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Ref.: 3410.70637

January 14, 2011

Mr. Simon Hatfield  
Chief Executive Officer  
WesternZagros Resources Ltd.  
Suite 600, 440 Second Ave SW  
Calgary, AB, T2P 5E9

**Re: Audit of Prospective Oil Resource Estimates for Five High-Graded Drillable Prospects in Kalar Bawanoor Block 44, Kurdistan Region, Iraq (As of January 14, 2011)**

Dear Mr. Hatfield:

This letter reports the results of our audit of WesternZagros Resource Ltd. estimates of the gross prospective oil resources for five high-graded drillable prospects in Kalar Bawanoor Block 44, Kurdistan region, Iraq, as of January 14, 2011, as set forth in the accompanying Table 1. The audit examined data related to the prospective resources for the Oligocene, Eocene, and Cretaceous reservoirs at Kurdamir and the Upper Fars reservoir at Mil Qasim and the Jeribe reservoir at Sarqala. It is our understanding that WesternZagros wishes to disclose its estimates publicly and has retained Sproule International Limited ("Sproule") to independently audit those estimates for compliance with the requirements of National Instrument 51-101 ("NI 51-101") and the guidelines of the Canadian Oil and Gas Evaluators Handbook ("COGEH").

As defined in the Canadian Oil and Gas Evaluation Handbook, a reserves or resources audit is a process that results in reasonable assurance, in the form of an opinion, that the reserves or resources information has, in all material respects, been determined and presented according to the principles and definitions adopted by CIM (Petroleum Society), SPEE (Calgary Chapter) and APEGGA and is, therefore, free of material misstatement. It should be understood that this audit does not constitute an independent resource assessment of these fields; however, if in the course of our examination something came to our attention that brought into question the validity or sufficiency of any of the information or data, we did not rely

on that information or data until we had satisfactorily resolved our questions or independently verified it.

This audit has been an iterative process involving the following tasks:

- discussions with WesternZagros personnel regarding the resource assessment process, input parameter distributions and results;
- audit of the volumetric parameter distributions, including prospective areas, reservoir thicknesses, net-to-gross ratios, oil column thicknesses, porosities, oil saturations, oil formation volume factors and recovery factors, based on examination of supporting geophysical, geological, petrophysical and engineering data and interpretations provided by WesternZagros;
- the development of probabilistic models to form an opinion regarding the reasonableness of the processes and the results reported by WesternZagros.

The resource assessment is based on five high-graded prospects out of the previously assessed portfolio of 27 Tertiary and Cretaceous prospects and leads (Sproule audit letter as of May 11, 2009). Since this audit considers only a portion of the portfolio, as well as new information in the form of two exploration wells and some additional seismic, a direct comparison between the May 11, 2009 audit letter and this audit report is not appropriate. This report does not include the contingent resources, but does include the prospective resources assigned to the Oligocene in Kurdamir-1 (Sproule audit letter as of December 14, 2010).

At this time, the oil resources assessed in these prospects within Block 44 are undiscovered and are interpreted to exist based on analysis of 2-D seismic data, the Sarqala-1 and Kurdamir-1 exploration wells, regional geology and information on analogous areas. Undiscovered petroleum initially in place (equivalent to undiscovered resources) is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of undiscovered petroleum initially in place is referred to as prospective resources, the remainder as unrecoverable. Prospective resources are defined as 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 estimated volumes reported in Table 1 have not been risked for either chance of discovery (geological chance of success) or chance of development (economic, regulatory, market and facility, corporate commitment or political risks). There is no certainty that any portion of the prospective resources will be discovered and, if discovered, there is no certainty that it will be developed or, if it is developed, 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.

The resources have been reported in accordance with Canadian Oil and Gas Evaluation Handbook guidelines that recommend disclosure of low, best and high estimates to reflect the range of uncertainty associated with the resource estimates, as follows:

**Low Estimate:** This is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability ( $P_{90}$ ) that the quantities actually recovered will equal or exceed the low estimate.

**Best Estimate:** This 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 ( $P_{50}$ ) that the quantities actually recovered will equal or exceed the best estimate.

**High Estimate:** This is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 percent probability ( $P_{10}$ ) that the quantities actually recovered will equal or exceed the high estimate.

Property descriptions, details of interest held and technical data that formed the basis for the assessment were supplied by the Company and were accepted as represented. No investigation was made into either the legal titles held or any operating agreements in place relating to the subject properties.

The accuracy of resource estimates is, in part, a function of the quality and quantity of available data and of engineering and geological interpretation and judgment. Given the data provided at the time this report was prepared, the estimates presented herein are considered reasonable; however, they should be accepted with the understanding that additional data or reservoir performance subsequent to the date of the estimates may necessitate revision and that these revisions may be material.

In summary, it is our opinion that the WesternZagros estimates audited by us, as reported in Table 1, were determined in accordance with industry practice and the guidelines and definitions contained in the Canadian Oil and Gas Evaluation Handbook, are free of material misstatement and, in aggregate, are reasonable representations of both the quantities of prospective oil resources contained in the five prospects of Block 44 and the technical uncertainties currently associated with them. In our opinion the disclosure language used in the summary tables is consistent with the CSA guidelines and the changes to NI 51-101 coming into effect December 30, 2010.

We have no responsibility to update the report for events and circumstances occurring after its preparation date.

### **Exclusivity**

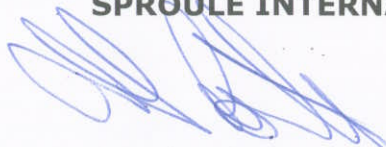
This letter report has been prepared for the exclusive use of WesternZagros Resources Ltd. It may not be reproduced, distributed, or made available to any other company or person, regulatory body, or organization without the knowledge and written consent of Sproule International Limited, and without the complete contents of the report being made available to that party.

## Permit to Practice

Sproule International Limited is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta and our permit number is P417.

Sincerely,

**SPROULE INTERNATIONAL LIMITED**



Douglas Carsted, P.Geol.  
Vice-President, Geoscience

Enclosure(s)  
DJC:sk/bfj

Table1 Gross Unrisked Prospective Resources <sup>(1,2,3)</sup> Kalar Bawanoor Block K44 Oil, Gas and Condensate (As of January 14, 2011)						
Prospect	Reservoir	Hydrocarbon Type	Low Estimate	Best Estimate	High Estimate	Mean <sup>(4)</sup> Estimate
			P90 MMbbl/Bcf	P50 MMbbl/Bcf	P10 MMbbl/Bcf	Mean MMbbl/Bcf
Kurdamir	Tertiary Oligocene	Oil	85	260	560	280
		Solution Gas	125	405	910	475
		<b>MMBOE<sup>(5)</sup></b>	<b>106</b>	<b>328</b>	<b>712</b>	<b>359</b>
Kurdamir	Tertiary Eocene	Oil	18	86	273	124
		Solution Gas	24	150	630	265
		Associated Gas	30	60	110	65
		Condensate	1	1	3	2
		<b>MMBOE</b>	<b>28</b>	<b>122</b>	<b>399</b>	<b>181</b>
Kurdamir	Cretaceous	Oil	59	152	340	181
		Solution Gas	80	330	965	455
		Associated Gas	65	135	245	145
		Condensate	1	3	7	4
		<b>MMBOE</b>	<b>84</b>	<b>233</b>	<b>549</b>	<b>285</b>
<b>Kurdamir Sub Total Mean MMBOE - Gross Unrisked Prospective Resources</b>						<b>825</b>
Mil Qasim	Upper Fars	Oil	7	63	265	106
		Solution Gas	5	45	225	90
		<b>MMBOE</b>	<b>8</b>	<b>71</b>	<b>303</b>	<b>121</b>
Sarqala Re-entry	Jeribe	Oil	9	66	248	101
		Solution Gas	15	120	540	215
		<b>MMBOE</b>	<b>12</b>	<b>86</b>	<b>338</b>	<b>137</b>
<b>Table 1 Total Mean MMBOE - Gross Unrisked Prospective Resources</b>						<b>1083</b>

1. The prospective resources are the gross volumes estimated for the indicated reservoirs, without any adjustments for working interest or encumbrances.

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

3. Gas volumes have been reduced to account for shrinkage due to condensate recovery and surface losses.

4. Mean Estimate is the average from the probabilistic assessment.

5. Barrels of oil equivalent (BOEs) may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 bbl has been used and is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.