



WESTERNZAGROS RESOURCES LTD.

ANNUAL INFORMATION FORM
for the year ended December 31, 2007

Dated April, 23, 2008

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CONVENTIONS

Unless otherwise indicated, references herein to "\$" or "dollars" are to United States dollars. WesternZagros has adopted the U.S. dollar as its measurement and reporting currency since most of its expenses directly or indirectly denominated in U.S. dollars. When revenues are realized, it is expected that U.S. dollars will be received. In addition, the U.S. dollar facilitates a more direct comparison to other international crude oil and natural gas exploration and development companies. All references herein to US\$ or to \$ are to United States dollars and references herein to Cdn\$ are to Canadian dollars.

Unless the context otherwise requires, reference in this Annual Information Form to "WesternZagros" or the "Corporation" are to WesternZagros Resources Ltd. and its subsidiaries.

GLOSSARY OF TERMS

In this Annual Information Form, the following terms shall have the meanings set forth below, unless otherwise indicated:

"**ABCA**" *Business Corporations Act* (Alberta). R.S.A. 2000, c B-9, as amended, including the regulations promulgated thereunder;

"**AIF**" or "**Annual Information Form**" means the Annual Information Form of the Company for the year ended December 31, 2007 and dated April **XX**, 2008;

"**bbls**" Barrels. One barrel equals 0.15891 cubic metres at 15° Celsius;

"**Board of Directors**" or "**Board**" means the board of directors of WesternZagros;

"**Common Shares**" means the common shares of WesternZagros;

"**Corporation**" means WesternZagros Resources Ltd.;

"**EPSA**" means the Corporation's original Exploration and Production Sharing Agreement which was signed May 4, 2006 and amended and ratified on February 26, 2007.

"**KRG**" means the Kurdistan Regional Government

"**MD&A**" means the Corporation's Management Discussion & Analysis for the year ended December 31, 2007 and dated March 25, 2008; and

"**PSC**" means the Production Sharing Contract which was signed by the Corporation and the KRG on February 28, 2008 and which amends and restates the original EPSA.

INTRODUCTORY INFORMATION

References in this AIF to WesternZagros includes WesternZagros and its wholly-owned subsidiaries: WesternZagros Resources Inc., Western Oil International Holdings Limited and WesternZagros Limited unless the context otherwise requires. **Initially capitalized terms used herein and not otherwise defined have the meanings ascribed thereto in the Glossary.**

Unless otherwise indicated, all financial information included and incorporated by reference in this Annual Information Form is determined using Canadian generally accepted accounting principles ("Canadian GAAP").

FORWARD LOOKING INFORMATION

This AIF contains certain forward-looking statements relating but not limited to WesternZagros' operations, anticipated financial performance, business prospects, proposed activity and strategies. Forward-looking information typically contains statements with words such as "anticipate", "could", "estimate", "expect", "intend" "plan", "potential", "project" or similar words suggesting future outcomes. We caution readers and prospective investors of the Corporation's securities not to place undue reliance on forward-looking information as by its nature, it is based on current expectations regarding future events that involve a number of assumptions, inherent risks and uncertainties, which could cause actual results to differ materially from those anticipated by WesternZagros.

In particular, this Annual Information Form may contain forward looking statements pertaining to the following:

- commodity prices in the marketplace for crude oil and natural gas;
- capital expenditure programs;
- treatment under governmental regulatory regimes;
- expectations regarding exploration and development potential; and
- supply and demand for oil and natural gas.

Actual results could differ materially from those anticipated in these forward looking statements, accordingly, any such statements are qualified in their entirety by reference to and are accompanied by the risk factors discussed throughout this Annual Information Form. Forward-looking statements are not based on historical facts but rather on the expectation of management of the Corporation ("Management") regarding the Corporation's future growth or results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities. The nature of the Corporation's involvement in the business of, exploration for, and development and production of, oil and natural gas reserves involves several risk factors as set forth below and elsewhere in this Annual Information Form that have a direct bearing on the Corporation's results of operations:

- ability to access the capital markets
- exploration success;
- availability and access to infrastructure, including pipelines;
- volatility in market prices for oil and natural gas
- liabilities inherent in oil and natural gas operations
- competition for, among other things, capital, undeveloped lands and skilled personnel;
- changes in assumed timing of events;
- geological, technical, drilling and processing problems;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- changes in government regulations;
- political and economic conditions in the countries in which we operate or intend to operate;
- risks associated with acts of insurgency or terrorism;

- political risks, including changes in law or government policy;
- the risks associated with negotiating with foreign governments and risks generally associated with international activity; and
- safety and security risks, including war and terrorist activity.

These factors should not be considered exhaustive. These and other factors are discussed in this Annual Information Form under the heading “Risk and Uncertainties”. In addition, these forward-looking statements are made as of the date of the Annual Information Form, and the Corporation assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

CORPORATE STRUCTURE

Incorporation and Organization

WesternZagros was incorporated under the *Business Corporations Act* (Alberta) on August 22, 2007. On October 17, 2007, it amended its articles to add additional classes of preferred shares to its authorized capital. Its registered office is located at 3700, 400 - 3rd Avenue S.W., Calgary, Alberta T2P 4H2 and its head office is located at 600, 440 2nd Avenue S.W., Calgary, Alberta T2P 5E9.

WesternZagros is a reporting issuer (or the equivalent) in the jurisdictions of British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, Nova Scotia, New Brunswick, Newfoundland and Labrador and Prince Edward Island. WesternZagros’ Common Shares trade on the Toronto Stock Exchange Venture (“TSX-V”) under the symbol “WZR”.

Intercorporate Relationships

WesternZagros owns, directly or indirectly, 100 per cent all of the issued and outstanding shares of the subsidiaries shown below:



GENERAL DEVELOPMENT OF THE BUSINESS

WesternZagros was incorporated on August 22, 2007 under the laws of the Province of Alberta. On October 18, 2007, WesternZagros, Western Oil Sands Inc. (now Marathon Oil Canada Corporation) ("Western"), Marathon Oil Corporation, 1339971 Alberta Ltd. and WesternZagros Resources Inc. ("WZRI") completed a Plan of Arrangement (the "Arrangement"). Pursuant to the Arrangement, each Western shareholder received one Common Share of WesternZagros and one-tenth of a Common Share purchase warrant for each Western share held, resulting in the issuance of 165,057,183 Common Shares and 16,505,729 warrants. Each warrant entitled the holder to purchase one Common Share at a price of Cdn\$2.50 until January 18, 2008. Of the 16,505,729 warrants issued pursuant to the Arrangement, 4,073,803 were exercised prior to expiry for total proceeds to WesternZagros of approximately Cdn\$10.2 million prior to expiry.

Immediately following the Arrangement, WesternZagros indirectly received approximately Cdn\$82.5 million cash from Western and completed a private placement of 5 million shares at a price of Cdn\$2.50 per Common Share for proceeds of Cdn\$12.5 million. WesternZagros began trading on the TSX Venture Exchange in Canada on October 22, 2007, under the symbol WZR.

In connection with the Arrangement, through a series of transactions, WesternZagros acquired all of the outstanding shares of WZRI from Western and a subsidiary of Western. In connection therewith, a business acquisition report (Form 51-102F4) has been filed on SEDAR and can be accessed at www.sedar.com. As the shareholders of Western ultimately continued to hold their respective interests in WZRI, there was no resulting change of control. Therefore, the acquisition was accounted for assuming continuity of business for WZRI under Emerging Issues Committee 89 – Exchanges of ownership interests between enterprises under common control-wholly and partially-owned subsidiaries ("EIC-89"). Consequently, under EIC-89 no fair value adjustments were made. The consolidated financial statements of WesternZagros, and the disclosures found throughout the AIF, reflect the assets and liabilities of WZRI at their book value as reported in the consolidated financial statements of WZRI. The continuity of business accounting requires that the results of operations presented in the consolidated financial statements of WesternZagros include the operations of WZRI for the entire fiscal period in which the Arrangement took place. In addition, the comparative consolidated financial statements of WesternZagros were restated to reflect the financial position and results of operation as if WesternZagros and WZRI had been combined since their inception. **As a result, references to WesternZagros in the AIF incorporate the activities of WZRI and its subsidiaries from their inception.**

DESCRIPTION OF THE BUSINESS

WesternZagros is an international natural resources company engaged in acquiring properties and exploring for, developing and producing crude oil and natural gas in Iraq. WesternZagros is party to a PSC with the Kurdistan Regional Government (the "KRG") in respect of a 2,120 square kilometre exploration project area in the Kurdistan Region of Iraq.

In 2003, WesternZagros began examining oil and gas exploration and development opportunities in Iraq with a focus on the Kurdistan Region. In November 2004, WesternZagros signed a Memorandum of Understanding ("MOU") with the KRG Sulaymaniya Administration in order to conduct an exploration study in an area within the southern Kurdistan Region.

Following the completion of these studies and the adoption by national referendum of the Iraq Constitution in October 2005, WesternZagros proposed and negotiated an EPSA for part of the exploration study area with the KRG. The EPSA was originally signed in Sulaymaniya on May 4, 2006 with a requirement that the Corporation's contract be ratified by the unified KRG. On May 8, 2006, the two

antecedent administrations in the Kurdistan Region (located in the cities of Sulaymaniya and Erbil) merged as a united KRG. The EPSA was reviewed in late 2006 and early 2007 by the Minister of Natural Resources of the united KRG and, as a result of this review and with the agreement of WesternZagros, the EPSA was amended to, among other things, reduce the contract area with a corresponding reduction in WesternZagros' work commitment. The amended and revised EPSA was signed in Erbil by WesternZagros and the KRG and ratified by the Prime Minister and the Deputy Prime Minister of the Kurdistan Region on behalf of the Council of Ministers (Cabinet) of the KRG on February 26, 2007.

Subsequent to this, the Kurdistan National Assembly passed the Kurdistan Region Oil and Gas Law on August 6, 2007. This law encapsulated the principles of the then draft Federal Revenue Sharing Law and introduced the Model PSC and associated key economic terms. The KRG also created a Regional Council (for Oil & Gas) (the "Council") to undertake a formal review of all Kurdistan Region petroleum contracts, including WesternZagros' EPSA, executed prior to the enactment of the Kurdistan Region Oil and Gas Law. At this time, the Council requested conformity of WesternZagros' EPSA with the Model PSC and associated economic terms. In this regard, during the latter half of 2007 and in early 2008, WesternZagros was in discussions with the Council. On February 28, 2008, WesternZagros concluded these discussions and signed an amended PSC with the KRG. See "PSC Overview and Commitments".

The area covered by the PSC consists of 2,120 square kilometres (approximately 524,000 acres) on the Kalar-Bawanoor Block in the Kurdistan Region and is on trend with, and adjacent to, a number of historic oil and gas discoveries. See "Principal Properties".

The main focus of WesternZagros' business is the exploration and development of the PSC lands. The objective of WesternZagros is to be recognized, through consistently superior business performance and operations excellence, as one of the leading independent oil and gas companies active in Iraq. The Corporation is committed to operating in the Kurdistan Region of Iraq in a safe and secure manner. In executing its strategy, WesternZagros has made it a priority to recruit and retain local personnel. WesternZagros believes that it has developed a relationship with government authorities, local communities and the business community in the Kurdistan Region that has allowed the Corporation to gain access to opportunities and to obtain the cooperation needed to successfully execute its operational activities.

As at December 31, 2007, WesternZagros had 20 full-time employees in Canada and 17 full-time local national employees in Kurdistan.

Kurdistan features an emerging regulatory regime consistent with a rapidly developing region. WesternZagros is committed to meet local regulations and to act responsibly, and the Corporation will follow relevant Canadian environmental practices where none have yet been developed.

WesternZagros believes that social capacity building and responsibility is highly important and takes this process seriously. The Corporation is aware of, and pays careful attention to, the need to conduct business in a way which optimizes the benefits for the citizens of the Kurdistan Region and all the people of Iraq. As WesternZagros becomes more active in the Region, the Corporation will strive to assist in the training and employment of the local population and include them in the decisions that impact their lives. The Corporation sees the long term potential for its involvement in the Kurdistan Region and desires to work with the KRG, its partners, and the people of Kurdistan to realize the immense value located in this region of Iraq for the long term.

INDUSTRY CONDITIONS

The following is a brief summary of the economic and energy market conditions encountered in conducting oil and natural gas operations in the Kurdistan Region of Iraq. The industry related information in

this section has been taken from public sources, including the Arab Oil and Gas Directory and data compiled by IHS Inc.

Historical

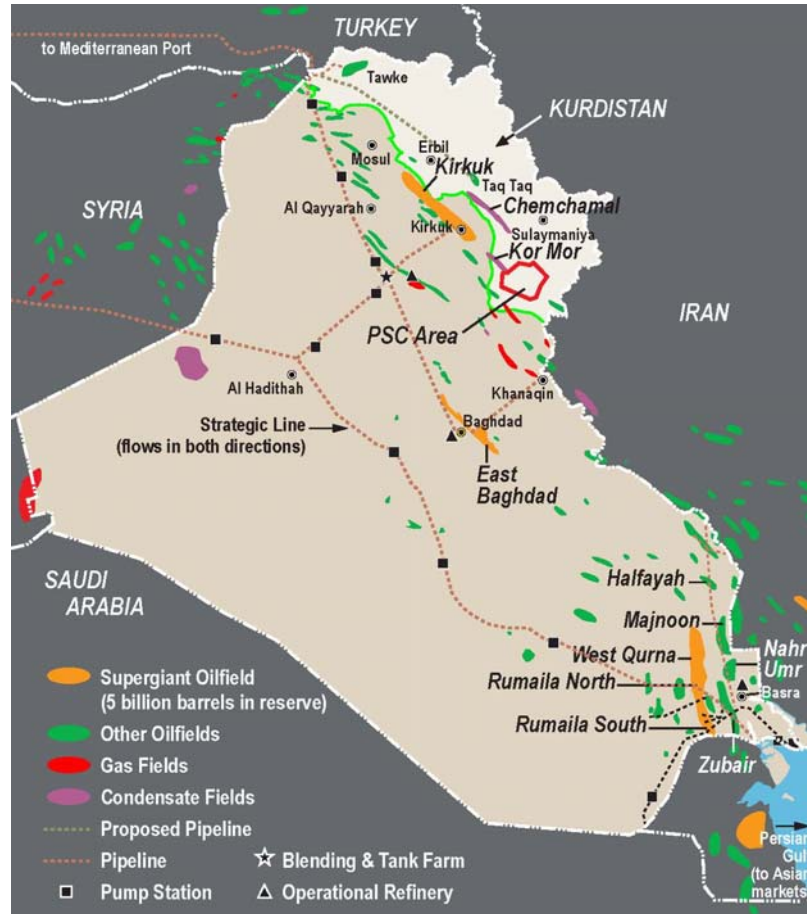
Oil exploration started in Iraq in the 20th century when a number of oil accumulations were discovered. D'Arcy Exploration started to explore in the area adjacent to the Corporation's block at Chia Surkh in 1907 (Source: Daniel Yergin, "The Prize"). In 1914, a consortium of companies formed a joint subsidiary, the Turkish Petroleum Company which subsequently became the Iraq Petroleum Company ("IPC"). In 1927, IPC made the first commercial discovery in Iraq at the Kirkuk field. Following the "Red Line Agreement" in 1928, IPC was comprised of a consortium of Shell, British Petroleum, CFP (now Total), Near East Development (a Mobil/Exxon joint company) and Partex (Gulbenkian). The entirety of Iraq fell within three concessions held by the IPC Group in the names of Mosul Petroleum Company (northern areas west of the Tigris), Basra Petroleum Company (southern Iraq) and IPC itself (northern areas east of the Tigris and including the area of Iraq currently comprising the Kurdistan Region).

In 1933, exports commenced from the Kirkuk field to the Mediterranean at a rate of 1,600 bbls/d. The country's second major oilfield, Rumaila, was discovered by IPC in 1953 and was developed in the 1970's. The Zubair, Bai Hassan, Jambar and Qayarah fields as well as other smaller fields were developed in the 1950's and two other large fields, Buzurgan and Abu Ghirab came on stream in 1976.

During the period from 1950 to 1955, Iraq's oil production reached 697,000 bbls/d from an initial production level of 50,600 bbls/d in 1950. In the 1970s, production reached 3.5 million bbls/d. By a process of nationalization of the IPC interest which began in 1961, the Iraq petroleum industry ultimately came under complete State control in 1975 and since this time the nationalized industry has expanded exploration and development activities.

Many of the large fields in Iraq were not developed due to a number of factors, including the 1980-1988 war with Iran, the 1990 Gulf crisis and war, international sanctions which were imposed on Iraq from 1990 to 2003 and the 2003 invasion by the United States. During the years of sanctions only, two fields were developed in the 1990s; the Khabbaz field in 1994 and the large West Qurna field in 1998.

The Iraq petroleum industry outside the Kurdistan Region is currently operated by the Ministry of Oil of the Republic of Iraq through subordinate State companies: the Northern Oil Company (based in Kirkuk) for the development and production in the north and central regions; and the Southern Oil Company (based in Basrah) for the remainder of the country, with various other State companies involved in marketing and refining. Refineries are situated in Baghdad, Basra, al-Hadithah, Khanaqin, Kirkuk and Qayarah.



Current

Iraq has numerous large undeveloped fields and unexplored areas. Out of the 73 oil fields discovered, only 15 are producing. Six of the 73 oil fields are classified as super-giant (over 5 billion bbls), 23 as giant (500 million to 5 billion bbls), and 44 as medium to large (50 to 500 million bbls) or small (less than 50 million bbls). Iraq has approximately 115 billion bbls (approximately 75 billion bbls undeveloped) of proven oil reserves and 220 billion bbls of proven and probable reserves. Over 80% of Iraq's oil reserves are located in the Cretaceous formations. Approximately two-thirds of the oilfields have only been drilled to the Cretaceous formations. The remaining reserves are essentially found in the Tertiary formations (Kirkuk). Iraq's total oil production in 2007 averaged over 2.1 million bbls/d, of which 1.63 million bbls/d was exported. Iraq has established oil export routes to the Mediterranean via Turkey and directly to the Persian Gulf. See "Oil Transportation Infrastructure". The Rumaila field in southern Iraq has a daily capacity of approximately 1.25 million bbls/d and the Kirkuk field has a capacity of approximately 0.85 million bbls/d.

WesternZagros' business plan does not contemplate the development of natural gas fields until a natural gas market is developed. It is anticipated that a natural gas market within Iraq and a natural gas export market to Turkey and Europe may develop over the next 10 years. If so, value could be created through development of natural gas opportunities if natural gas is discovered within the PSC lands as the PSC provides for future gas development. Some unconventional value chain projects such as power generation, gas-to-liquids and gas cycling (liquids stripping) may provide additional business opportunities; however, the commercial viability requires careful study.

Of the seven Iraq natural gas fields previously planned for development by Iraq's Ministry of Oil for development, four lie in relative proximity to the PSC lands (i.e. Mansuriyah, Kor Mor, Jeria Pika, and Chemchemical). In 2007, the KRG signed contracts with Dana Gas for the development of the Kor Mor and Chemchemical gas fields. If WesternZagros discovers associated or non-associated natural gas/condensate, there may be potential for WesternZagros to monetize its gas resources.

Industry Structure

WesternZagros is currently one of a number of oil and gas companies/consortia with operations in the Kurdistan Region. Other industry participants include DNO ASA, a Norwegian exploration company, Dana Gas PJSC, a UAE company, TTOPCO Taq Taq Operating Company (the joint operating company of Genel Energy International Limited and Addax Petroleum International Limited), PetPrime and A&T Energy, two US-Turkish joint ventures, and Hunt Oil Company of Kurdistan Region (a subsidiary of Hunt Oil Company), which executed a production sharing contract with the KRG in September 2007. In addition, a number of other international and multinational companies signed PSCs in the Kurdistan Region in late 2007 including Heritage Oil and Gas, Perenco S.A., OMV, Kalegran Limited (a wholly-owned subsidiary of MOL Hungarian Oil and Gas PLC), Gulf Keystone Petroleum, Reliance Industries, Norbest Limited (an affiliate of TNK-BP), KNOC Bazian Limited (owned by the Korea National Oil Corporation) and Korean private sector oil exploration and development companies, HKN Energy, Sterling Energy and Aspect Energy.

Iraq is currently engaged in an exercise to update its existing petroleum legislation, which dates back to the nationalization of its then concession-based petroleum industry. A draft Federal Iraq Oil & Gas Law was prepared by a committee comprising representatives of the Kurdistan Region and the parties included in the federal Council of Representatives (Cabinet). This committee reached consensus on a draft Federal Oil & Gas Law on February 15, 2007. However, certain material issues remained to be resolved, such as completion of the annexes to the law, the structure of certain federal institutions, such as the Ministry of Oil and the Iraq National Oil Company, the terms of the model petroleum agreements that are contemplated by the draft Federal Oil & Gas Law, and the terms of a law governing revenue sharing for petroleum activities. A consensus was reported to have been reached on a revenue sharing law on June 21, 2007; however, certain issues remain outstanding. There are political differences within Iraq as to the terms of the draft Federal Oil & Gas Law, in particular as to the authority of the federal Regions over petroleum resources and the issue of foreign investment/production sharing in Iraq's upstream petroleum resources. Disagreements have recently been reported to exist between the Iraq Minister of Oil and officials of the KRG in relation to the terms of the draft Federal Oil & Gas Law.

The Iraq Constitution and the draft Federal Oil & Gas Law contemplate a role for Regional governments in awarding petroleum contracts for certain types of operations, and regulating those petroleum operations occurring within the regions. The KRG developed a Kurdistan Region Oil & Gas Law to be consistent with such a role and in conformity with the principles reflected in the proposed Federal Oil & Gas Law in February 2007 and the proposed Federal Revenue Sharing Law in June 2007. On August 6, 2007, the Kurdistan Region Parliament (also known as the Kurdistan National Assembly) approved the Kurdistan Region Oil & Gas Law (Kurdistan Region Law No. 22 of 2007) which came into force in the Kurdistan Region with effect from August 9, 2007. WesternZagros' activities under its PSC fall within the jurisdiction of the Kurdistan Region Oil & Gas Law. Certain officials of the federal Iraq government have expressed an opinion that the Kurdistan Regional Oil & Gas Law is invalid and that contracts signed with the KRG are illegal. KRG officials maintain that the Kurdistan Regional Oil & Gas Law is in fact consistent with the Iraq Constitution and the KRG has obtained an expert legal opinion in this regard. This legal opinion is available at www.krg.org or at www.westernzagros.com.

The Kurdistan Region Oil & Gas Law, as enacted by the Kurdistan Region Parliament, created a Regional Council (for Oil & Gas) comprised of the KRG Prime Minister, the KRG Deputy Prime Minister, the KRG Ministers of Finance and Economy and Natural Resources and the KRG Planning Minister. The law

also included a stipulation introduced during the parliamentary process that all the exploration and production sharing contracts which were executed by the KRG before this law came into force will be reviewed by the Regional Council (for Oil & Gas) in order to ensure that any such contracts are consistent with this law, taking into consideration the related circumstances when the contracts were signed. The KRG has now completed this process and all previously existing contracts, including WesternZagros' have been reviewed and amended by the KRG in order to bring them into conformity with the KRG's published Model PSC and the guidelines for commercial terms for production sharing agreements.

There is no assurance that any Iraq federal law will be enacted authorizing and defining the role for Regional governments in awarding petroleum contracts such as the PSC, or that federal law, if enacted, will be consistent with the draft Federal Oil & Gas Law. In addition, it is also possible that a subsequent review of the PSC, similar to the Regional Council review described above, may be required under any Iraq federal law which may be enacted but this remains unknown at this time. Failure to enact federal oil and gas legislation or the enactment of federal legislation contrary to Kurdistan Region legislation could materially and adversely impact WesternZagros' interests in the Kurdistan Region. See "Risk Factors— Legislative Issues".

Oil Transportation Infrastructure

WesternZagros is currently evaluating various options to export crude oil from potential oil discoveries made on the PSC lands. Trucking crude to terminals at Kirkuk or Taq Taq may provide a short term solution for any potential oil discoveries; however, WesternZagros may eventually require access to a pipeline system linked to an export terminal. There are also industrial consumers such as power plants and refineries which provide tangible marketing environments within reach of trucking operations. According to the International Energy Agency, the current pipeline system in Iraq has over 6 million bbls/d of crude export capacity. However, much of the existing oil infrastructure is in need of repair. If restored to its full operating capabilities, the Iraq pipeline system is expected to have abundant capacity.

The pipeline options available to WesternZagros to export crude from the PSC lands are depicted below and include the Ceyhan, Turkey System (1.6 MMbbls/d), the Kirkuk-Basra System (1.4 Mbbls/d), the Kirkuk-Baniyas, Syria System (250 Mbbls/d), as well as a system proposed to be built within the Kurdistan Region.

Existing and Proposed Pipelines



A proposed Kurdistan Region pipeline project could also allow evacuation of oil from the Taq Taq field and other Kurdish Region oil discoveries into the main existing pipeline to Ceyhan at the Turkish border near Zakho. Effective execution of this proposed project will require collaboration with the KRG and Iraq's Federal Government. If the KRG crude oil export system was sanctioned between the end of 2008 and late 2009, with a lead time of approximately two to three years, the pipeline could be operational by early 2012. Such a pipeline could be twinned by a gas pipeline providing access to the central European gas market.

The proposed Kurdistan Region pipeline route is WesternZagros' preferred option for exporting crude oil from potential oil discoveries made within the PSC lands as it would not have the major repair and maintenance issues of certain of the other pipeline routes.

Competitive Advantages and Challenges

Although WesternZagros is a relatively small corporation in a large and competitive industry, it also has certain competitive advantages over some of the larger industry participants due to its early entrance

into the region and the relationships which it has developed. WesternZagros has the ability to respond to opportunities in an expeditious manner. WesternZagros has an experienced and qualified board of directors and management, especially in the areas of international oil and natural gas activity and the financing thereof. In addition, WesternZagros will continue to develop and maintain key business relationships, particularly with local partners and government representatives in the Kurdistan Region and other regions of Iraq. WesternZagros can also access current technology used in the onshore petroleum industry in North America and elsewhere.

Offsetting these advantages is the distance between the Kurdistan Region and WesternZagros' head office, requiring the establishment of branch offices with associated costs. Securing and retaining qualified staff for these operations given the remote working conditions and potential security concerns may also present a challenge. For the same reasons, equipment and services may not be readily available, thus requiring more advanced planning or commitments not otherwise required elsewhere. See "Risk Factors".

Security Matters

Security risks exist in Iraq and are especially pronounced in the area in the vicinity of Baghdad and a number of other cities outside of the Kurdistan Region. WesternZagros' experience is that the Kurdistan Region maintains the safest operating environment in Iraq. Within the Kurdistan Region, limited insurgent activities have been directed towards the offices and personnel of the KRG. The beneficial security environment in the Kurdistan Region is a direct result of the influence of the KRG through its Kurdish Region National Guard (the "Peshmerga") and the Internal Security Agency of the KRG (the "Asaiysh"). Through the effective deployment of the Peshmerga and the Asaiysh, the KRG has been largely effective in controlling its regional and international borders and maintain security in the region. Based upon the general success achieved by the KRG and advice from the Corporation's security advisors, WesternZagros assesses the threat level within the PSC lands as moderate. WesternZagros takes further precautions and obtains regular security advice and protection from several sources including D.S. Vance, a subsidiary of GardaWorld, the largest private security provider in the world. See "Risk Factors".

WesternZagros has also established relationships with local health providers in Sulaymaniya and has an agreement with International SOS for emergency medical evacuation. International SOS has also conducted an in-depth assessment of the health facilities. WesternZagros requires all of its major contractors to have their own expatriate insurance, medic with ambulance vehicle and health, safety and environmental professional on site, full time in the field.

PSC OVERVIEW AND COMMITMENTS

Under the terms of the PSC, WesternZagros has a 40 per cent working interest and the KRG has a direct 20 per cent interest in the PSC, primarily carried by WesternZagros. The remaining 40 per cent may be allocated to a third party or parties elected by the KRG within a six month period ending on August 28, 2008. The third party will be required to pay a share of the costs incurred by WesternZagros up to the effective date of such third party's participation in the block. WesternZagros, the KRG and any third parties are collectively the "Contractor Group" under the PSC. WesternZagros is the operator of the PSC lands for the first three years, after which time a Joint Operating Committee will be established if so elected by the Contractor Group.

The PSC contemplates two exploration sub-periods of three years and two years, respectively, with two possible one-year extensions. The first exploration sub-period ends December 31, 2010. During such time, the Contractor Group is required to complete a minimum of 1,150 kilometres of seismic surveying, drill three exploration wells and commit a minimum of US\$75 million in the aggregate on seismic, geologic studies and drilling. At the end of the first exploration sub-period, WesternZagros and the other parties to

the PSC may relinquish the entire contract area (other than any discovery or development areas), or continue further exploration operations during the second exploration sub-period which ends December 31, 2012. The PSC also includes capacity building support, payable by WesternZagros over a 15 month period and funding for certain technological, logistical, recruitment and training during the first exploration sub-period, and any subsequent sub-periods.

WesternZagros estimates that its 40 per cent share of the PSC work commitment for the first exploration sub-period, its previously paid signature bonus, the capacity building support and the requirement for the Corporation to primarily carry the KRG's 20 per cent interest through the work commitments to be approximately \$103 million.

During the second exploration sub-period, the Contractor Group, or those parties that have elected to participate in further exploration, is required to complete a minimum of 575 kilometres of seismic surveying, drill at least two exploration wells and commit a minimum of US\$35 million in the aggregate on seismic, geological studies and drilling. At the end of the second exploration sub-period, WesternZagros, and the other parties to the PSC who have elected to participate in the second exploration sub-period, may relinquish the entire contract area (other than any discovery or development areas) or continue further exploration operations during two one-year extension periods, which would extend the total exploration period to December 31, 2014. At the end of the second exploration sub-period, and at the end of each subsequent extension period, the PSC requires WesternZagros, and other parties who have elected to participate, to relinquish 25 per cent of the remaining undeveloped area within the PSC lands or the entire contract area (other than any discovery or development areas).

If a discovery is made on the PSC lands with commercial potential, there is an obligation for the Contractor Group to appraise the discovery for commerciality. If such discovery is determined to be commercial, the Contractor Group is obligated to develop the discovery. Discoveries that are determined to be commercial are subject to a 20-year initial term plus a five-year extension period.

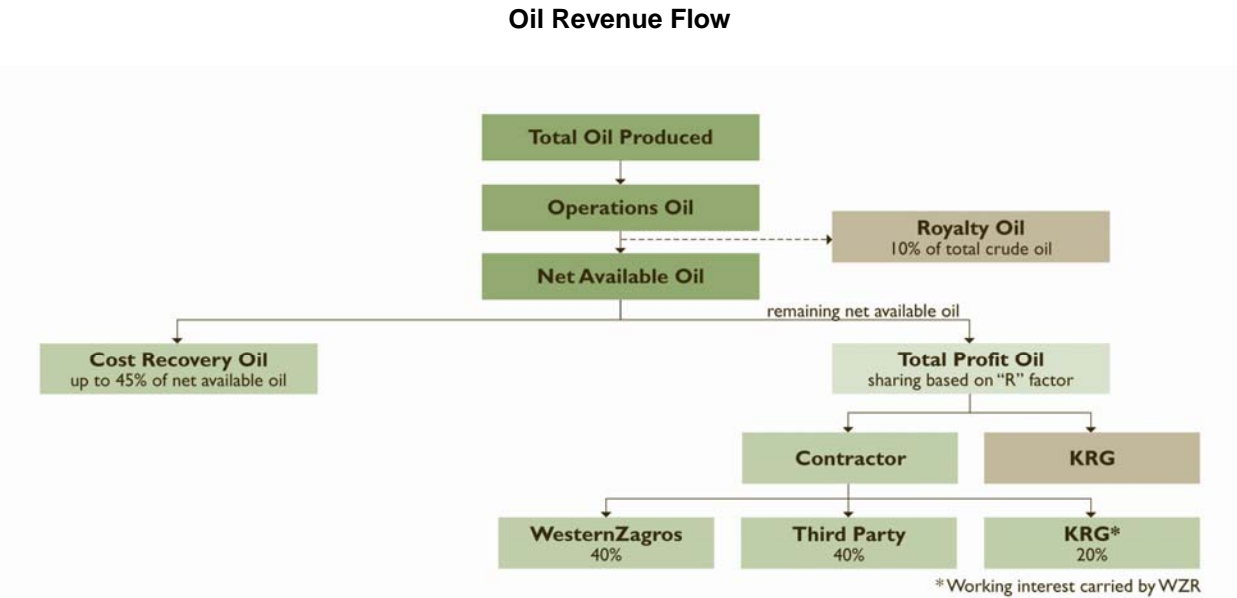
WesternZagros has entered into various exploration related contracts, including for drilling equipment, services and tangibles, and seismic surveying equipment and services, to meet the requirements it has under the PSC. The following table summarizes the commitments WesternZagros has under these exploration related contracts and other contractual obligations at December 31, 2007:

(US\$ thousands)	For the Year Ending December 31					Total
	2008	2009	2010	2011	2012+	
Exploration	11,343	-	-	-	-	11,343
Office	375	375	94	-	-	844
Total	11,718	375	94	-	-	12,187

The Corporation has granted to certain participants options to acquire an aggregate working interest equal to five per cent of WesternZagros' interest in the PSC, and subject to the same terms as WesternZagros' interest. Certain portions of the participation interest may be funded by interest bearing loans granted by WesternZagros.

Revenue

The schematic below illustrates the sharing of oil under the PSC:



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% royalty payable to the KRG.

The Net Available Oil is determined on a development by development basis. Up to 45 per cent of the Net Available Oil is available for cost recovery with the remainder allocated to "Profit Oil." Costs subject to cost recovery include all costs and expenditures incurred by the Contractor Group for exploration, development, production and decommissioning operations, as well as any other applicable costs and expenditures incurred directly or indirectly with these activities. The portion of Profit Oil available to the Contractor Group is based on a sliding scale from 35 per cent to 16 per cent depending on a calculated R-Factor. The R-Factor is established by reference to the ratio of the Contractor Group's cumulative revenues to their cumulative costs. When the ratio is below one, the Contractor Group is entitled to 35 per cent of the Profit Oil. The Contractor Group's percentage is then reduced on a linear sliding scale to a minimum of 16 per cent at a ratio of two or greater.

Production

Pursuant to the terms of the PSC, WesternZagros maintains the right to market its share of oil on the world market. There is an obligation under the PSC to make oil production available to meet regional market demand. The price for such oil is a market-based oil price based on a basket of crudes. The price for natural gas is based on local commercial value and Iraq tariffs.

In addition to the database of seismic and well data that was obtained from the KRG and the federal Ministry of Oil during the course of negotiating the Corporation's original EPSA, WesternZagros acquired over 200 km of new 2D seismic in 2005 and an additional 760 km of new 2D seismic was acquired under a Phase I seismic program completed early in the fourth quarter of 2007. WesternZagros has built two camps within its PSC lands and plans to acquire 780 km of additional new 2D seismic data in the latter part of 2007 and 2008 under its Phase II seismic program. With the completion of these two programs WesternZagros will exceed its commitment to complete a minimum of 1,150 km of seismic surveying. The additional seismic data acquired may be credited towards the 575 kilometre seismic work commitment in the second exploration sub-period. (See "PSC Overview and Commitments" for a discussion of WesternZagros' work commitments pursuant to the PSC.)

No petroleum exploration wells have been drilled on the PSC lands and, consequently, WesternZagros has not established any reserves in Iraq. See Schedule A for Report of Management and Directors on Reserves Data and Other Information.

Budgeted Capital Expenditures

Capital and operating expenditures for the PSC lands are budgeted to be \$78 million in 2008, excluding the capacity building support payments and other payments associated with the PSC signed in February 2008. Approximately 80 per cent of this budget is allocated to the seismic program and drilling activity in the Kurdistan Region, including funding for the completion of the remainder of the Phase II seismic program and the drilling of two exploration wells. The remainder of this budget is for the funding of in-country overhead costs and corporate general and administrative costs. The cost of drilling initial wells in the block with a depth of between 4,000 and 4,800 meters designed for sour service (H₂S) is estimated to be between US\$20 million and US\$22 million per well.

Due to the nature of oil and gas exploration and development, budgets are regularly reviewed in view of the success of the expenditures and other opportunities which may become available to WesternZagros. Accordingly, while WesternZagros anticipates that it will execute under the 2008 budget, there may be circumstances where, for sound business reasons, a change in budget may be prudent. Readers should also be aware of the various risks related to the nature of WesternZagros' business and its present stage of development. See "Risk Factors".

Exploration and Development Activities

No exploratory or development wells have ever been drilled on the PSC lands. See "PSC Overview and Commitments" and "Principal Properties – Overview" for a description of WesternZagros' current and proposed exploration and development activities.

Properties with No Attributed Reserves

The following table sets out WesternZagros' undeveloped land position, all of which is related to the PSC and located in the Kurdistan Region of Iraq:

<u>Gross</u> ⁽¹⁾	<u>Undeveloped</u>	<u>Net</u> ⁽²⁾
524,000 acres		199,120 acres

(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' 40 per cent working interest therein, and then further reduced to net the minority participants interest being five per cent of WesternZagros' interest.

WesternZagros does not expect its rights to explore, develop and exploit any of its undeveloped properties to expire within the next year. See "PSC Overview and Commitments" for a description of the Corporation's commitments in respect of the PSC lands.

Costs Incurred

The following table summarizes the capital expenditures made by WesternZagros in Iraq for the year ended December 31, 2007.

<u>Property Acquisition Costs</u> ⁽¹⁾	<u>Exploration Costs</u> ⁽¹⁾	<u>Development Costs</u>
\$5.0	\$50.3	\$nil

(1) all costs were incurred in respect of unproved properties

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 the Kurdistan Region.

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. The following is a summary of the rights, privileges, restrictions and conditions which will be attached to the Common Shares, the preferred shares and Class A preferred shares.

Common Shares

Holders of Common Shares are entitled to one vote per share at meetings of holders of Common Shares, to receive dividends if, as and when declared by the board of directors 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 WesternZagros shares.

Class A Preferred Shares

The Class A preferred shares will be issuable in series and each series of Class A preferred shares will have such rights, restrictions, conditions and limitations as the board of directors of WesternZagros may from time to time determine. The 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.

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 the WesternZagros shares since its incorporation. Any decision to pay dividends on the WesternZagros shares will be made by the board of directors of WesternZagros on the basis of the corporation'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.

MARKET FOR SECURITIES

WesternZagros' Common Shares were listed for trading on the TSX-V on October 22, 2007 and trade under the symbol "WZR". The high and low trading prices and the aggregate volume of trading of the Common Shares for 2007 are set forth below:

	(Cdn\$/share)		Volume
	High	Low	
October (1)	4.25	2.82	49,740,800
November	3.94	1.90	38,081,700
December	2.66	1.90	13,551,300

(1) October trading data is from October 22, 2007, the date the shares were listed on the TSX-V.

DIRECTORS AND EXECUTIVE OFFICERS

Name, Address and Occupation

The following table sets out the names and municipality of residence of each of the current directors and officers of WesternZagros and their current positions and offices with WesternZagros and their principal occupations and positions held during the last five years.

<u>Name and Municipality of Residence</u>	<u>Office Held</u>	<u>Office Held Since</u>	<u>Principal Occupations within the Five Preceding Years</u>
DAVID J. BOONE ^{(1), (3), (4)} Calgary, Alberta, Canada	Director	2007	President of Escavar Energy Inc., a private oil and gas corporation, since 2003. Prior to that, Executive Vice-President of EnCana Corporation and President of EnCana's Offshore and International Division.
FRED J. DYMENT Calgary, Alberta, Canada	Director, Executive Chairman	2007	Independent businessman. Serves on the Board of Directors of Tesco Corporation, ZCL Composites Inc., ARC Energy Trust and Transglobe Energy Corporation.
JOHN FRANGOS ^{(3), (4)} Calgary, Alberta, Canada	Director	2007	Independent businessman. Executive Vice-President and Chief Operating Officer of Western from January 2002 to December 2005.
M. SIMON HATFIELD Calgary, Alberta, Canada	Director, President	2007	Vice President and Managing Director (Oil and Gas Group) of Western May 2005 to October 2007 and Managing Director (Oil and Gas Group) of Western from September 2003 to May 2005 during which time he played the principal role in the identification, negotiation and securing of the PSC. Prior thereto, President of HCG Inc., a private consulting company focused on upstream ventures in the Middle East.
JAMES C. HOUCK ^{(1), (2), (3)} Calgary, Alberta, Canada	Director	2007	President and CEO of Western April 2005 to October 2007. Previously principal of FrontStreet Partners, a private United States investment firm, since 2003. President of Chevron's Worldwide Power and Gasification Inc. from 1998 to 2003.
RANDALL OLIPHANT ^{(1), (2)} Toronto, Ontario, Canada	Director	2007	Chairman and CEO of Rockcliff Group Limited, a private company investing mainly in the mining sector, since 2003.

			Prior thereto, served in various senior financial roles in Barrick Gold Corporation culminating in appointment as CEO in 1999, a position he held until 2003.
WILLIAM WALLACE ^{(2), (4)} Glenwood Springs, Colorado	Director	2008	Independent Businessman. Previously served on the Board of Directors for Markwest Hydrocarbons, Kerr McGee and Westport Resources Corp, KMOO Oil Corp.
GREG STEVENSON Calgary, Alberta	Vice President, Finance	2007	Controller of Western from January 2005 to October 2007, Manager Financial Reporting of Western from January 2004 to December 2004 and Senior Financial Analyst of Western from March 2003 to December 2003. Prior thereto, served as a Senior Financial Analyst at Suncor Energy Inc.
ROBERT J. THERIAULT Calgary, Alberta	Senior Vice President, Engineering & Operations	2007	Senior Vice President, Engineering & Operations of WesternZagros August 2007 to October 2007. Director of Midstream and Producing Assets for Cairn India Limited (the Indian subsidiary of Scottish firm Cairn Energy Plc) in New Delhi from 1999 to August 2007.

(1) Member of the Audit Committee

(2) Member of the Corporate Governance Committee

(3) Member of the Compensation Committee

(4) Member of the Health, Safety, Environment & Security Committee

Each of the directors of WesternZagros will hold office until the first annual meeting of the holders of WesternZagros Shares to be held in June 2008 or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with WesternZagros' articles or by-laws.

The directors and executive officers of WesternZagros, as a group, beneficially own, directly or indirectly, or exercise control or direction over 6,191,722 Common Shares or approximately three per cent of the outstanding Common Shares of WesternZagros.

Cease Trade Orders and Bankruptcies

To the knowledge of WesternZagros, no director or executive officer of WesternZagros, or, in the case of (b) below, shareholder holding a sufficient number of securities of WesternZagros to affect materially the control of WesternZagros is or has been, within 10 years before the date of the AIF:

(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, or within a year of that person ceasing to act 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,

other than Simon Hatfield who resigned as an officer of Chauvco Resources International Ltd. in June 1998 after serving for six months. On January 26, 1999, a bankruptcy receiving order was granted by the Alberta Court of Queen's Bench against Chauvco International and it was subsequently ceased traded for failing to file financial statements and other related documents.

Personal Bankruptcies

To the knowledge of WesternZagros, no director or executive officer of WesternZagros, or shareholder holding a sufficient number of securities of WesternZagros to affect materially the control of WesternZagros, has, within 10 years before the date of this information circular, 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 WesternZagros, no director or executive officer of WesternZagros, or shareholder holding a sufficient number of securities of WesternZagros 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 officers of WesternZagros will be subject in connection with the operations of WesternZagros. In particular, certain of the directors and officers of WesternZagros are involved in managerial or 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, 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 at the date of the Information Circular, WesternZagros is not aware of any existing or potential material conflicts of interest between WesternZagros and any director or officer of WesternZagros.

BACKGROUNDS OF DIRECTORS AND MANAGEMENT

Profiles of the directors and officers and other key personnel of WesternZagros are set forth below.

David J. Boone, Director, Age 52

Mr. Boone has over 30 years of broad Canadian and international energy experience in the upstream industry with past positions including President, Offshore and International Operations for EnCana Corporation; Executive Vice-President and Chief Operating Officer of PanCanadian Energy and co-founder, President, and a director of Escavar Energy, a private oil and gas company. Mr. Boone holds a Civil Engineering degree from Queen's University. He is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta and is Chairman of the Canadian Association of the World Petroleum Council.

Fred Dymont, Director and Executive Chairman, Age 59

Mr. Dymont is employed on a part-time basis as Executive Chairman of the Corporation. He has over 30 years of experience in the oil and gas industry. He spent the majority of his career at Ranger Oil Limited holding the positions of Controller, Vice President Finance, Chief Financial Officer and finally Chief Executive Officer. After Ranger Oil was sold to Canadian Natural Resources in 2000, he served as Chief Executive Officer of Maxx Petroleum Company from 2000 to 2001. Mr. Dymont is currently an independent businessman and serves on the Board of Directors of Tesco Corporation and ZCL Composites Inc., two design, manufacture and service companies. In addition, Mr. Dymont is a director of ARC Energy Trust and Transglobe Energy Corporation. Mr. Dymont also served as Governor of the Canadian Association of Petroleum Producers (CAPP) from 1995 to 1997. He holds a Chartered Accountant designation.

John Frangos, Director, Age 66

Mr. Frangos was the co-founder of Western. From 2002 to 2005, he served as Western's Executive Vice President and Chief Operating Officer and played a key role in negotiations with the KRG. Prior to forming Western, Mr. Frangos was employed with BHP and predecessor corporations for 28 years and was Vice-President, International Business Development for BHP's Minerals Business Unit. He holds a Diploma in Mechanical and Electrical Engineering, an Associate Diploma in Mechanical Engineering and a Masters of Business Administration degree.

M. Simon Hatfield, Director and President, Age 53

Mr. Hatfield has over 30 years of international and domestic oil and gas experience in technical, managerial and executive positions with Imperial Oil, Exxon Production Research Company, Petro-Canada, Chauvco Resources, Talisman Energy and Western and has had extensive experience in Iraq since 1995. Mr. Hatfield, as Vice President and Managing Director, Oil & Gas at Western, initiated the Kurdistan Region opportunity for WesternZagros and led the technical and business process which successfully concluded the signing and ratification of the EPSA and the PSC. He holds a Bachelor of Science (Honours) degree in Geology with Physics from the University of London, UK, a Masters of Science degree in Geology from the

University of Reading, UK, and has completed the Executive Development Program at the University of Calgary. He is a member of the Association of International Petroleum Negotiators.

James C. Houck, Director, Age 60

Mr. Houck was the President and Chief Executive Officer of Western from April 2005 until completion of the Arrangement in October 2007 and has over 37 years of experience in the energy industry. Before joining Western, he was a principal of FrontStreet Partners, a U.S.-based, privately-held investment firm and prior to that, Mr. Houck spent the majority of his career with ChevronTexaco Inc. where he held various senior level positions within the exploration and production segments, including global gas and power, business development, production and operations, research and development and strategic planning. As part of his tenure with ChevronTexaco Inc., Mr. Houck was Assistant Division Manager for all of Texaco's U.S. producing operations, President of Texaco Development Corporation and President of Worldwide Power and Gasification. Mr. Houck holds a Bachelor's degree in Engineering Science from Trinity University in San Antonio and a Master of Business Administration degree from the University of Houston.

Randall Oliphant, Director, Age 48

Mr. Oliphant is the Chairman and Chief Executive Officer of Rockcliff Group Limited, a private corporation actively involved in the strategic planning and corporate development of its investee companies, principally in the mining sector. He is on the Advisory Board of Metalmark Capital LLC (formerly Morgan Stanley Capital Partners) and serves on the boards of a number of public including Western Goldfields Inc., Silver Bear Resources Inc. and Franco-Nevada Corporation as well as private companies and not-for-profit organizations. Until 2003, he was the President and Chief Executive Officer of Barrick Gold Corporation, and served in senior financial positions since joining the company in 1987 prior to being appointed Chief Executive Officer in 1999. Mr. Oliphant holds a Bachelor of Commerce Degree from the University of Toronto and is a Chartered Accountant.

William F. Wallace, Director, Age 68

Mr. Wallace has over 40 years industry experience and has served in various executive management positions. He was President and Chief Operating Officer of Barrett Resources/Plains Petroleum Company; Regional Vice President and Vice President Exploration with Texaco; and Group Vice President of CSX Oil and Gas Company. Mr. Wallace was also a consultant for several years with The Beacon Group where he assisted in identifying investment opportunities for a billion dollar energy capital fund. He brings a wealth of international exploration experience and board expertise to WesternZagros. Mr. Wallace lived and worked abroad for 16 years and supervised international operations in Colombia, Ecuador, Venezuela, the United Kingdom, Ireland, France, New Zealand, Australia and Pakistan. He has also served on the board of directors of several public companies including Kerr McGee and Markwest Hydrocarbons. Mr. Wallace earned a M.Sc. in Geology from Stanford University and holds an undergraduate degree in Geology from Middlebury College.

Greg Stevenson, Vice President, Finance, Age 33

Mr. Greg Stevenson is a Chartered Accountant with over 11 years' experience working with a major accounting firm as well as with large public companies in the oil and gas industry. Prior to joining WesternZagros as Vice President, Finance, Mr. Stevenson was Controller at Western. During his tenure at Western Oil Sands, Mr. Stevenson was part of the senior finance team responsible for budgeting, forecasting and modeling its business activities. Mr. Stevenson was also intimately involved in WesternZagros matters during his time with Western.

Robert J. Theriault, Senior Vice President, Engineering & Operations, Age 52

Mr. Theriault has over 30 years of international and domestic experience in upstream and midstream oil and gas operations for several companies. Prior to joining WesternZagros in August 2007, he was with Cairn India Limited in Chennai and New Delhi since 1999, where his most recent role was Director of Midstream and Producing Assets. Previously, Mr. Theriault was Manager International Development with Husky Oil in Calgary for three years. His experience also includes management assignments with Pertamina-Husky in Indonesia and with CSR Petroleum in Indonesia and Australia after starting his career with Suncor in Calgary. He holds a Bachelor of Science, Mechanical Engineering from the University of Calgary and is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta.

Dr. George Pinckney, Vice President, Exploration, Age 59

Dr. Pinckney is currently responsible for all of WesternZagros' geotechnical work in Iraq including the evaluation of the Corporation's block. Dr. Pinckney has extensive international experience and has spent the majority of his 32 year career with Mobil Oil and ExxonMobil in locations throughout Canada, the United States and Southeast Asia. He was educated in the United Kingdom and holds a PhD degree in Geology and a Bachelor of Science degree (Honours) in Geology, both from Queen Mary College, University of London. He is a member of the Association of Professional Engineers, Geologists, and Geophysicists of Alberta, the Canadian Society of Petroleum Geologists, the American Association of Petroleum Geologists, the Geological Society of London (Fellow), the Yorkshire Geological Society, the Indonesian Petroleum Association, the Southeast Asia Petroleum Exploration Society and the Canadian Gas Potential Committee (East Coast Sub-Committee).

Matt Swartout, Senior Drilling Manager, Age 49

Mr. Swartout has over 25 years of oil and gas industry experience in drilling engineering, construction, supervision and management. He was previously employed by High Arctic Energy Services Trust. Mr. Swartout is known as an industry expert with respect to under balance drilling and is an inventor and holder of two United States patents used in Advance Well Control, Under Balance Drilling and Managed Pressure Drilling, with one patent pending. He holds a Bachelor of Science in Petroleum Engineering from the Montana College of Mineral Science and Technology and a Diploma of Petroleum Technology (Honours) from the Southern Alberta Institute of Technology.

RISK FACTORS

An investment in WesternZagros should be considered highly speculative due to the nature of its activities and the present stage of its development. Management has identified certain key risks and their potential impact on WesternZagros' operations. Many of these risks are outside of WesternZagros' control.

Foreign Activities

All of WesternZagros' assets are located in the Kurdistan Region of Iraq. As such, WesternZagros is subject to political, economic, and other uncertainties, including, but not limited to, the uncertainty of negotiating with foreign governments, expropriation of property without fair compensation, adverse determinations or rulings by governmental authorities, changes in energy policies or in the personnel administering them, nationalization, currency fluctuations and devaluations, disputes between various levels of authorities, arbitrating and enforcing claims against entities that may claim sovereignty, authorities

claiming jurisdiction, potential implementation of exchange controls and royalty and government take increases and other risks arising out of foreign governmental sovereignty over the areas in which WesternZagros' operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrections.

WesternZagros' operations may be adversely affected by changes in government policies and legislation or social instability and other factors which are not within the control of WesternZagros including, among other things, adverse legislation in Iraq and/or the Kurdistan Region, a change in crude oil or natural gas pricing policy, the risks of war, terrorism, abduction, expropriation, nationalization, renegotiation or nullification of existing concessions and contracts, taxation policies, economic sanctions, the imposition of specific drilling obligations and the development and abandonment of fields.

Political Issues

The political and security situation in Iraq (outside the Kurdistan Region) is unsettled and volatile. The Kurdistan Region is the only "Region" of Iraq that is established pursuant to the Iraq Constitution, which, expressly recognizes the Kurdistan Region. The political issues of federalism and the autonomy of Regions in Iraq are matters about which there are major differences between the various political factions in Iraq. These differences could adversely impact WesternZagros' interest in the Kurdistan Region.

Legislative Issues

No federal Iraq legislation has yet been agreed to or enacted by the Iraq Council of Ministers (Cabinet) and Council of Representatives (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 (or the enactment of federal legislation contradictory to Kurdistan Region legislation) could materially adversely impact WesternZagros' interest in the Kurdistan Region and the PSC. Disagreements have recently been reported to exist between the Iraq Minister of Oil and officials of the KRG in relation to the terms of the draft Federal Oil and Gas Law. Certain officials of the Ministry of Oil have also expressed an opinion that the Kurdistan Regional Oil & Gas Law is invalid.

It is also possible that a subsequent review of the PSC, similar to that recently undertaken by the Kurdistan Regional Council (for Oil & Gas), may be required under any federal Iraq legislation which may be enacted but this remains unknown at this time.

Prices, Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by WesternZagros is and will continue to be affected by numerous factors beyond its control including the impact that the various levels of government may have on the ultimate price received for oil and gas sales. WesternZagros' ability to market its oil and natural gas will depend upon its ability to secure transportation. WesternZagros 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 oil and natural gas and other aspects of the oil and natural gas business.

Both oil and natural gas prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of the feasibility of WesternZagros' business plan.

Project Risks

WesternZagros' ability to execute projects and market oil and natural gas will depend upon numerous factors beyond WesternZagros' control, including:

- the availability and proximity of pipeline capacity;
- security issues;
- the supply of and demand for oil and natural gas;
- the effects of inclement weather;
- the availability of drilling, production and related equipment and supplies, as well as services, all of which may be disrupted for a number of reasons;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- the availability and productivity of skilled labour;
- adverse legislation in the Kurdistan Region and/or Iraq; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies in the Kurdistan Region and/or Iraq.

Because of these factors, WesternZagros could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it may produce.

Competition

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. WesternZagros' competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than WesternZagros. WesternZagros' ability to acquire or increase reserves in the future will depend not only on its ability to explore and develop its present properties and prospects, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of WesternZagros depends on its ability to find, acquire, develop and commercially produce oil and natural gas resources and reserves, which will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire additional producing properties or prospects. No assurance can be given that WesternZagros will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, WesternZagros may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that commercial quantities of oil and natural gas will be discovered or acquired by WesternZagros.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or

transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or personal injury. In accordance with industry practice, WesternZagros is not fully insured against all of these risks, nor are all such risks insurable. Although WesternZagros maintains liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event WesternZagros could incur significant costs that could have a material adverse effect upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on WesternZagros.

Ability to Execute Exploration and Development Program

It may not always be possible for WesternZagros to execute its exploration and development strategies in the manner in which WesternZagros considers optimal. WesternZagros' exploration and development programs in Iraq involve the need to obtain approvals from the relevant authorities in a timely fashion, which may require conditions to be satisfied or the exercise of discretion by the relevant authorities. It may not be possible for such conditions to be satisfied.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment and supplies (typically leased from third parties) in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment and supplies to WesternZagros and may delay exploration and development activities.

Management of Growth

WesternZagros may be subject to growth-related risks, including capacity constraints and pressure on its internal systems and controls. The ability of WesternZagros to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of WesternZagros to deal with this growth could have a material adverse impact on its business, operations and prospects.

Operational Experience

Although the management of WesternZagros has significant experience in the oil and gas industry, the management team has not, as a group, drilled a well or developed a conventional oil and gas project. There can be no assurance that any drilling and development operations will be successful.

Reliance on Key Personnel

WesternZagros' success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on WesternZagros. WesternZagros does not have any key person insurance in effect for management. The contributions of the existing management team to the immediate and near term operations of WesternZagros are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that WesternZagros will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of WesternZagros.

Insurance and Liability

WesternZagros' involvement in the exploration 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. Although WesternZagros maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. 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 other reasons. The payment of any uninsured liabilities would reduce the funds available to WesternZagros. The occurrence of a significant event that WesternZagros is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on WesternZagros.

Conflicts of Interest

Certain directors of WesternZagros are also directors of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the ABCA. See "Directors and Officers — Conflicts of Interest".

Substantial Capital Requirements

WesternZagros anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. WesternZagros' cash balances may not be sufficient to fund its ongoing activities at all times. From time to time, WesternZagros may require additional financing. WesternZagros' results will impact its access to the capital necessary to undertake or complete future drilling and development programs. There can be no assurance that debt or equity financing, or future cash (if any) generated by operations, would be available or sufficient to meet these requirements or for other corporate purposes 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 for its operations could have a material adverse effect on WesternZagros' financial condition, results of operations and prospects.

Dilution

WesternZagros may make future acquisitions or enter into financings or other transactions involving the issuance of securities of WesternZagros which may be dilutive.

Issuance of Debt

Depending on future exploration and development plans, WesternZagros may require additional debt financing. From time to time WesternZagros may also enter into transactions to acquire assets or the shares of other organizations. These transactions may be financed in whole or in part with debt. Any such debt financing may increase WesternZagros' debt levels above industry standards for oil and natural gas companies of similar size. Neither WesternZagros' articles nor its by-laws limit the amount of indebtedness that WesternZagros may incur. The level of WesternZagros' indebtedness from time to time, could impair WesternZagros' ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Third-Party Credit Risk

WesternZagros is or may be exposed to third-party credit risk through its contractual arrangements with any potential joint venture partners, 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, such failures could have a material adverse effect on WesternZagros and its cash flow from operations. In addition, poor credit conditions in the industry and of a potential joint venture partner may impact a potential joint venture partner's willingness to participate in a future WesternZagros' capital program.

Foreign Exchange

WesternZagros operations costs are generally incurred in U.S. dollars and the funds it will have available to it may be in other currencies. There is a possibility that operations and development costs may increase as a result of currency fluctuation.

Hedging

From time to time WesternZagros may enter into agreements to receive fixed prices on any future oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, WesternZagros would not benefit from such increases. Similarly, from time to time WesternZagros may enter into agreements to fix the exchange rate of various currencies used in its business in order to offset the risk of revenue or cost related losses in the event of currency fluctuations. There is no certainty that any such currency hedges which may be entered into will benefit WesternZagros.

Dividends

To date, WesternZagros has not declared or paid any dividends on the outstanding WesternZagros shares. Any decision to pay dividends on the WesternZagros shares will be made by the board of directors of WesternZagros on the basis of WesternZagros' 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.

LEGAL PROCEEDINGS

There are no legal proceedings to which WesternZagros is a party or in respect of which any of the assets of WesternZagros are subject, which is or will be material to WesternZagros, and WesternZagros is not aware of any such proceedings that are contemplated.

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% 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 most recently completed financial year or during the current financial year that has materially affected or will materially affect WesternZagros other than the following.

On October 18, 2007, following the Corporation's acquisition of WZRI from Western, the Corporation completed a private placement of 5,000,000 Common Shares at a price of Cdn\$2.50 per share for gross proceeds of Cdn\$12.5 million. Directors and officers of the Corporation and their associates participated in the private placement as to 3,686,000 Common Shares (\$9,215,000). This private placement was approved by a majority of shareholders voting at a meeting of Western held on October 16, 2008, excluding the votes of any persons who participated in the private placement or their associates or affiliates.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of WesternZagros are PricewaterhouseCoopers LLP, Calgary, Alberta. Valiant Trust Company, 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 following are the material contracts entered into by within the most recently completed financial year or before the most recently completed financial year, but which are still in effect:

- (a) the shareholder rights plan agreement entered into between WesternZagros and Valiant Trust Company, as rights agent, on October 18, 2007; and
- (b) the warrant indenture entered into by WesternZagros and Valiant Trust Company, as warrant trustee, on October 18, 2007. The indenture governed the warrants which were issued in connection with the Arrangement and expired on January 18, 2008.

INTERESTS OF EXPERTS

The Corporation's auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditors' report dated March 25, 2008 in respect of the Corporation's consolidated financial statements with accompanying notes as at and for the two years ended December 31, 2007. PricewaterhouseCoopers LLP has advised that they are independent with respect to the

Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

ADDITIONAL INFORMATION

Additional information relating to WesternZagros is available through the Internet on the Corporation's website at www.westernzagros.com and on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com.

Additional financial information is provided in the Corporation's annual consolidated financial statements and related annual management's discussion and analysis for the year ended December 31, 2007.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans will be contained in the Corporation's forthcoming management proxy circular, which will be available at www.sedar.com.

SCHEDULE A

REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION (FORM 51-101F3)

Terms to which a meaning is ascribed in National Instrument 51-101 have the same meaning herein.
Management of WesternZagros Resources Ltd. (the "Corporation") is responsible for the preparation and disclosure of information with respect to the Corporation's oil and gas activities in accordance with securities regulatory requirements.

The Corporation did not retain an independent qualified reserves evaluator as the Corporation had no reserves to evaluate as at December 31, 2007.

The Board of Directors has reviewed the Corporation's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management.

The Board of Directors has approved:

- (a) the content and filing with securities regulatory authorities of the annual information form of the Corporation which includes the oil and gas information required by Form 51-101F1; and
- (b) the content and filing of this report.

"signed"

Fred J. Dymont
Executive Chairman

"signed"

Gregory C. Stevenson
Vice President, Finance

"signed"

Randall Oliphant
Director

"signed"

James C. Houck
Director

April 23, 2008