law.

The former Prime Minister of Iraq and Deputy Prime Minister for Energy for Iraq had expressed an opinion that the Kurdistan Petroleum Law is invalid and that contracts signed with the KRG are illegal. See “Information on the Kurdistan Oil and Gas Industry” section of this AIF for further information.

At the present time, there is no assurance that the PSCs with the KRG are enforceable or binding in accordance with WesternZagros’s understanding of their terms or that, if breached, the Company would have remedies. There is a further risk that if there is a change in government in Kurdistan and/or Iraq, a new government may void the current agreements or change laws and regulations that the Company is currently relying on, which could have a
material adverse effect on the ability of the Company to make operating decisions, thereby having a negative impact on the financial condition of the Company.

**Future oil laws passed by the Government of Iraq may adversely affect WesternZagros’s interest and economic entitlement pursuant to the PSCs**

No federal Iraq legislation has yet been agreed to or enacted by the Iraqi Cabinet and Iraqi Parliament to address the future organization of Iraq’s petroleum industry or the sharing of petroleum and other revenues within Iraq. Failure to enact legislation may adversely impact WesternZagros’s ability to realize the full economic benefits provided for by the terms of the PSCs due to a potential inability to export oil from the Kurdistan Region, to receive timely payments for any volumes exported or to have certainty around the payment mechanism. Alternatively, the enactment of federal legislation contradictory to Kurdistan legislation could also materially adversely impact WesternZagros’s interest in Kurdistan and the PSCs if there were any unfavourable changes which impacted on the economic and operating terms of those agreements. In either case, the ability for WesternZagros to fully realize the potential economic benefits as currently provided for by the terms of the PSCs may be adversely impacted.

The Company has taken steps to reduce certain of these risks, through provisions in both the Kurdamir PSC and the Garmian PSC which are intended to provide fiscal stability around the economic terms of the PSCs. These provisions guarantee the legal, fiscal and economic framework prevailing at the time the relevant PSCs were entered into. If there is any change in the legal, fiscal and/or economic framework under the laws of Kurdistan or other laws applicable in or to Kurdistan which detrimentally affects WesternZagros, necessary measures will be taken and/or the terms and conditions of the Kurdamir PSC and Garmian PSC will be altered so as to restore WesternZagros to the same overall economic position that it would have been in had no such change in the legal, fiscal and/or economic framework occurred. Furthermore, to the extent future laws within Kurdistan are implemented and such laws would benefit WesternZagros, it is entitled to obtain such benefits on a prospective basis. No assurance can be given, however, that such provisions have caused the risks in question to be obviated.

**There is uncertainty relating to the payment mechanism for export oil from the Kurdistan Region**

In prior years, substantially all crude oil export sales were conducted by SOMO, with the proceeds of such sales being received by the Government of Iraq which, in turn, is supposed to pass on oil contractors’ entitlements through the KRG. To date, the Government of Iraq has not passed on the full amount of the Kurdistan Region’s oil contractors’ entitlements to export sales proceeds for which the KRG estimates the total unpaid portion of Kurdistan exports to be in the billions of dollars. Discussions continue between the Government of Iraq and the KRG with respect to resolution of amounts owing and for future payments.

During 2014, the KRG began to export and sell oil shipments to global markets through Turkey via oil tanker from the port at Ceyhan. The Government of Iraq opposes unilateral exports by the KRG and has made public statements that it will take action against any company that facilitates sales of exports by the KRG. The Government of Iraq also has pending arbitration against Turkey at the International Chamber of Commerce in relation to such exports.

The payment mechanism for oil exported and sold directly by the KRG is still developing and the payment mechanism relating to the contractor's entitlements from such exports is not yet established. Therefore, there is uncertainty relating to the amount and timing for receipt of any proceeds in regards to contractor's entitlements under the terms of the PSCs for any oil that is delivered for export and sale by the KRG. The ultimate outcome of the uncertainties pertaining to the KRG's direct sale of oil exports and the resolution and timing and development of the related payment mechanism for such sales could have an adverse impact on the Company's financial condition.

The ultimate outcome to any of these uncertainties could have an adverse impact on the Company’s financial condition. In any event, the amount remitted by the Government of Iraq and/or the KRG is not guaranteed and,
when remitted, may not be sufficient to make payments to the participants in the PSCs; hence the payment mechanism may not follow the provisions of the PSCs, which is outside the Company’s control. Any agreement to export directly by the KRG to Turkey may be challenged by the Government of Iraq, which could impact pricing and/or sustainability of this route for export.

On February 1, 2016, the KRG announced that payments to the IOCs will be based on their PSC contractual entitlements from January 1, 2016, and onwards, with payments expected to be made within 10 working days after month end. Monthly payments will now reflect the PSC terms based on revenues derived from each producing field on a netback basis, adjusting for crude quality differentials compared to Brent prices plus deduction of applicable transportation charges. The KRG also announced that it will make an additional payment, (equivalent to five percent of the respective monthly netback revenue derived from each field), to the IOCs towards the recovery of their outstanding entitlements and that this percentage is to be increased as oil prices recover. This replaces the interim payment arrangements in place since September 2015 of monthly $75 million gross payments. The KRG has reported that total payments of $65.1 million were made to IOCs in February 2016 for January 2016 production.

Whether or not the Company is able or unable to obtain any proceeds from any production as contemplated under the PSCs, the Company will continue to focus foremost on advancing phased development plans while managing capital resources during 2016.

There is uncertainty relating to the local refining capacity and the Company’s ability to access the local domestic market within the Kurdistan Region

The Kurdistan Region has a domestic market for crude oil including two refineries and a large number of established topping plants to provide the various products that are utilized within the Kurdistan Region, such as diesel, naphtha and kerosene. Currently these refineries source their crude oil from the three main producing fields in the Kurdistan Region. The topping plants operate only when there is a shortage of finished product in the Kurdistan market.

Under the auspices of the KRG, all historic sales of pre-development oil production from the Sarqala-1 EWT between October 2011 and May 2012 were sold into the domestic market within Kurdistan for delivery to topping plants. The Company was prepaid for this production. Under the auspices of the KRG, production within the Development Period then commenced in early 2015 and continued during the year and all sales were into the domestic market with prepayment received for production under an interim payment mechanism established by the KRG. There is uncertainty as to whether the Company will continue to have access to the Kurdistan domestic market for any future production due to the levels of oil available from the producing fields within Kurdistan as compared to the refining capacity of the local domestic market. There is also uncertainty as to the sustainability, longevity and continuation of the topping plants within the Kurdistan Region. The Company’s inability to access the local domestic Kurdistan market in the future could have an adverse impact on its financial condition. In addition, the terms of the interim payment mechanism established by the KRG provide for the majority of the Company’s entitlements per the commercial terms of the Garmian PSC. However, certain of the Company’s entitlements remain unpaid and timing of receipt of payment is uncertain.

The Company intends to continue a strategy of staged development activities that are supported by access to either the export or domestic markets. To the extent access to these markets is delayed then the Company would consider, raising additional equity or debt funding, divesting a portion of the PSCs to finance any costs during this period, or potentially consider selling, or merging with a larger, diversified oil and gas company or other new ventures in the MENA region.
There is uncertainty relating to the outcome and impact of the KRG audit and reconciliations of Petroleum Costs

Under the terms of the Company’s PSCs, the KRG is entitled to conduct an audit to verify the existence and amount of Petroleum Costs that WesternZagros has stated that it has incurred and is therefore entitled to recover under the relevant PSC. No such audit has yet taken place. As acceptable Petroleum Costs incurred by the Company are recoverable from future production, in the event that the KRG determines that the petroleum costs declared by WesternZagros include items which are not considered cost recoverable under the terms of the PSCs, WesternZagros’s entitlement to recover costs may decrease. The Company has taken what it believes are reasonable steps to retain supporting evidentiary documentation for all Petroleum Costs incurred. However, there is uncertainty regarding the auditing process, and should the Company’s entitlement to recover its petroleum costs be ultimately reduced after the completion of any future audits and any resulting negative audit findings then being accepted by the Company, it could negatively impact the Company’s recoverable cost pools and ultimately the calculation of any future Cost Recovery Oil under the terms of the PSCs. See the “PSC Overview and Commitments – Production Sharing Contract Payment Terms” section within this AIF for a description of the PSC (payment) terms.

There is uncertainty relating to recovery of Petroleum Costs

The realization of the benefit of Petroleum Costs incurred in relation to each PSC is subject to certain risks and uncertainties, which include but are not limited to, the approval of development plans, future costs incurred in accordance with the approved development plans, achieving commercial production necessary to fully recoup the available Petroleum Costs, the future sales prices that may be received and the results of future government audits, all of which may ultimately impact the Company’s ability to fully realize the benefit of Petroleum Costs incurred over time in accordance with the commercial terms of each PSC. See the “PSC Overview and Commitments - Production Sharing Contract Payment Terms” section within this AIF for a further description of the commercial terms under the terms of the PSCs.

Ability to execute development program may be hindered; reliance on operators

WesternZagros’s development programs in the Kurdistan Region of Iraq require approvals from the relevant authorities, which may require conditions to be satisfied or the exercise of discretion by those authorities. It may not be possible for such conditions to be satisfied and discretion may be exercised in a manner adverse to WesternZagros.

Repsol currently operates the Kurdamir Block and, pursuant to the terms of the Garmian PSC, operatorship was transferred from WesternZagros to Gazprom Neft in 2016. To the extent that WesternZagros is not the operator of its oil and gas properties, it will have limited ability to exercise discretion or control over the operation of those properties or their associated costs. WesternZagros’s return on such properties could therefore depend upon a number of factors that may be outside of its control, including but not limited to, the timing and amount of capital expenditure, the operator’s expertise and timeline for developing discoveries and any unexpected delays or increased costs and any non-participation by the Company’s co-venturer’s, all of which could have a negative impact on the Company’s financial condition.

The Kurdistan Region has a less-developed legal system than certain other countries

The Kurdistan Region has a less-developed legal system than that of many more established economies. This gives rise to risks such as that effective legal redress in the courts may be more difficult to obtain, whether in respect of a breach of law, regulation or contract; enforcement of international arbitral awards may be more difficult to enforce in Kurdistan, particularly when they are against the KRG; a lack of judicial or administrative guidance on interpreting certain local laws and regulations; inconsistencies or conflicts between various laws, regulations, decrees, orders, resolutions and judgments; and the relative inexperience of the judiciary and courts in dealing with such matters. Enforcement of laws in Kurdistan may depend on, and be subject to, the
interpretation of such laws by the relevant local authority, and such authority may adopt an interpretation of an aspect of local law which differs from the advice that has previously been given to WesternZagros.

In Iraq, the state generally retains ownership of the minerals and consequently retains control of (and, in many cases, participates in) the exploration and production of hydrocarbon reserves. The KRG is a party to each of the PSCs. In the Kurdistan Region, the commitment of local businesses, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain and may be susceptible to revision or cancellation, and legal redress may be uncertain or delayed. There can be no assurance that WesternZagros’s contracts, licences, other legal arrangements, licence applications and other legal applications will not be adversely affected by the actions of government authorities or others.

Substantially all disputes under the PSCs are required to be mediated and arbitrated, if necessary, in accordance with the London Court of International Arbitration (“LCIA”) mediation procedure and LCIA rules. The KRG has also waived any claim to sovereign immunity for itself or any of its assets with respect to such disputes and the PSCs, including any dispute arising therefrom and the agreement to arbitrate, are governed by English law, together with any relevant rules, customs and practices of international law, as well as by principles and practice generally accepted in petroleum producing countries and in the international petroleum industry. However, neither Iraq nor the Kurdistan Region are parties to the New York Convention on the Enforcement of Arbitral Awards, and, as such, there is no guarantee that an arbitral award rendered against the KRG would be enforced in the Kurdistan Region, Iraq or elsewhere.

Iraq and the Kurdistan Region are subject to the risk of criminal and terrorist actions

Companies operating in countries such as Iraq or the Kurdistan Region may be targets for criminal or terrorist actions including those of ISIS. Criminal or terrorist action against WesternZagros, in particular its properties or facilities or third-party infrastructure, could have a material adverse effect on the Company’s business, results of operations and financial condition. In addition, the possible threat of criminal or terrorist actions against it could have a material adverse effect on the ability of WesternZagros to raise capital or to adequately staff its operations or could materially increase the costs of doing so.

Governmental relations may change

Although WesternZagros has good relations with the KRG, there can be no assurance that the actions of present or future governments in the Kurdistan Region, Iraq and governments of other countries in which WesternZagros may operate in the future will not materially adversely affect the business or financial condition of WesternZagros. In addition, there can be no assurance that governments of other countries will recognize or continue to recognize the KRG and/or its jurisdiction over the oil and gas sector in the Kurdistan Region. Any non-recognition of this jurisdiction may have a material adverse effect on WesternZagros’s business or financial condition.

WesternZagros and its co-venturers may be unable to obtain or renew required drilling rights, licences, permits and other authorizations and/or such rights, licences, permits and other authorizations may be suspended, terminated or revoked prior to their expiration

WesternZagros and its co-venturers conduct operations pursuant to drilling rights granted under the PSCs and related licences, permits and other authorizations. Any significant delay in obtaining or renewing a licence, permit or other authorization including approval of development plans, may result in a delay of the Company’s planned activities and the future development of any associated oil and gas resources. In addition, any of WesternZagros’s existing and future drilling rights and licences, permits and other authorizations may be suspended, terminated or revoked if WesternZagros fails to comply with the relevant requirements. If WesternZagros or its co-venturers fail to fulfill the specific terms of any of its existing or future rights, licences, permits and other authorizations or operates its business in a manner that violates applicable law, government regulators may impose fines or suspend or terminate the relevant right, licence, permit or other authorization, any of which could have a material adverse effect on the value of WesternZagros’s assets.
Risks Relating to the Oil and Gas Industry and WesternZagros’s Operations

WesternZagros relies on key personnel

WesternZagros’s success depends in large measure on certain key personnel. The contributions of the existing management team to the immediate and near term operations of WesternZagros are likely to be of central importance and the loss of service of such key personnel could have a material adverse effect on WesternZagros. WesternZagros does not have any key person insurance in effect for management. In addition, the competition for qualified personnel in the oil and natural gas industry can be intense and there can be no assurance that WesternZagros will be able to attract and retain all personnel necessary for the development and operation of its business.

WesternZagros may be dependent on obtaining future additional funding when required beyond the current work program

WesternZagros’s ability to continue operations and appraisal and development activities as a going concern may be dependent upon its ability to obtain additional funding when required in the future if revenue from production is not sufficient to fund future activities.

The Company anticipates incurring substantial capital expenditures for its working interest share of costs for the appraisal, development and production of oil and natural gas reserves in the future. In addition to the Company’s working interest share, the Company also has the requirement to fund the KRG’s 20 percent interest under the Kurdamir PSC and to fund one half of the KRG’s 20 percent interest under the Garmian PSC. While WesternZagros has been successful in obtaining required funding in the past, there is no assurance that debt or equity financing, or future cash generated by operations, will be available or sufficient to meet the anticipated capital expenditure requirements beyond the anticipated program contemplated for 2016, or, if debt or equity financing is available, that it will be on terms acceptable to WesternZagros.

The inability of WesternZagros to access sufficient capital on a timely basis for future appraisal and development costs could have a material adverse effect on its financial condition, results of operations and prospects and could cause WesternZagros to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations.

The oil and gas industry is subject to commodity price fluctuations

WesternZagros’s revenue and earnings will depend upon prevailing international, and potentially local, oil and gas prices. Oil and gas are globally traded and, as a result, the Company, in common with its international and local competitors, is unable to control the prices it receives for its oil and gas. In addition, given that WesternZagros expects to limit its operations to oil and gas and related activities, it will be unable to offset oil and gas price changes against counter-cyclical changes in other commodity prices in an attempt to mitigate the effects of adverse oil and gas price changes.

It is impossible to predict accurately future oil and gas price movements, and oil and gas prices may not remain at their current levels.

The economics of producing oil and gas and the value of oil and gas assets in some jurisdictions, including the Kurdistan Region, may change as a result of lower oil and gas prices. The Company is subject to both market conditions and commodity price fluctuations related to any potential future sales of oil. Any future sales of oil made into the export market will be subject to international market and commodity price fluctuations. Alternatively, any future sales into the local domestic Kurdistan market would be subject to the local market conditions and commodity price fluctuations. In general, any change in the sustainability of either the international market or the local domestic Kurdistan market or any fluctuation in the prices received could have a material adverse impact on any future proceeds received by WesternZagros.
In general, both crude oil and natural gas prices are subject to wide fluctuations. During the year ended December 31, 2015, Brent daily spot crude prices ranged in value between $66 and $35 per barrel, reaching the low range near the end of the year and then continued the downward trend into early 2016. Any significant and sustained decline in crude oil prices during the life of the anticipated development project for each PSC and which are subject to the production sharing terms may impact the feasibility of the Company’s business plan. Fluctuations in crude and natural gas prices may also impact volumetric and economic calculations in respect of reserves and resources which may then have a material adverse impact on the Company’s ability to continue the development of its properties.

The transportation of oil by truck carries inherent risks

Currently, any near term oil production from any of the discoveries made on the Garmian or Kurdamir PSCs would be transported by truck to nearby facilities for either delivery into an export pipeline for use in local refineries, due to lack of pipeline infrastructure in the vicinity of the Company’s blocks. Typically for domestic sales, local buyers collect the oil from the well site, whereas for export sales, the Company would deliver it to the export pipeline. The transport of oil by truck is pursuant to a licence granted by the KRG. The transport of oil by truck carries with it inherent risks relating to potential safety and environmental concerns in the event of any trucking accidents. These accidents can cause fatal personal injury, severe damage to and destruction of property and equipment, loss of crude oil and environmental damage. In addition the licences may be revoked or amended at any time. In the event that a major accident causes environmental damage, or the KRG revokes or amends the licence on less favourable terms, WesternZagros may be restricted materially from transporting oil. These events may have a material and adverse effect on WesternZagros’s business, financial condition, results of operations and prospects.

The Company may also be affected by deliverability uncertainties related to the proximity of its potential production to pipelines and processing facilities and operational problems affecting such pipelines and facilities as well as potential government regulation relating to price, the export of crude oil and natural gas and other aspects of the crude oil and natural gas business.

Opportunities for monetizing natural gas discoveries are currently limited

There is currently a limited market and limited infrastructure for natural gas in the Kurdistan Region and Iraq as a whole and there is a need for ongoing and further investment to enable companies in the Kurdistan Region to sell domestically or export gas. Also refer to the section within this AIF entitled “Gas Development in the Kurdistan Region of Iraq” for further discussion. The opportunities to monetize natural gas by WesternZagros are currently limited, and developing such opportunities may be challenging and take a significant amount of time. On the Kurdamir Block, the co-venturers are negotiating a gas sales agreement with the KRG for domestic gas sales. Any delay or cessation of the gas sales negotiations may have a material adverse impact on WesternZagros’s ability to develop its gas resources.

With the approval of the KRG, the Company currently flares the associated gas produced as a result of its crude oil production from the Garmian Block (due to lack of infrastructure and local market), if any. The Company’s ability for early oil production will depend upon the continued discretionary approval of the KRG to temporarily flare the associated gas until an acceptable solution for the sale or utilization of gas is approved or developed by the KRG. On the Garmian Block, the Company is in discussions to provide associated gas to the KRG at the block boundary for utilization by the government pursuant to the PSC. Maintaining Sarqala crude production will be necessary to sustain the gas supply to the KRG. Any delay in or cessation of such approvals may have a material adverse impact on WesternZagros’s ability to develop its oil resources.

The market is subject to inflation and other cost increases

As discussed above, WesternZagros is generally unable to control the prevailing market prices of the oil and gas produced by its operations. As a result, significant inflation or other production cost increases in Iraq, the
Kurdistan Region or any other countries or regions in which WesternZagros may operate could increase operational costs. Any such increased costs or delays in cost reductions may materially and adversely affect WesternZagros’s financial condition. However, under the PSCs, such increase in costs should be recoverable under the cost recovery mechanism to the extent enough oil or gas is produced from a commercial development. There can be no assurance that during the Development Period the production revenue will be sufficient to meet these increased costs as and when they arise.

There may be exposure to currency fluctuations

The majority of WesternZagros’s capital expenditures are generally incurred in U.S. dollars, while a portion of the available cash and cash equivalents and the funds received from future debt and equity issuances may be in other currencies (Canadian dollars). Significant fluctuations in the Canadian Dollar to the U.S. Dollar may increase future expenditure thereby having a negative effect on the financial position of the Company. The Company has not utilized foreign currency hedges in the past and typically holds the majority of its cash and cash equivalents in U.S. dollars in order to minimize the impact from currency fluctuations.

Safety, health and environmental exposure and related regulations may expose WesternZagros to increased litigation, compliance costs, interruptions to operations, unforeseen environmental remediation expenses and loss of reputation

WesternZagros’s operations are subject to general and specific regulations and restrictions governing drilling, production and processing, land tenure and use, environmental requirements (including site-specific environmental licences, permits and remediation requirements), workplace health and safety requirements, social impacts and other laws and regulations. While environmental laws in the Kurdistan Region are limited compared to those in jurisdictions such as Canada, WesternZagros is subject to certain obligations under both Kurdistan law and under the Company’s PSCs to protect the environment and the health and safety of its employees and third parties. WesternZagros is currently in compliance with these obligations in all material respects.

WesternZagros’s primary operational safety risks are those inherent in the oil and gas industry generally, including the release of hydrogen sulphide gas during flaring, fires, blowouts, explosions, equipment or system failures and transportation accidents, which may result in death or injury of staff or local residents and could lead to WesternZagros having to make material changes to its facilities or processes and pay compensation to any injured parties. Certain of WesternZagros’s operations may also create environmental risk in the form of spills, the release of gas or soil contamination from site operations, including soil contamination caused by drilling fluids and temporary storage and disposal of hazardous waste. There are currently no recycling facilities in the Kurdistan Region, meaning that all waste has to be incinerated. The incineration of certain products, such as plastic, may cause toxic gas emissions. There is also no common hazardous waste disposal site in the Kurdistan Region; therefore, oil and gas companies operating in the Kurdistan Region dispose of their hazardous wastes themselves, which carries an increased risk of pollution of the surrounding environment. Secondary environmental risks of WesternZagros’s operations include failure to manage socio-cultural sensitivities as well as large equipment and vehicles causing dust and impacting on air quality.
Repsol currently operates the Kurdamir Block, and pursuant to the terms of the Garmian PSC operatorship of the Garmian Block transitioned from WesternZagros to Gazprom Neft effective February 29, 2016. Where WesternZagros is not the operator of its assets under the PSCs, the Company has consultation rights in relation to significant or operational matters, although it does not have full control over day-to-day management, so that mismanagement of an asset by the operator may result in significant delays, losses or increased costs to WesternZagros. The Company works closely with its co-venturers and seeks to influence, to the extent possible, significant operational decisions made by the operator. Although the relevant joint operating agreements contain provisions with respect to removal of an operator in the event of a material default in performing its duties and obligations, where the timing and quality of services provided by these third-party operators do not meet the expectation of WesternZagros, this may have a material adverse effect on the business, results of operations, financial condition and prospects of WesternZagros.

WesternZagros has implemented health, safety and environmental policies since incorporation and complies with Canadian environmental practices and other international environmental guidelines for crude oil exploration and production. WesternZagros monitors compliance with its health, safety and environment policies regularly through a reporting system, inspections, third-party audits and management site inspections.

Failure to provide a safe working environment, to manage environmental risks or to comply with its health, safety and environment policies and applicable environmental laws and regulations may result in harm to WesternZagros’s employees, the communities near its operations and the environment. Government authorities may also force WesternZagros to stop drilling or production operations on a temporary or permanent basis or refuse future drilling or production approvals as a result. WesternZagros could face fines and penalties, liability to employees and third parties for injury, liability for environmental pollution and other financial consequences, any of which may be significant. WesternZagros could also suffer reputational damage, industrial action or difficulty in recruiting and retaining skilled employees.

Future changes in environmental or health and safety laws, regulations or community expectations governing WesternZagros’s operations could result in increased compliance and remediation costs and WesternZagros may need to commit significant resources to maintaining a watch over all applicable laws and regulations and related market practice and standards as they change and evolve. Any of the foregoing developments could have a material adverse effect on WesternZagros’s results of operations and financial condition.

While there are currently very few provisions relating to aspects of health and environmental quality in the relevant laws and regulations of the Kurdistan Region, this is expected to change in the future. There can be no assurance that WesternZagros will not incur substantial financial obligations in complying with existing and new health and environmental laws and regulations, which may lead to a material adverse effect on WesternZagros’s business, financial condition and prospects. However, under the PSCs, such increase in costs should be recoverable under the cost recovery mechanism to the extent that enough oil or gas is produced from a commercial development. There can be no assurance that during the Development Period the production revenue will be sufficient to meet these increased costs as and when they arise thereby having a material negative impact on the financial condition and prospects of the Company.

**Environmental liabilities could be significant**

Significant liabilities could be imposed on WesternZagros for damages, clean-up costs or penalties in the event of certain discharges into the environment, acts of sabotage or non-compliance with environmental laws or regulations by WesternZagros. Such liabilities could have a material adverse effect on WesternZagros. As referred to above, while the current legislation to which WesternZagros is subject is limited, it is expected that additional environmental protection laws will be implemented in the future. It is not possible to predict what future environmental regulations will provide, including whether these laws will impose additional obligations on WesternZagros and a penalty regime in the event of a breach of those laws. It is also not possible to predict how environmental regulations will be applied or enforced in the future. WesternZagros may have to incur significant expenditure for the installation and operation of pollution-control systems as well as equipment for remedial
measures in the event that environmental regulations become more stringent or governmental authorities choose to enforce existing regulations more vigorously. Any such expenditure may have a material adverse effect on WesternZagros’s business, financial condition and results of operations. No assurance can be given that environmental laws and regulations will not result in a curtailment of production or a material increase in the cost of production, development or exploration activities or otherwise adversely affect WesternZagros’s business, financial condition, results of operations or prospects.

Pursuant to the PSCs, WesternZagros may in the future have to undertake obligations to restore production areas to standards acceptable to the relevant state authorities at the end of the production fields’ commercial lives. Parties to PSCs are typically liable for their share of any decommissioning work. Any obligation to decommission a production facility may involve substantial expenditure. These decommissioning costs are necessarily incurred at a time when the related production facilities have reached the end of their life cycle and are no longer usable. It is intended that the Company’s decommissioning costs, when they arise, will be borne out of future production revenue during the Development Period. There can, however, be no assurance that the production revenue will be sufficient to meet these decommissioning costs as and when they arise. If WesternZagros has to apply other or additional financial resources to meet these costs instead, this could have a material adverse effect on its business plan, financial condition and results of operations or prospects.

Oil and gas appraisal and development activities are capital intensive and inherently uncertain in their outcome. As a result, WesternZagros may not generate a return on its investments or recover its costs and it may not be able to generate cash flows or secure adequate financing for its future capital expenditure plans.

Oil and gas appraisal and development activities are capital intensive and inherently uncertain in their outcome. WesternZagros’s existing and future oil and gas projects may involve unprofitable efforts, either from dry wells or from wells that are productive but do not produce sufficient net revenues to return a profit after development, operating and other costs. Furthermore, completion of a well does not guarantee a profit on the investment or recovery of the costs associated with that well. In addition, drilling hazards or environmental damage could significantly affect future operating costs, and production from successful wells may be adversely affected by conditions including delays in obtaining governmental approvals or consents, shut-ins of wells resulting from extreme weather conditions, difficulties arising from environmental or other challenges, equipment or services shortages, insufficient storage or transportation capacity or adverse geological conditions. Production delays and declines, whether or not as a result of the foregoing conditions, may result in lower revenue or cash flows from operating activities until such time, if at all, that the delay or decline is cured or arrested. In the event that such cash flows are reduced in the future, WesternZagros may be forced to scale back or delay future capital expenditure which is discretionary in nature resulting in delays to, or the postponement of, its planned appraisal and development activities which could have a material adverse effect on its business, results of operations, financial condition or prospects.

Failure to discover reserves, to maintain existing or future drilling rights, to enhance future reserves or to extract resources from such reserves in sufficient amounts and in a timely manner could materially and adversely affect WesternZagros’s results of operations, financial condition and prospects. In addition, WesternZagros may not be able to recover the funds used in any exploration program to identify new opportunities.

The use of independent contractors in WesternZagros’s operations may expose those operations to delays or suspensions of activities

WesternZagros generally uses independent contractors in its oil and gas operations to perform various operational tasks, including carrying out drilling activities and delivering the Company’s oil and gas to customers. In periods of high oil and gas prices, demand for such contractors may exceed supply resulting in increased costs or lack of availability of key contractors. Disruptions of operations or increased costs can also occur as a result of disputes with contractors or a shortage of contractors with particular capabilities. Additionally, because WesternZagros does not have the same control over independent contractors as it does over its own employees, there is a risk that such contractors may not operate in accordance with WesternZagros’s safety standards or other policies including
anticorruption and anti-bribery policies. Any of the foregoing circumstances could have a material adverse effect on WesternZagros’s business and prospects.

**WesternZagros may be exposed to third party credit risk**

WesternZagros may be exposed to third party credit risk through its contractual arrangements with any co-venturers, marketers of its petroleum and natural gas production, suppliers, contractors, and other parties. In the event such entities fail to meet their contractual obligations to WesternZagros or determine not to continue to participate in the Company PSC activities, such events could have a material adverse effect on WesternZagros and its financial position. In addition, poor credit conditions in the industry may impact a co-venturer’s willingness to participate in a future capital programs.

**WesternZagros does not have control over the actions of counterparties to contractual arrangements**

WesternZagros may suffer unexpected costs or other losses if a counterparty to any of the contractual arrangements entered into by the Company does not meet its obligations under such arrangements. In particular, WesternZagros cannot control the actions or omissions of its co-venturers. If such parties were to breach the terms of the PSCs or any other documents relating to the Company’s interest in the PSCs, it could cause the KRG to revoke, terminate, suspend or adversely amend WesternZagros’s licences. The joint operating agreements entered into by the Company and its co-venturers in the PSCs provide mitigating provisions for circumstances whereby the non-operator considers the operator to be in default and also provides provisions to cure a breach or to prevent a breach under the terms of the PSCs. In this event WesternZagros may be required to incur incremental expenditure and to claim these back against the co-venturer or to seek a portion or the whole interest in the PSC held by the co-venturer. In addition, if any co-venturer were to decide to no longer participate, WesternZagros may be required to incur increased expenditures relating to such co-venturer’s interest.

Repsol currently operates the Kurdamir Block, and pursuant to the terms of the Garmian PSC operatorship of the Garmian Block transitioned from WesternZagros to Gazprom Neft effective February 29, 2016. Where WesternZagros is not the operator of its assets under the PSCs, the Company has consultation rights in relation to significant or operational matters, although it does not have full control over day-to-day management, so that mismanagement of an asset by the operator may result in significant delays, losses or increased costs to WesternZagros. The Company works closely with its co-venturers and seeks to influence, to the extent possible, significant operational decisions made by the operator. Although the relevant joint operating agreements contain provisions with respect to removal of an operator in the event of a material default in performing its duties and obligations, where the timing and quality of services provided by these third-party operators do not meet the expectation of WesternZagros, this may have a material adverse effect on the business, results of operations, financial condition and prospects of WesternZagros.

**Drilling operations are vulnerable to natural disasters, operating difficulties and damage to or breakdown of a physical asset, not all of which may be covered by insurance**

Drilling operations are vulnerable to natural disasters, including earthquakes, drought, floods, fire and the physical effects of climate change, all of which are outside WesternZagros’s control. Operating difficulties, such as unexpected geological variations that could result in significant failure, could affect the costs and viability of WesternZagros’s operations for indeterminate periods. In addition, damage to or breakdown of a physical asset, including as a result of fire, explosion or natural catastrophe, can result in a loss of assets and subsequent financial losses. Insurance can provide protection from some, but not all, of the costs that may arise from unforeseen events. Although WesternZagros maintains insurance for certain losses, its insurance may not cover every potential risk associated with its operations and some potential risks are not, in all circumstances, insurable. Adequate coverage at reasonable rates is not always obtainable and, in certain circumstances, WesternZagros may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. In addition, WesternZagros’s insurance may not fully cover its liability or the consequences of any business interruptions, such as equipment failure or labour dispute. The occurrence of a significant adverse event not fully
or partially covered by insurance could have a material adverse effect on WesternZagros’s business, results of operations, financial condition and prospects. In addition, the insolvency of the insurer of any insured risk could have a material effect on WesternZagros.

**Adequacy of insurance and exposure to certain liabilities**

WesternZagros’s involvement in the exploration and appraisal for and development of oil and natural gas properties may result in WesternZagros becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. WesternZagros maintains insurance in accordance with industry standards to address certain of these risks; one such example includes an Energy Package Policy that covers items entitled “Operators Extra Expense”; “Property Insurance”; and “Excess Liability” coverage. However, such insurance has limitations on liability and may not be sufficient to cover the full extent of any liabilities that may occur. In addition, such risks are not, in all circumstances, insurable or, in certain circumstances, WesternZagros may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or for other reasons. There are certain high impact risks applicable to all oil and gas exploration companies, both in Kurdistan and elsewhere, and the occurrence of a significant event against which WesternZagros is not fully insured, or the insolvency of the insurer of such an event, could have a material adverse effect on WesternZagros’s financial condition. While the probability of such an event is considered by the Company to be low (and is no higher for WesternZagros than for other oil and gas companies), given the current size of the Company the payment of any uninsured liabilities or payment in respect of liabilities in excess of coverage limits could potentially lead to a significant adverse impact on the Company’s financial condition or a reduction in its planned appraisal and development activities. In the unlikely circumstance that the Company was required to fund an uninsured risk or to pay out in the event that the insurer becomes insolvent, it might be obliged to divert funding currently allocated to planned appraisal and development activities, and therefore to delay a portion of such activities.

**WesternZagros may suffer as a result of labour disruptions**

There is a risk that strikes or other types of conflict with employees, including those of WesternZagros’s independent contractors, or their unions may occur at WesternZagros’s operations. Labour disruptions may be used not only for reasons specific to WesternZagros’s business, but also to advocate labour, political or social goals. Any labour disruptions could increase operational costs by delaying WesternZagros’s business activities or increasing the cost of substitute labour, which may not be available. Furthermore, if such disruptions are material, they could adversely affect WesternZagros’s results of operations and financial condition.

**There may be restrictions on WesternZagros’s ability to access necessary infrastructure and services**

WesternZagros’s oil and gas activities are dependent on the availability of infrastructure and services, including third-party services in the Kurdistan Region. Inadequate supply of the critical infrastructure elements for drilling activity could result in reduced production or sales volumes, which could have a negative effect on WesternZagros’s financial performance. Disruptions in the supply of essential utility services, such as water and electricity, could halt WesternZagros’s production for the duration of the disruption and, when unexpected, may cause damage to WesternZagros’s drilling equipment or other facilities, which may in turn affect its ability to recommence operations on a timely basis. Adequate provision of transportation services, such as pipelines and port access are critical to distributing WesternZagros’s products and disruptions to such services may negatively affect WesternZagros’s operations. See the risk factor above “The transportation of oil by truck carries inherent risks”. Even in a situation where WesternZagros has secured rigs under a contract, the rigs will usually only be available for use after the current user has finished its drilling program. If there are delays in the completion of the user’s drilling program, WesternZagros could be delayed in procuring contracted rigs. Shortages or the high cost of drilling rigs, equipment, supplies, personnel or oilfield services could delay or adversely affect WesternZagros’s development operations, which could have a material adverse effect on its business, financial condition or results of operations.
WesternZagros may be dependent on third-party providers of infrastructure and services. The provision of such services, maintenance of networks and expansion and contingency plans may be outside of WesternZagros’s control. The scarcity of third-party services and infrastructure as well as any increases in their costs, together with the failure of a third-party provider or supplier to perform its contractual obligations, or an inability to achieve a commercially viable contract with a third-party provider or supplier could delay, restrict or lower the profitability and viability of WesternZagros’s activities.

*WesternZagros’s operations and development projects could be adversely affected by shortages of, as well as lead times to deliver, certain key inputs*

The inability to obtain, in a timely manner, strategic consumables, raw materials and drilling and processing equipment could have an adverse impact on WesternZagros’s results of operations and financial condition. Periods of high demand for such supplies can result in periods when availability of supplies are limited and cause costs to increase above normal inflation rates. Any interruption to supplies or increase in costs could adversely affect the operating results and financial condition of WesternZagros.

*Failure to manage relationships with local communities, government and non-government organizations could adversely affect WesternZagros*

WesternZagros’s operations may be located in or near communities that may regard such an operation as detrimental to their environmental, economic or social circumstances. Negative community reaction to such operations could have a material adverse impact on the profitability, the ability to finance or even the viability of an operation. This reaction could also lead to disputes with national or local governments or with local communities and give rise to material reputational damage. These disputes are not always predictable and may cause disruption to projects or operations. Oil and gas operations can also have an impact on local communities. Failure to manage relationships with local communities, government and non-government organizations may adversely affect WesternZagros’s reputation, as well as its ability to commence exploration and production projects, which could in turn affect its results of operations and financial position.

*Reserves and Other Resource estimates may prove inaccurate*

Unless stated otherwise, the reserves and resources data in relation to WesternZagros contained in this document are taken from the “Statement of Reserves Data and Other Oil and Gas Information” sections within this document. Such data has been independently evaluated or audited by Sproule. There are numerous uncertainties inherent in estimating quantities of resources including many factors that are beyond the control of WesternZagros. Estimating the amount of reserves and other resources is a subjective process and, in addition, results of drilling, testing and production subsequent to the date of an estimate may result in revisions to original estimates.

Basic reservoir parameters will vary within the reservoir of interest and some of these parameters such as porosity, net hydrocarbon thickness and water saturation may affect the volume of hydrocarbon estimated to be present. Additional reservoir parameters such as permeability, the presence or absence of bottom water and the specific mineralogy of the reservoir rock may affect the effectiveness of the recovery process. Recovery of the resources may also be affected by the availability and quality of source water, availability of fuel gas, and well and plant equipment malfunction or failure.

The Company has engaged professional geologists and engineers to evaluate the reservoirs and prepare development and depletion plans, however process implementation risk remains. This risk is related to factors such as vertical and areal conformance of the process in the reservoir, operational capacity and reliability of wells and facilities, and the effectiveness of the process in mobilizing oil to the vicinity of the production wells where it can be captured.
Any significant change to the assumptions underlying these estimates may result in a decrease of these resource estimates and loss of value to the Company. In particular, if volumetric resource estimates were materially revised downwards in the future, it could negatively impact investor confidence and ultimately impact the Company’s share price and total market capitalization.

**WesternZagros may not be able to develop commercially its Contingent Resources and Prospective Resources**

There is no certainty that it will be commercially viable to produce any portion of the Contingent or Prospective Resources. WesternZagros’s drilling program on the PSC Lands is still at an early evaluation stage and as such, additional information to be obtained by further appraisal drilling and testing will be required to finalize development plans and to ultimately determine the economic viability of developing any of the Contingent or Prospective Resources. Access to either export or domestic markets for both crude oil and natural gas, and the costs for any infrastructure required to access these markets, will determine if and when development of discoveries is pursued. Any delay or decision not to pursue a commercial development of any discoveries would have a material impact on the valuation of the Company’s assets.

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.

**WesternZagros operates in a competitive industry**

The petroleum industry is competitive in all its phases. WesternZagros competes with numerous other organizations in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Company’s competitors include oil and natural gas companies that may have substantially greater financial resources, staff and facilities than WesternZagros. As an example, the Kurdistan Region of Iraq has attracted large oil and gas companies such as ExxonMobil Corporation, Chevron Corporation and Total. WesternZagros’s ability to acquire or increase reserves in the future will depend on its ability to continue to develop its present properties in the Kurdistan Region of Iraq. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. This competition in all phases of the petroleum industry may result in delays to accessing markets for the sale of crude oil and natural gas, equipment and personnel to complete the exploration, appraisal and development activities or in acquiring other properties all of which could have a material impact on the valuation of the Company’s assets or its ability to acquire further reserves or resources.

**Future changes in tax legislation applicable to the Company and entities may reduce net returns to shareholders**

The Company has entities incorporated and resident for tax purposes in Canada and Cyprus. The tax treatment for the various entities is subject to changes in tax legislation or practices in such territories. Such changes may include but are not limited to the taxation of operating income, investment income, dividends received or (in the context of withholding tax) dividends paid. Any changes to the tax legislation or practices in the countries in which the entities are resident for tax purposes may have a material adverse impact on the financial position of the Company, reducing net returns to shareholders. In many jurisdictions the resource sector is subject to particular taxation regimes which sometimes impose a comparatively heavy burden on activities within the sector and the comments made above with regard to change are particularly salient in relation to such regimes.

The principal operating activities of the Company are undertaken in the Kurdistan Region of Iraq. The tax system in Iraq is uncertain and may be subject to change, particularly in relation to the oil and gas sector. Taxation of
the Kurdistan Region operating activities of the Company is pursuant to the KRG’s oil and gas legislation governed by terms within the relevant PSCs. However, it is possible that the terms of the Company’s PSCs may cease to be recognized as valid or otherwise may not be enforceable in the Kurdistan Region. It is also possible that the arrangements under the PSCs may be overridden or adversely impacted by enactment of any future oil and gas law in Iraq. In either case, this could materially impact the financial position of the Company and reduce net returns to shareholders.

LEGAL AND REGULATORY PROCEEDINGS

WesternZagros is not a party to any legal proceeding nor was it a party to, nor is or was any of its property the subject of any legal proceeding, during the year ended December 31, 2015, nor is management of the Company aware of any such contemplated legal proceeding, which involves a claim for damages, exclusive of interest and costs, that exceeds 10 percent of the current assets of WesternZagros other than as set forth below.

From time to time, the Company may become involved in legal or administrative proceedings in the normal conduct of business. During the year ended December 31, 2015, there were no: (a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority; (b) penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; or (c) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer of WesternZagros or any person or company that is the beneficial owner of, or who exercises control or direction of, more than 10 percent of the Common Shares or any associate or affiliate of any of the foregoing persons has had any material interest, direct or indirect, in any transaction in the three most recently completed financial years or during the current financial year that has materially affected or will materially affect WesternZagros, except as set forth below.

On March 18, 2013, the Company collected $119.9 million in proceeds from Crest after securing $62.4 million from the issuance of 51 million Common Shares at Cdn$1.25 per Common Share and $57.5 million of debt. After the investment, Crest then held approximately 19.8 percent of the Common Shares. The debt was to be repayable in September 2014 and interest would accrue at 6 percent per annum, however the loan was subsequently repaid in full during 2013. The Company was subject to certain ongoing covenants under the Crest 2013 Loan Agreement.

On April 4, 2013, WesternZagros closed a marketed private placement of 11,431,422 Common Shares at a price of Cdn$1.25 per Common Share for gross proceeds of $14.1 million. Crest purchased 2,284,151 of these Common Shares and the net proceeds received were used to repay a portion of the loan originally received from Crest in March 2013.

In June of 2013, the Company completed the issuance of Cdn $89.8 million aggregate principal amount of Convertible Notes to investment funds managed by Paulson & Co. (Cdn $70 million) and to Crest (Cdn $19.8 million). An additional Cdn $10.2 million aggregate principal amount of Convertible Notes was sold to other qualified investors. The Convertible Notes were governed by the Note Indenture and had a face value of Cdn$1,000 per note, a coupon rate of 4 percent per annum, a maturity date of December 31, 2015, and were originally convertible into Common Shares at the option of the holders at a conversion price of Cdn $1.45 per Common Share. A portion of the net proceeds received was used to repay the remaining outstanding amount
under the Crest 2013 Loan Agreement including applicable accrued interest. The Convertible Notes matured on December 31, 2015 and were fully repaid by the Company.

On November 18, 2014, the Company completed the Rights Offering and related Equity Backstop issuing an aggregate 32,937,293 Common Shares and 274,755,015 Non-Voting Preferred Shares at Cdn$0.65 per share for total proceeds of Cdn$200 million. Through the Equity Backstop Agreement, Crest funded an aggregate of Cdn$183.7 million of these proceeds and now holds 101,867,066 million (19.9 percent) of the outstanding Common Shares and 100 percent of the Non-Voting Preferred Shares which are convertible into Common Shares on a one to one basis upon certain terms and conditions. In addition, Crest also agreed to provide the Debt Facility to the Company, available to be drawn in two separate tranches: $150 million beginning October 2015 and $50 million beginning in 2016.

The Company reached an agreement with Crest in December 2015 to defer the latest first drawdown notice date under the first tranche of the Debt Facility from the original date of January 1, 2016 to May 1, 2016. This enabled the Company to defer interest costs and commitment fees and better aligned the terms of the Debt Facility with the expected need for capital. All other terms under Tranche 1 and Tranche 2, including the maturity dates, which are October 1, 2017 and June 1, 2018, respectively, remain unchanged.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of WesternZagros are PricewaterhouseCoopers LLP, Chartered Professional Accountants. Computershare, at its principal offices in Calgary, Alberta and in Toronto, Ontario, is the registrar and transfer agent for the Common Shares.

MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, the Company has not entered into any material contracts within the most recently completed financial year or before the most recently completed financial year that are still in effect, except for the PSCs, the Crest Investment Agreement, the Voting Agreement with Crest dated November 18, 2014 relating to the Non-Voting Preferred Shares, the Crest 2014 Loan Agreement and the shareholder rights plan agreement entered into between WesternZagros and Computershare dated June 6, 2013 establishing the Shareholder Rights Plan.

INTERESTS OF EXPERTS

Reserves and other resource estimates contained in this AIF have been evaluated or audited by Sproule. As at the effective date of the Sproule Reports and as of the date hereof, the principals, directors, officers and associates of Sproule, as a group, owned, directly or indirectly, less than one percent of the outstanding Common Shares.

The auditors of the Company, PricewaterhouseCoopers LLP, are independent with respect to the Company, in accordance with the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Alberta.
ADDITIONAL INFORMATION

Additional information, including information as to directors' and executive officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Proxy Statement and Information Circular of the Company prepared in connection with the most recent annual meeting of Shareholders that involved the election of directors. Additional financial information is provided in the Company's financial statements and management discussion and analysis for the year ended December 31, 2015.

Copies of this AIF and other additional information relating to the Company are available on SEDAR at www.sedar.com.
This Schedule A provides additional Contingent Resources data and Prospective Resources data for each of the Kurdamir and Garmian blocks, including risked estimates of volume of Contingent Resources and Prospective Resources for the Oligocene reservoir on the Kurdamir Block, risked estimates of volume of Prospective Resources for the Jeribe/Upper Dhiban reservoir on the Garmian Block, descriptions of the projects applicable to such resource estimates and descriptions of the methods utilized for risking such resource estimates.

**KURDAMIR BLOCK**

**Facilities Project Description: Kurdamir Oligocene Contingent Resources**

The development concept under negotiation includes the development of the Oligocene oil and gas discovery and contemplates a shared CPF to process the produced oil and gas from the Kurdamir Block and neighbouring Topkhana Block to optimize capital costs. Each block will conduct its own drilling program. The co-venturers are conducting a number of activities, including front-end engineering of the facilities and future wells and negotiating agreements for the sale of gas, oil and condensate production, in support of the final submission of the Kurdamir FDP to the KRG. Due to the size of the project and in order to prudently manage the development costs and uncertainties for a project of this type the Kurdamir development will be a phased development that will be executed over a period of several years. Phase 1 will focus on the initial development of a portion of the current Contingent Resources and will include the production of gas, condensate and oil.

The Kurdamir Oligocene Contingent Resources comprise a gas cap with unrisked volumes of 1.8 Tcf of natural gas, 55 MMbbls of condensate and a deeper oil leg with 366 MMbbls of oil (all Gross Block P50 estimates). The Kurdamir Oligocene Prospective Resources comprise an unrisked Gross Block P50 oil volume of 1 Bbbl and 1 Tcf of natural gas.

The Kurdamir development project is being advanced based on a conceptual development study using subsurface information, well results and facilities engineering studies for the design and costing of the CPF and other surface facilities. The Phase 1 surface facilities concept is a 150 MMscf/d sales gas facility (with capacity shared equally between Kurdamir and Topkhana at 75 MMscf/d for each) and liquids handling for condensate and oil. The Phase 1 development plan includes two deviated gas production wells (existing Kurdamir-2 workover plus one new well) and a new dedicated oil leg production well. First commercial production is expected to be achieved within the next two to five years, subject to KRG approval of the Field Development Plan and Final Investment Decisions by each of the PSC co-venturers. The total Kurdamir project cost to first commercial production (Phase 1 Development) is estimated to be in the range $370 to $390 million (gross), $225 to $235 million (net WZR).

It is anticipated that a range of seven to nine production wells will be needed to support the full development and recovery of the current estimates of contingent oil and gas resources on the Kurdamir structure, although the number of wells will ultimately depend on the performance of the reservoir.

Significant Prospective Resources have been assessed associated with the extension of the oil leg in the Oligocene reservoir. The upside associated with these additional resources will be further delineated as part of the phased development approach and they will be incorporated into an expanded development plan as appropriate. The increase in Contingent Resources through additional drilling over the coming years and the structural location of the regional OWC for the Oligocene reservoir (no regional water leg has been identified to date) will be significant factors in defining the ultimate size of the Kurdamir development project.

Based on the reservoir performance from the Phase 1 wells a decision will be made on facilities expansion for additional development phases which could include either:

- Up to two additional gas trains with an additional 150 MMscf/d capacity each (shared between Kurdamir and Topkhana);
• Full-field oil development with additional oil facilities and no additional gas trains; or
• Hybrid of the first two scenarios.

Project Maturity Sub-Class

Consistent with the new reporting requirements for ROTR in the COGE Handbook, which became effective on July 1, 2015, WesternZagros has identified the Kurdamir Oligocene Contingent Resources to be in the “Development Unclarified” Project Maturity Sub-Class. This sub-class is appropriate as the FDP for both gas and liquids is currently under negotiation with the MNR and jointly by WesternZagros and by Repsol, as Operator for the PSC. Negotiations are at an advanced stage of preparation but the FDP is subject to changes until it is approved. The MNR has indicated its support for progressing the development on a fast-track basis and this has been taken into consideration in the assessment of the risk factors, but development cannot commence without approval of the FDP by the MNR. Further appraisal of the oil leg of the Kurdamir field may form part of the Phase-1 Development work program.

Economic viability of the Contingent Resources will ultimately be dependent upon approval of the development plan. The reclassification to Reserves of that portion of the Contingent Resources on the Kurdamir Block that are ultimately included within the approved initial phases of the development plan is primarily contingent upon advancing such KRG approval. For the remaining Contingent Resources, reclassification is primarily contingent upon the collection and interpretation of additional data resulting from additional delineation drilling and production to establish the commercial viability of project development and obtaining the necessary internal and external approvals for future phases of the full field development plan.

Chance of Development (“COD”)

WesternZagros has assessed the overall COD for the Kurdamir Oligocene Contingent Resources at 0.85. The assessed value is based on assigning individual risk factors to each of the five risk elements described below and then multiplying them together to generate a single value that defines the overall COD for the project. The individual risk elements assessed are:

1. Political/Security Risk: WesternZagros obtains regular updates and advisories on the current political and security outlook from numerous specialized sources. This information, together with the evaluation of alternative regional political and security scenarios that may occur, WesternZagros’s extensive on-the-ground experience in Kurdistan over the last 10 years and the history of other recent field development projects in Kurdistan suggests that the overall risk of the development project not proceeding for political or security reasons is very low. Although WesternZagros is not aware of any development projects in Kurdistan that have not been able to proceed as a direct result of political or security issues, we acknowledge that there is a small risk that a development could be temporarily delayed as a result of political or security activities, and as such the COD for the “Political / Security” element has been assessed at 0.98.

2. Regulatory Risk: Regulatory risk has been evaluated taking into account the advanced stage of the preparation of the Kurdamir FDP and an assessment of the probability that it will receive approval from the the MNR. The KRG has a good history of approving and advancing development projects for new discoveries with 14 development plans approved in the last four years. Government approval of the FDP will necessarily provide all the regulatory elements required to proceed with the development. Regular discussions with the MNR have indicated that they are supportive of the concepts that form the FDP that Repsol and WesternZagros are expecting to submit to the government in the first half of 2016 and as such the Company has assessed the COD for the “Regulatory” element at 0.98.

3. Economic Risk: The Company envisions minimal risk that the project resources will not be capable of supporting a commercially viable development and has assigned the COD for the “Economic Risk”
element at 0.98. From a worldwide competitive standpoint, Kurdistan fields are typically low cost developments and are among the lowest breakeven cost producers. Management believes this view is applicable to the Kurdamir project based on the results of significant Concept Engineering Studies and the strong knowledge of drilling and completion operations that was gained during the exploration and appraisal of the Kurdamir field. These activities have enabled robust cost estimates and capital expenditure profiles to be defined for the project. The large gas cap resource provides positive project economics based on the commercial terms and domestic gas price that have been discussed with the MNR to supply an initial 75 MMcf/d to the Chemchinal power plant in Kurdistan which is located approximately 75 kilometres to the northwest. Additional gas production beyond the first 75 MMcf/d is expected to be directed to the export market and is expected to have even more attractive economics since discussions with the MNR have indicated that these gas volumes will be eligible to obtain a higher export gas price consistent with the gas supply contract that was signed between Kurdistan and Turkey in November 2013. (See “Information on the Kurdistan Region Oil and Gas Industry – Kurdistan Region Relations with Turkey”.) The project economics are further enhanced from the condensate that will be recovered from the gas cap resource, oil that will be coned into the producing gas wells and oil that will be produced from dedicated oil leg wells.

4. **Commitment to Development Risk:** Respol has a fully staffed, multidisciplinary team of 50+ people working on the project which is indicative of a strong commitment to the project from the senior management in both Repsol and WesternZagros. However, since the project schedule does not anticipate that the respective boards of directors will make a final investment decision to proceed with the development until the first half of 2016, the COD for the “Commitment to Development” element has been assessed at 0.95.

5. **Timing to Development Risk:** The assessment of the development timing risk takes into account the large size of the resource base that will need to be developed, the varied fluid types that will be developed (gas, condensate and oil), and the need for a phased development plan which will need to be executed over a number of years in order to effectively develop a field of this size. Since both Repsol and WesternZagros have indicated that they are currently supportive of advancing the project on a basis consistent with the MNR’s desire to achieve first production as early as late 2017, the COD for the “Timing to Development” element has therefore been assessed for the first phase at 0.95, although development of the full resource volumes will be achieved over a period of several years.

**Chance of Commerciality (“COC”)**

The Chance of Commerciality represents the probability that once discovered the project resources will be commercially developed, i.e. \( \text{COC} = \text{GCOS} \times \text{COD} \). Since, by definition, the GCOS for Contingent Resources is 1.0, the COC is equivalent to the COD which has been assessed to be 0.85 as discussed above.

WesternZagros believes that the COC assessment is reasonable and reflects the fact that: 1) project activities to justify commercial development of both the oil and gas are at an advanced stage, and 2) the resources are close to being upgraded to the higher “Development Pending” project maturity sub-class.

**Summary of Audited Oil and Gas Contingent Resources – Kurdamir Oligocene Reservoir**

The following Table 1 sets forth the unrisked and risked P50 Contingent Resources for the Kurdamir Oligocene reservoir as estimated by WesternZagros and audited by Sproule in the Sproule Kurdamir Report. Since the resources are currently classified as Development Unclarified, no economic analysis has been conducted which

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1 Rystad Energy, Morgan Stanley Commodity Research Estimates 2014
is a pre-requisite to calculate the net working interest. As such, the Company gross risked Contingent Resources are reported below.

<table>
<thead>
<tr>
<th>Resource Category Project Maturity Sub Class</th>
<th>Gross Block Unrisked Contingent Resources</th>
<th>Chance of Discovery %</th>
<th>Chance of Development %</th>
<th>Gross Block Risked Recoverable Resource</th>
<th>Company Working Interest %</th>
<th>Company Gross(3)(5) Risked Recoverable Resource</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oligocene Reservoir, Kurdamir Block, Kurdistan Region of Iraq</td>
<td>Best Estimate Contingent (2C)(4)</td>
<td>Dev. Unclarified</td>
<td>366</td>
<td>100</td>
<td>85</td>
<td>311</td>
</tr>
<tr>
<td>Oil (MMbbl)</td>
<td></td>
<td></td>
<td>55</td>
<td>100</td>
<td>85</td>
<td>46</td>
</tr>
<tr>
<td>Natural Gas Liquids (MMbbl)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Oil and Liquids</td>
<td></td>
<td>Dev. Unclarified</td>
<td>420</td>
<td>100</td>
<td>85</td>
<td>357</td>
</tr>
<tr>
<td>Solution Gas (Bcf) Associated and Non Associated Gas (Bcf)</td>
<td></td>
<td>Dev. Unclarified</td>
<td>380</td>
<td>100</td>
<td>85</td>
<td>323</td>
</tr>
<tr>
<td>Total Gas</td>
<td></td>
<td>Dev. Unclarified</td>
<td>1,794</td>
<td>100</td>
<td>85</td>
<td>1,524</td>
</tr>
<tr>
<td>Total MMBOE</td>
<td></td>
<td>Dev. Unclarified</td>
<td>719</td>
<td>611</td>
<td>244</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1) Contingent Resources are those quantities of petroleum, 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 change of development. There is no certainty as to the timing of such development or whether it will be commercially viable to produce any portion of the resources.
2) The Development Unclarified project maturity sub-class classification represents a project where the evaluation is incomplete and there is ongoing activity to resolve any risks and uncertainties. Although discussion with the authorities is on-going, there is no assurance that agreement will be reached in a reasonable time frame that would allow development to proceed.
3) Company Gross means the company’s working interest share of the resources, before deduction of royalties.
4) Best Estimate 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 or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (50) that the quantities actually recovered will equal or exceed the best estimate.
5) Company Net resources have not been calculated as they must be determined by running economics. Economics have not been run at the request of the Company.

Facilities Project Description: Kurdamir Oligocene Prospective Resources

The Kurdamir Oligocene Prospective Resources comprise an unrisked Gross Block P50 oil volume of 1 Bbbl. These resources represent a deeper extension of the oil leg below the base of the current Contingent Resources in the same Oligocene reservoir which have been assessed to a depth of -2081mSS based on the results of the three wells (Kurdamir-1, 2 and 3) that have been drilled, logged and tested to date on the Kurdamir structure on the Kurdamir PSC.

Significant Prospective Resources have been assessed associated with the extension of the oil leg in the Oligocene reservoir. The upside associated with these additional resources will be further delineated as part of the phased development approach and they will be incorporated into an expanded development plan as appropriate. The increase in Contingent Resources through additional drilling over the coming years and the structural location of
the regional OWC for the Oligocene reservoir (no regional water leg has been identified to date) will be significant factors in defining the ultimate size of the Kurdamir development project.

Based on the reservoir performance from the Phase 1 wells a decision will be made on facilities expansion for additional development phases which could include either:

- Up to two additional gas trains with an additional 150 MMscf/d capacity each (shared between Kurdamir and Topkhana);
- Full-field oil development and no additional gas trains; or
- Hybrid of the first two scenarios.

See above “Schedule A – Contingent Resources Data and Prospective Resources Data - Facilities Project Description: Kurdamir Oligocene Contingent Resources” for further description relating to the Company’s appraisal and development activities and project descriptions.

**Project Maturity Sub-Class**

Consistent with the new reporting requirements for ROTR in the COGE Handbook, which became effective on July 1, 2015, WesternZagros has identified the Kurdamir Oligocene Prospective Resources to be in the “Prospect” Project Maturity Sub-Class. This designation is justified based on the fact that the high quality 3D seismic exists over a large part of the area associated with the Prospective Resources and allows the well locations to be easily selected when moving forward with the additional drilling required to prove the presence and commerciality of these resources.

**Geological Chance of Success (“GCOS”)**

The GCOS for the Oligocene Prospective Resources has been assessed at 0.81. The high degree of confidence reflects the fact that:

- The Kurdamir 3 well results, including petrophysical interpretation of the wireline logs, mud gas data and hydrocarbons recovered during DST’s, indicate that hydrocarbons are present throughout the interval from below the base of the currently assessed Contingent Resources at -2081mSS to the base of the Oligocene in the wellbore at a depth of -2228mSS but the existence of a significant quantity of potentially recoverable petroleum has not been demonstrated by a suitable flow test.
- No definitive regional OWC has been identified in any of the Kurdamir wells drilled to date, with the possible exception of an interpreted OWC at -2675mSS in the Baram-1 exploration wellbore which is approximately 600 metres down-dip from the base of the current Contingent Resources assessed for the Kurdamir structure.
- The regional depositional model, well results and interpretation of the 3D seismic provide a high level of confidence that the Oligocene reservoir extends over the area of the assessed Prospective Resources, however, due to the large areal extent the reservoir presence factor has been assigned a modest level of risk of 0.97.
- Natural fractures will be a key factor in achieving economic production rates from wells. Some uncertainty still remains regarding the presence of natural fractures in the area of the Prospective Resources which is largely located outside the main anticlinal high that has been drilled to date and which has been shown to contain a high number of natural fractures. A reservoir quality factor of 0.85 has been assigned.

The GCOS calculation is:  (trap & seal) * (reservoir presence) * (reservoir quality) * (source & migration)

\[ = 0.98 \times 0.97 \times 0.85 \times 1.0 = 0.81 \]
Chance of Development ("COD")

WesternZagros has assessed the overall COD for the Kurdamir Oligocene Prospective Resources at 0.59. The assessed value is based on assigning individual risk factors to each of the five risk elements described below and then multiplying them together to generate a single value that defines the overall COD for the project. The individual risk elements assessed are:

1. **Political/Security Risk:** WesternZagros obtains regular updates and advisories on the current political and security outlook from numerous specialized sources. This information, together with the evaluation of alternative regional political and security scenarios that may occur, WesternZagros’s extensive on-the-ground experience in Kurdistan over the last 10 years, and the history of other recent field development projects in Kurdistan suggests that the overall risk of the development project not proceeding for political or security reasons is very low. Although WesternZagros is not aware of any development projects in Kurdistan that have not been able to proceed as a direct result of political or security issues, we acknowledge that there is a small risk that a development could be temporarily delayed as a result of political or security activities, and as such the COD for the “Political / Security” element has been assessed at 0.98.

2. **Regulatory Risk:** Regulatory risk has been evaluated taking into account the advanced stage of the preparation of the Kurdamir FDP and an assessment of the probability that it will receive approval from the MNR. The KRG has a good history of approving and advancing development projects for new discoveries with 14 development plans approved in the last four years. Government approval of the FDP will necessarily provide all the regulatory elements required to proceed with the development. Regular discussions with the MNR have indicated that they are supportive of the concepts that form the FDP that Repsol and WesternZagros are expecting to submit to the government in the first half of 2016. Since the development of the Prospective Resources will involve utilizing and expanding the surface facilities required for the Contingent Resources, the same “Regulatory” probability has been used for both resource categories and as such the Company has assessed the COD for the “Regulatory” element of the Prospective Resources at 0.98.

3. **Economic Risk:** Since the conceptual Kurdamir FDP contemplates developing the Prospective Resources by utilizing, and where necessary expanding the surface facilities used to develop the up-dip Contingent Resources, the Company envisions a low risk that the Prospective Resources will be uneconomic to produce. The “Economic” element has therefore been assessed at 0.98 to be consistent with the Economic risk for the Contingent Resources.

4. **Commitment to Development Risk:** The Company has assessed the factor for the “Commitment to Development” element at 0.90, which is lower than the value of 0.95 that was assessed for the Oligocene Contingent Resources. This reflects the fact that although each of the co-venturers (WZR, Repsol and the MNR) have demonstrated a strong commitment to a development project which contemplates extending the project scope to include additional deeper, Prospective Resources after they are proven through drilling results, there is necessarily a higher degree of uncertainty associated with committing to develop these incremental resources at the current time and with the knowledge available.

5. **Timing to Development Risk:** The assessment of the development timing risk takes into account the large size of the resource base that will need to be developed, the varied fluid types that will be developed (gas, condensate and oil), and the need for a phased development plan which will need to be executed over a number of years in order to effectively develop a field of this size. Since the development of the Oligocene Prospective Resources envisions utilizing, and where necessary expanding, the original oil and gas facilities that are built to develop the contingent oil and gas resources it may be several years after the anticipated first production date for the field in late 2017, before the required subsurface
information, development wells and surface facilities are available to develop the Prospective Resources. On the assumption that the Prospective Resources are not developed until 5-10 years after the anticipated start-up date for the field the Company has assessed the COD for the “Timing to Development” element for the Prospective Resources at 0.70.

**Chance of Commerciality (“COC”)**

The Chance of Commerciality represents the probability that once discovered the project resources will be commercially developed, i.e. COC = GCOS * COD.

For the Oligocene Prospective Resources, COC = 0.81 * 0.59 = 0.48

As expected the COC of 0.48 assessed for the Prospective Resources is significantly lower than the COC of 0.85 assessed for the updip Contingent Resources that have been discovered in the same structure. Although the COC for the Prospective Resources is higher than would usually be expected for an undrilled prospect it appears reasonable as it reflects the analysis that supports both a relatively high GCOS and COD (see detailed discussions above).

**Summary of Audited Oil and Gas Prospective Resources – Kurdamir Oligocene Reservoir**

The following Table 2 sets forth the unrisked and risked P50 Prospective Resources for the Kurdamir Oligocene reservoir as estimated by WesternZagros and audited by Sproule in the Sproule Kurdamir Report. Since the resources are currently classified as Development Unclarified, no economic analysis has been conducted which is a pre-requisite to calculate the net working interest. As such, the Company gross risked Prospective Resources are reported below.

<table>
<thead>
<tr>
<th>Resource Category</th>
<th>Project Maturity Sub Class</th>
<th>Gross Block Unrisked Prospective Resources</th>
<th>Chance of Discovery</th>
<th>Chance of Development</th>
<th>Gross Block Risked Prospective Resources</th>
<th>Company WI Risked Prospective Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Oligocene Reservoir, Kurdamir Block, Kurdistan Region of Iraq</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Best Estimate Prospective</td>
<td>Prospect</td>
<td>1,004</td>
<td>81</td>
<td>59</td>
<td>481</td>
<td>40</td>
</tr>
<tr>
<td>Total Oil and Liquids</td>
<td>Prospect</td>
<td>1,004</td>
<td>81</td>
<td>59</td>
<td>481</td>
<td>40</td>
</tr>
<tr>
<td>Solution Gas (Bcf)</td>
<td>Prospect</td>
<td>1,033</td>
<td>81</td>
<td>59</td>
<td>495</td>
<td>40</td>
</tr>
<tr>
<td>Associated and Non Associated Gas (Bcf)</td>
<td>Prospect</td>
<td>1,033</td>
<td>81</td>
<td>59</td>
<td>495</td>
<td>40</td>
</tr>
<tr>
<td>Total Gas</td>
<td>Prospect</td>
<td>1,033</td>
<td>81</td>
<td>59</td>
<td>495</td>
<td>40</td>
</tr>
<tr>
<td>Total MMBOE</td>
<td>Prospect</td>
<td>1,176</td>
<td>564</td>
<td>225</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
(1) 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 and a
chance of development. There is no certainty that any portion of the prospective resource will be discovered and, if discovered, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources. (2) The Prospect project maturity sub-class classification represents a geographic or stratigraphic area, in which the company owns oil and gas interests, which is geographically defined on the basis of geological data and which is reasonably anticipated to contain at least one reservoir or part of a reservoir of oil and gas. (3) Company Gross means the company’s working interest share of the resources, before deduction of royalties. (4) Best Estimate 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 or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (50) that the quantities actually recovered will equal or exceed the best estimate. (5) Company Net resources have not been calculated as they must be determined by running economics. Economics have not been run at the request of the Company.

Significant Positive and Negative Factors Relevant to the Contingent and Prospective Resources Estimates

In general, the significant factors that may change the Contingent and Prospective Resources estimates include further delineation and appraisal drilling, which could change the estimates either positively or negatively. On the Kurdamir Block, a phased development plan is currently under discussion with the Operator and the MNR. Once there is a high level of certainty of receiving approval for this development plan, a portion of the Contingent Resources for the Kurdamir Block should be reclassified as Reserves. The Company's overall development philosophy is one of phased expansion. As development progresses additional facility design work, reservoir studies and delineation and appraisal drilling will be completed and it is expected that future phases will be added to the development plan for the Kurdamir Block, subject to the approval of the co-venturers and the KRG.

For the Company’s Contingent and Prospective Resources on the Kurdamir Block, the main positive factors are:

- petroleum discoveries have been made in the Oligocene reservoir of the Kurdamir Block;
- a phased development plan is under discussion with the Operator and the MNR;
- a 44-day EWT at the Kurdamir-2 well was completed with cumulative oil production of approximately 90,000 barrels and no formation water; and
- the 3D seismic data acquired over the Kurdamir wells and the nearby Baram-1 well may support a common oil-water contact for both structures which would extend the known oil leg further down than in the current Contingent Resources estimates.

The negative factors for such Contingent and Prospective Resources include:

- the limited number of wells drilled to date;
- oil flow rates for the Kurdamir-2 EWT were restricted by the capacity of the gas flare;
- the lack of flow testing data for portions of the discovered accumulations; and
- the lack of a firm field development plan for portions of the discovered accumulations.

Readers should also review "Risk Factors" section in the AIF for a broader discussion of the risks and uncertainties facing WesternZagros, including the current legal, political and regulatory situation in the Kurdistan Region of Iraq.

GARMIAN BLOCK

Facilities Project Description: Garmian Jeribe / Upper Dhiban Reserves and Prospective Resources

The Garmian facilities project is focused on the development of the Jeribe / Upper Dhiban reservoir which is estimated to contain 13 MMbbl of 2P oil Reserves and unrisked P50 Prospective oil Resources of 66 MMbbl (both Gross Block) as determined in the Sproule Garmian Report. These Prospective Resources represent undiscovered potentially recoverable volumes on the Sarqa’a structure within the Garmian PSC that are located;

c) below the base of the current proved plus probable plus possible (3P) reserves in the same Jeribe / Upper Dhiban reservoir as evaluated by Sproule to a depth of -3,501 mSS based on the structural elevation of the reservoir penetrated by the Hasira-1 well; and
d) down to -3,760 mSS, the structural elevation of the four-way dip closure (spill point) of the Sarqala oil reservoir as mapped by WesternZagros using 3-D seismic.

The co-venturers believe that a phased development leads to the most efficient exploitation of the Jeribe / Upper Dhiban reservoir at Sarqala. This project utilizes existing and proposed production equipment to facilitate quick production of oil, and provision of associated gas to the KRG at the block boundary. Project phasing allows for capital expenditure optimization by acquiring important reservoir size, quality and deliverability information with which to design a fit for purpose facility.

- Phase 0, which included establishing commercial production from the Garmian Jeribe / Upper Dhiban reservoir in the Sarqala-1 well and installation of basic production facilities is now complete and in production. Surface facilities have the capacity to handle additional production up to 15,000 bbl/d. Cumulative production for calendar 2015 since the Sarqala-1 well recommenced commercial production on February 11, 2015, was approximately 1.7 MMbbl and 2.7 MMbbl since inception, without the presence of water. Solution gas produced with the oil is currently flared. The Garmian PSC co-venturers are working with the KRG on a future gas handling options.

- Phase 1 development will begin after approval for the field development plan is obtained and includes the drilling of up to two development wells to establish the additional productive capacity of the field. The Garmian co-venturers plan to commence drilling a new production well, Sarqala-2, following field development plan approval from the KRG. The phased plan contemplates an additional well in 2018 at an estimated cost of $50 to $70 million gross, $25 to $35 million net, to drill and develop. As currently envisaged, the third well will be drilled to a depth sufficient to establish the presence of oil down to approximately -3,760 mSS, which is the structural spill-point of the Jeribe reservoir.

- Subsequent development phases are contingent on the Phase 1 well results which should determine the degree that the reservoir is filled to the depth of the structural spill-point. Thereafter, the PSC co-venturers may embark on an expansion of the existing facilities, the construction and installation of an expanded loading terminal and undertake sufficient additional development drilling as deemed necessary to increase production to an estimated 25,000 bbl/d.

Project Maturity Sub-Class

Consistent with the new reporting requirements for ROTR in the COGE Handbook, WesternZagros has identified the Garmian Jeribe / Upper Dhiban Prospective Resources to be in the “Prospect” Project Maturity Sub-Class. This designation takes into account the established commercial production from the reservoir, the high quality 3-D seismic that exists over the area and the advanced state of planning for the Sarqala-3 well which will investigate the Prospective Resources assessed for the Sarqala Jeribe / Upper Dhiban reservoir.

Geological Chance of Success (“GCOS”)

The GCOS for the Jeribe / Upper Dhiban Prospective Resources has been assessed at 0.855. This high degree of confidence reflects that:

- Commercial production is currently being extracted from the Sarqala oil reservoir and the Sproule Garmian Report established a 3P reserves depth of -3,501 mSS based on the structural elevation to the top of the tested interval in the Jeribe reservoir in the Hasira-1 well. As such, the risks associated with “trap and seal” and “source and migration” for the Sarqala Jeribe / Upper Dhiban structure are non-existent and the pertinent GCOS factors “trap and seal” and “source and migration” are both assigned a value of 1.00.

- Petrophysical log analysis of the Hasira-1 well indicates tight pay down to -3,571 mSS (Upper Dhiban) with no evidence of an OWC. Despite the lack of natural fractures encountered by Hasira-1, oil was recovered on surface during a drill-stem test, albeit at a non-commercial rate. This points to the need to
assign risk to the “reservoir quality” component of GCOS. Based on recently completed discrete fracture network mapping, Western Zagros believes that it can target drilling locations much better than it could when Hasira-I was drilled. Therefore, risk associated with “reservoir quality” is considered to be small and manageable. Western Zagros assigns GCOS factor “reservoir quality” a value of 0.90.

- No regional OWC has been identified in any of the Sarqala wells drilled to date and there is no direct hydrocarbon indication (flat spot) of an OWC on the high quality 3-D seismic data. Seismic events show good continuity and a structural spill point for the reservoir has been interpreted at -3,760 mSS. Western Zagros assigns GCOS factor “reservoir presence” a value of 0.95.

The GCOS calculation is: 

\[ \text{GCOS} = (\text{source & migration}) \times (\text{trap & seal}) \times (\text{reservoir quality}) \times (\text{reservoir presence}) \]

\[ \text{GCOS} = 1.00 \times 1.00 \times 0.90 \times 0.95 = 0.855 \]

**Chance of Development (COD)**

Western Zagros has assessed the overall COD for the Garmian Jeribe / Upper Dhiban Prospective Resources at 0.941. This value is based on assigning individual risk factors to each of the five risk elements described below and then multiplying them together to generate a single value that defines the overall COD for the project. The individual risk elements assessed are:

1. **Political/Security Risk:** Western Zagros obtains regular updates and advisories on the current political and security outlook from numerous specialized sources. This information, together with the evaluation of alternative regional political and security scenarios that may occur, Western Zagros’s extensive on-the-ground experience in Kurdistan over the last 10 years, and the history of other recent field development projects in Kurdistan suggests that the overall risk of the development project not proceeding for political or security reasons is very low.

   Although Western Zagros is not aware of any development projects in Kurdistan that have not been able to proceed as a direct result of political or security issues, we acknowledge that there is a small risk that a development could be temporarily delayed as a result of political or security activities, and as such the COD for the “Political / Security” element has been assessed at 0.98.

2. **Regulatory Risk:** Regulatory risk has been evaluated taking into account the advanced stage of preparation of the Garmian FDP and an assessment of the probability that it will receive approval from the MNR. The KRG has a good history of approving and advancing development projects for new discoveries with 14 development plans approved in the last four years. Government approval of the FDP will provide all the necessary regulatory elements required to proceed with the development. Regular discussions with the MNR have indicated that they are supportive of the concepts that form the FDP that was submitted to the KRG in June 2014. Since the development of the Prospective Resources will involve utilizing and expanding the surface facilities used to develop the currently established reserves base, Western Zagros assigns the “Regulatory” component of COD a value of 0.98.

3. **Economic Risk:** Since commercial production from the Sarqala reservoir has already been established without KRG approval of the FDP, economic risk is negligible. Western Zagros assigns the “Economic” component of COD a value of 1.00.

4. **Commitment to Development Risk:** Since the development of the Prospective Resources will be based on the use and expansion of the existing Sarqala infrastructure that has already been built to exploit the proven reserves at Sarqala, Western Zagros assigns the “Commitment to Development” component of COD a value of 1.00.
5. **Timing to Development Risk**: A low oil price environment is currently plauging the global oil industry and its end is uncertain. Thus there is a small risk that full development of the Sarqala field, as envisaged in the FDP, may be delayed. WesternZagros assigns the “Timing to Development” component of COD a value of 0.98.

The COD calculation is:

$$COD = (Political/Security) \times (Regulatory) \times (Economic) \times (Commitment to Develop) \times (Timing to Development)$$

$$COD = 0.98 \times 0.98 \times 1.00 \times 1.00 \times 0.98 = 0.941$$

**Chance of Commerciality (COC)**

The Chance of Commerciality represents the probability that once discovered the project resources will be commercially developed, i.e. COC = GCOS * COD.

For the Garmian Jeribe / Upper Dhiban Prospective Resources, COC = 0.855 * 0.941 = 0.80

WesternZagros believes that this CoC is reasonable because the Prospective Resources are interpreted to exist as mapped on 3-D seismic as a down-dip continuation of the reservoir from which commercial production is currently being extracted and for which independently evaluated Reserves exist.

**Summary of Audited Oil and Gas Prospective Resources – Sarqala Jeribe / Upper Dhiban Reservoir**

The following table sets forth the unrisked and risked P50 Prospective Resources for the Garmian Jeribe / Upper Dhiban reservoir as estimated by WesternZagros and audited by Sproule in the Sproule Garmian Report.
Significant Positive and Negative Factors Relevant to the Prospective Resources Estimate

The major positive factor relevant to the estimates for the Prospective Oil Resources in the Jeribe/Upper Dhiban reservoir on the Garmian Block is that they are beneath the lowest known oil in a discovered accumulation in the same reservoir which has produced over 2.7 million barrels of oil with no formation water produced. Negative risk factors relevant to such Prospective Resources are generally confined to the quality of the hydrocarbon to be discovered, the depth of the oil water contact and flow rates from the reservoir which may have material impact on the commerciality of any development.

Readers should also review the "Risk Factors" section in this AIF for a broader discussion of the risks and uncertainties facing WesternZagros, including the current legal, political and regulatory situation in the Kurdistan Region of Iraq.
Terms to which a meaning is ascribed in National Instrument 51-101, Standards of Oil and Gas Disclosure have the same meaning herein.

Report on Reserves Data and Prospective Resources Data
By Independent Qualified Reserves Evaluator or Auditor

To the Board of Directors of WesternZagros Resources Ltd. (the "Company"):

1. We have evaluated and audited the Company’s reserves data and prospective resources data, respectively, as at December 31, 2015. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2015, estimated using forecast prices and costs. The prospective resources data are risked estimates of volume of prospective resources as at December 31, 2015.

2. The reserves data and prospective resources data are the responsibility of the Company’s management. Our responsibility is to express an opinion on the reserves data and prospective resources data, based on our audit and evaluation.

3. We carried out our evaluation and audit in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the “COGE Handbook”) maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).

4. Those standards require that we plan and perform an evaluation and audit to obtain reasonable assurance as to whether the reserves data and prospective resources data are free of material misstatement. An evaluation and audit also includes assessing whether the reserves data and prospective resources data are in accordance with principles and definitions presented in the COGE Handbook.

5. The following tables shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2015, and identifies the respective portions thereof that we have evaluated and reported on to the Company’s management and Board of Directors:

<table>
<thead>
<tr>
<th>Independent Qualified Reserves Evaluator or Auditor</th>
<th>Effective Date</th>
<th>Location of Reserves (Country)</th>
<th>Net Present Value of Future Net Revenue After</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sproule December 31, 2015 Iraq</td>
<td></td>
<td></td>
<td>Audited (M$US) Evaluated (M$US) Reviewed (M$US) Total (M$US)</td>
</tr>
<tr>
<td>Total</td>
<td>December 31, 2015 Iraq</td>
<td>32,533</td>
<td>Nil</td>
</tr>
</tbody>
</table>

6. The following tables set forth the risked volume of prospective resources attributed to prospective resources, included in the Company’s statement prepared in accordance with Form 51-101F1 and
identifies the portions of the prospective resources data that we have audited and reported on to the Company’s management and board of Directors.

<table>
<thead>
<tr>
<th>Classification</th>
<th>Independent Qualified Reserves Evaluator or Auditor</th>
<th>Effective Date</th>
<th>Location of Resources Other than Reserves (Country)</th>
<th>Best Estimated Risked (MBOE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prospective Resources</td>
<td>Sproule</td>
<td>December 31, 2015</td>
<td>Garmian Block, Iraq</td>
<td>28,000</td>
</tr>
</tbody>
</table>

7. In our opinion, the reserves data and prospective resources data respectively evaluated and audited by us have, in all material respects, been determined and are in accordance with the COGE Handbook consistently applied. We express no opinion on the reserves data and prospective resources data that we reviewed but did not audit or evaluate.

8. We have no responsibility to update our report referred to in paragraphs 5 and 6 for events and circumstances occurring after the effective date of our reports, entitled “Evaluation of the P&NG Reserves and Audit of the Prospective Resources of Western Zagros Resources Ltd. in the Garmian Block of Iraq (As of December 31, 2015)”.

9. Because the reserves data and prospective resources data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

Sproule International Limited

Calgary, Alberta

March 16, 2016

(signed) "Barrett R. Hanson, P. Eng."
Barret R. Hanson, P. Eng.
Project Leader;
Senior Petroleum Engineer and Associate

(signed) “Suranarayana Karri, P. Geoph.”
Suranarayana Karri, P. Geoph.
Manager, Geoscience and Partner

(signed) “Barrie F. Jose, P. Geoph.”
Barrie F. Jose, P. Geoph.
Vice President, Geoscience and Partner

(signed) “Scott W. Pennell, P. Eng.”
Scott W. Pennell, P. Eng.
Vice-President, Engineering, and Director
Report on Reserves Data and Prospective Resources Data
By Independent Qualified Reserves Evaluator or Auditor

To the Board of Directors of WesternZagros Resources Ltd. (the "Company"):  

1. We have audited the Company’s contingent resources data and prospective resources data as at December 31, 2015. The continent resources data and prospective resources data are risked estimates of volumes of contingent resources and prospective resources as at December 31, 2015.

2. The contingent resources data and prospective resources data are the responsibility of the Company’s management. Our responsibility is to express an opinion on the contingent resources data and prospective resources data, based on our audit.

3. We carried out our audit in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the “COGE Handbook”) maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).

4. Those standards require that we plan and perform an audit to obtain reasonable assurance as to whether the contingent resources data and prospective resources data are free of material misstatement. An audit also includes assessing whether the contingent resources data and prospective resources data are in accordance with principles and definitions presented in the COGE Handbook.

5. The following table shows the risked resources included in the resources data of the Company audited for the year ended December 31, 2015 and prepared in accordance with Form 51-101F1 and identifies the respective portions of the contingent resources and prospective resources data that we have audited and reported on to the Company’s management/board of directors:

<table>
<thead>
<tr>
<th>Classification</th>
<th>Independent Qualified Reserves Evaluator or Auditor</th>
<th>Effective Date</th>
<th>Location of Resources Other than Reserves (Country)</th>
<th>Risked Volume (MBOE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prospective Resources</td>
<td>Sproule</td>
<td>December 31, 2015</td>
<td>Kurdistan Block, Iraq</td>
<td>225,400</td>
</tr>
<tr>
<td>Contingent Resources Development</td>
<td>Sproule</td>
<td>December 31, 2015</td>
<td>Kurdistan Block, Iraq</td>
<td>244,300</td>
</tr>
</tbody>
</table>

6. In our opinion, the contingent resources data and prospective resources data respectively audited by us have, in all material respects, been determined and are in accordance with the COGE Handbook,
consistently applied. We express no opinion on the contingent resources data and prospective resources data that we reviewed but did not audit or evaluate.

7. We have no responsibility to update our report referred to in paragraphs 5 for events and circumstances occurring after the effective date of our report, entitled “Audit of the Contingent and Prospective Resources of WesternZagros Resources Ltd. in the Kurdamir Block, Kurdistan Region of Iraq (As of December 31, 2015)”.

8. Because the contingent resources data and prospective resources data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

Sproule International Limited

Calgary, Alberta

March 16, 2016

(signed) "Barrett R. Hanson, P. Eng.
Barret R. Hanson, P. Eng.
Project Leader;
Senior Petroleum Engineer and Associate

(signed) "Surbanaryana Karri, P. Geoph"
Surbanaryana Karri, P. Geoph.
Manager, Geoscience and Partner

(signed) “Barrie F. Jose, P. Geoph.”
Barrie F. Jose, P. Geoph.
Vice President, Geoscience and Partner

(signed) “Scott W. Pennell, P. Eng.”
Scott W. Pennell, P. Eng.
Vice-President, Engineering, and Director
Management of WesternZagros Resources Ltd. (the "Company") is responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data and includes, if disclosed in the statement required by Item 1 of Section 2.1 of NI-51-101, other information such as contingent resources data and prospective resources data.

An independent qualified reserves evaluator has evaluated the Company's Reserves data, audited the Company’s Contingent Resources data and Prospective Resources data. The reports of the independent qualified reserves evaluator are presented in Schedule B.

The Audit Committee of the Board of Directors has:
(a) reviewed the Company’s procedures for providing information to the independent qualified reserves evaluator;
(b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves auditor to report without reservation;
(c) reviewed the reserves data, contingent resources data and prospective resources data with management and the independent qualified reserves evaluator.

The Audit Committee of the Board of Directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management of the Company. The Board of Directors has, on the recommendation of the Audit Committee, approved:

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data, contingent resources data and prospective resources data and other oil and gas information;
(b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data, contingent resources data and prospective resources data; and
(c) the content and filing of this report.

Because reserves data, contingent resources data and prospective resources data are based on judgments regarding future events, actual results will vary and the variations may be material.

(signed) "M. Simon Hatfield"  
M. Simon Hatfield  
Chief Executive Officer

(signed) "Anton Kraljic"  
Anton Kraljic  
Senior Vice President Finance

(signed) "Randall Oliphant"  
Randall Oliphant  
Director

(signed) "David Boone"  
David Boone  
Chairman of the Board

March 16, 2016