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H.J. Helwerda*, B.Sc., PEng., *Executive V.P.*
J.L. Chipperfield*, B.Sc., PGeol., *Senior V.P.*
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D.W.C. Ho*, B.A.Sc., PEng., V.P., *Engineering*
G.D. Robinson*, B.Sc., PEng., V.P., *Engineering*
D.J. Carsted*, CD, B.Sc., PGeol., V.P., *Geoscience*
K.P. McDonald, B.Comm., C.A., *Controller;*
Corporate Secretary

*Directors

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K. Ghaffari, M.Sc., PEng.
J. Hanko, B.Sc., PGeol.

P.B. Jung, B.S., PEng.
A. Kovaltchouk, M.Sc., PGeol.
M.J. O'Brien, M.Sc., PEng.
S.W. Pennell, B.Sc., PEng.
L.M. Precul, M.Sc., PEng.
V.Y. Savenkov, M.Sc., MBA, PEng.
P.C. Sidey, B.Sc., PEng.
N.T. Stewart, B.A.Sc., PEng.
G.D. Strother-Stewart, B.Sc., PGeol.
W.J. Waddell, B.Sc., PGeol.
T.K. Wong, B.Sc., PGeol.

Ref.: 3410.70577

December 14, 2010

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

Re: Audit of Contingent and Prospective Gas, Condensate and Oil Resource Estimates for the Oligocene Reservoir in the Kurdamir Structure, Block 44, Kurdistan Region, Iraq (As of December 14, 2010)

Dear Mr. Hatfield:

This letter reports the results of our audit of WesternZagros Resource Ltd. estimates of the gross discovered contingent gas, condensate and oil resources and the gross undiscovered prospective oil and solution gas resources in the Kurdamir Structure, Block 44, Kurdistan region, Iraq, as of December 14, 2010, as set forth in the accompanying Table 1 and Table 2. The Kurdamir structure has now been penetrated by the Kurdamir-1 wellbore and has encountered gas and condensate in the primary target being the Oligocene reservoir. The recent production tests have proved the existence of an oil leg associated with the previously tested gas cap. It is our understanding that WesternZagros may wish 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 this field; 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, gas and or oil column thicknesses, porosities, gas saturations, gas formation volume factors, oil saturations, oil formation volume factors, recovery factors, and gas condensate yields, based on examination of supporting geophysical, geological, petrophysical and engineering data and interpretations provided by WesternZagros; and
- the development of a probabilistic model to form an opinion regarding the reasonableness of the processes and the results reported by WesternZagros.

The resource assessment for the Kurdamir Structure is based on information obtained from the Oligocene reservoir in the Kurdamir-1 well. We note that the structure is large and has only been penetrated by one well located near the crest. A range of contingent resources was assigned to the structure down to the base of the lowest known hydrocarbon test in the wellbore. The recent two production tests have identified the presence of an oil leg associated with the previously discovered gas cap. The resource assessment takes into account uncertainties in the elevation of the gas-oil contact, reservoir parameters, recovery factors and structure.

The new production test information confirms that the gas and condensate encountered by the discovery well is associated with a deeper oil column. The portion of the Kurdamir Structure below the lowest know oil, down to the estimated spill-point, has been assessed as an undiscovered and prospective resource of oil. Again a range of volumes were assigned to the structure to take into account uncertainties in reservoir parameters, recovery factors and structure.

Discovered Petroleum Initially-In-Place (equivalent to discovered resources) is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production.

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent resources have an associated chance of development (economic, regulatory, market and facility, corporate commitment or political risks). The WesternZagros estimated volumes reported in Table 1 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.

Undiscovered Petroleum Initially-In-Place (equivalent to undiscovered resources) is that quantity of petroleum that is estimated, as of a given date, to be contained in accumulations yet to be discovered.

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. The estimated volumes reported in Table 2 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.

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 and Table 2, 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 discovered quantities of contingent gas, oil and condensate resources and the undiscovered quantities of prospective oil and solution gas resources contained in the Kurdamir structure 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 J. Carsted, P.Geol.
Vice-President Geoscience

Enclosure(s)
DJC:lb

Table 1 Gross Contingent Resources (Unrisked)^{1, 2, 3} As estimated by WesternZagros Resources Ltd., Oligocene Kurdamir Structure, Block 44, Kurdistan Region, Iraq (As of December 14, 2010).				
	Low Estimate (P₉₀)	Best Estimate (P₅₀)	High Estimate (P₁₀)	Mean⁴ Estimate
Gas Contingent Resources^{2,3} (BCF)	505	850	1420	920
Condensate Contingent Resources^{2,3} (MMBBL)	22	33	48	35
Oil Contingent Resources² (MMBBL)	0.7	6.5	60	30
Solution Gas Contingent Resources^{2,3} (BCF)	1	10	100	50

1. These are the gross recoverable volumes estimated for the Oligocene carbonate reservoir in the Kurdamir structure, without any adjustments for working interest or encumbrances.

2. Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent resources have an associated chance of development (economic, regulatory, market and facility, corporate commitment or political risks). These estimates have not been risked for the chance of development. There is no certainty that any portion of the contingent resources will be developed or, if 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.

Table 2 Gross Prospective Resources (Unrisked)^{1, 2} As estimated by WesternZagros Resources Ltd., Oligocene Kurdamir Structure, Block 44, Kurdistan Region, Iraq (As of December 14, 2010)				
	Low Estimate (P₉₀)	Best Estimate (P₅₀)	High Estimate (P₁₀)	Mean³ Estimate
Oil Prospective Resources² (MMBBL)	85	260	560	280
Solution Gas Prospective Resources² (BCF)	125	405	910	475

1. These are the gross undiscovered potentially recoverable oil volumes estimated for the undrilled portion of the Oligocene carbonate reservoir within the Kurdamir structure, 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. Mean Estimate is the average from the probabilistic assessment.