WesternZagros Announces Q4 2014 and Year End Results

Western Zagros {TSX: WZR} announced their Q4 and end of year 2014 results, and update on their key milestones for 2014.

This included the commencement of light oil from their Sarqala well at the initial rate of some 5,000 barrels of oil per day.

Mar 16, 2015 – CALGARY, ALBERTA – **WesternZagros Resources Ltd. {TSX VENTURE: WZR}** announced today its operating and financial results for the fourth quarter and year ended December 31, 2014. All amounts set out in this press release are in US dollars unless otherwise stated.

WesternZagros achieved several key financial and operational milestones during 2014 and to date, including:

The commencement of light oil production and sales at an average rate of 5,000 barrels of oil per day ("bbl/d") from the Sarqala-1 well on February 11, 2015. Production is being sold in the domestic market under a pre-paid contract and is trucked by local buyers. The Company anticipates that this well is capable of production in the range of 8,000 to 10,000 bbl/d.

"Bringing the Sarqala-1 light oil well on-stream is a significant development for WesternZagros. This production provides our first cash flow and supports additional development that targets production to 35,000 bbl/d in our Garmian Block over the course of the development period. We have built a strong balance sheet and taken steps to ensure capital discipline during this lower crude price environment. We have a solid foundation supported by great assets that provide us with the opportunity to create long-term value for investors," said Simon Hatfield, WesternZagros Chief Executive Officer.

The Company has commissioned recent upgrades to the Sarqala processing facility that increases processing capacity from 10,000 to 15,000 bbl/d in order to accommodate additional production from 2015 completions. The Company estimates 2015 production revenues of approximately $20 to $35 million and operating income of $15 to $30 million, after consideration of field operating costs.

"The safe and efficient initiation of production and commissioning of our Sarqala facilities demonstrate the success of our strategy and our operating teams. We'll look to replicate these accomplishments as we grow Sarqala production by drilling more development wells and expanding facilities," Hatfield said.

This new revenue will further help the Company's balance sheet, which was strengthened in 2014 when WesternZagros successfully raised Cdn$200 million in a Rights Offering and arranged a further debt facility of $200 million. WesternZagros ended 2014 with $197.1 million in cash and cash equivalents, sufficient to fund the currently planned appraisal and development activities during 2015.

WesternZagros recently established initial light oil Reserves for the Garmian Block – 11 million barrels ("MMbbl") of Proved plus Probable ("2P") light oil Reserves (Gross Block) as determined by Sproule International Limited, the Company's independent, qualified reserves evaluator in an updated reserves report as of December 31, 2014. The Garmian Block contains an additional 417 MMbbl of oil of unrisked Prospective Resources (Gross Block combined Mean estimate) as determined by Sproule International Limited, in its July 1, 2014 and February 8, 2013 reports.

"These reserve bookings represent the first of what we expect will be progressive reserves additions that will underpin production growth. On October 16, 2014, we tested the Sarqala-1 well at rates of up to 11,500 bbl/d of 40 degree API oil from the Jeribe/Upper Dhiban reservoir. Sarqala-1 is the first of several wells planned to tap the Garmian Block's Jeribe reservoir. Once the development plan is approved, we expect to commence an additional development well this year to increase production and cash flow. Delays to the start of testing of the light oil deeper Oligocene reservoir at our nearby Hasira-1 well have been experienced due to a number of downhole service company tool failures. However, testing is now underway, with results expected in the second quarter of 2015, which we believe could demonstrate the production potential of this new reservoir and add additional resources and production capability to the Sarqala field. Following a successful test, the Hasira-1 well is expected be tied-in to the existing Sarqala production facility," Hatfield said.

Fourth Quarter 2014 and Year End Results

WesternZagros has posted its operating and financial results for the fourth quarter and year ended December 31, 2014 on its website. The financial statements, the Management Discussion and Analysis, and the Annual Information Form are available at www.westernzagros.com and on SEDAR at www.sedar.com.

WesternZagros is in the early stages of transitioning from an oil and natural gas exploration company to a production company. The company had no commercial production or oil sales in 2014, and has only recently started to produce light oil for sale. As production grows, the Company expects to also grow cash flow and is working towards turning its enormous oil resource potential into a financially sustainable production company.

Outlook

2015 Operations Outlook

The Company anticipates crude oil sales during 2015 into the domestic market, which is supported by the initial sales in February and March. Crude oil production from the Sarqala-1 well is anticipated to produce between 6,000 and 7,500 barrels per day on an annualized basis (8,000 to 10,000 barrels per day for the remainder following a ramp up in the first quarter of the year).The domestic market price is linked to Brent pricing and payments for the sale of crude oil are received prior to deliver of the volumes. The Company estimates the domestic price will range from $42/bbl to $52/bbl (assuming Brent ranges between $50 to $60 per barrel) which would result in 2015 revenues of $20 to $35 million and operating income of $15 to $30 million after consideration of field operating costs.

2015 Capital Outlook

The Company's planned expenditures for 2015 total $125 million, which includes $100 million of capital costs for Phases 1 and 2 of the Garmian development, $10 million of capital costs for development planning and long leads to advance the Kurdamir development plan and $15 million of Corporate, G&A and interest costs. Phase 2 spending for Garmian is dependent on securing KRG approval of the Garmian development plan and the continued ability to monetize crude sales from Sarqala-1.

Garmian Block

The first three phases of the Garmian development plan submitted to the Kurdistan Regional Government ("KRG") are outlined below. Commitment to subsequent phases, including construction of the central processing facility ("CPF") will be dependent on the results of, and the ability to monetize production from, phases 1 and 2.

Phase 1 – Establish Production: The Sarqala-1 workover was completed in 2014 with flow rates testing at 11,500 bbl/d. The early processing facility ("EPF") upgrades were also completed increasing the processing capacity from 10,000 bbl/d to 15,000 bbl/d. The EPF has been commissioned and is now in operation supplying crude to the domestic market. The Hasira-1 exploration well test results are anticipated in the second quarter of 2015. Estimated costs in 2015 to complete the Hasira-1 testing operations and final EPF commissioning are $8 to $9 million.

The Company is in discussions to provide associated gas to a proposed KRG gas facility near the block boundary for utilization by the government pursuant to the PSC. This will allow for the utilization of gas to fuel domestic electrical power production and minimize flaring.

Phase 2 – Facility Expansion: Expand production facilities to 35,000 bbl/d including centralized storage and loading facilities, tie-in Hasira-1 well upon success and drill the first two horizontal development wells. This phase of development work is anticipated to start in second half of 2015 and into 2016 with estimated net costs of $85 million to $90 million.

The planned development drilling program will delineate the Prospective Resources within the Jeribe reservoir. Based on the well results, the production facility capacity could be increased beyond the planned 35,000 bbl/d. With success, the Company believes that the current 2P Reserves and the Gross Prospective Resources (P50 basis) for the Garmian Block could ultimately support a project up to 50,000 bbl/d of oil production.

Phase 3 – Increase Well Capacity: Drill up to four additional deviated or horizontal development wells to optimize plant capacity and install water handling and compression equipment, as required. This phase of development work has an estimated net capital cost of up to $155 million.

The Company’s Garmian reserves, as recognized at December 31, 2014 by the independent reserves evaluator was limited solely to the Jeribe reservoir and assumed a maximum well production capability of approximately 6,000 bbls/d for the best producing well. The reserves did not include the results from preliminary testing at Hasira-1 in the Oligocene reservoir and do not include any technical adjustment for the Sarqala workover results due to the limited duration of the test, which tested at over 11,500 bbls/d. It is anticipated that reserves will be updated later in 2015 once results from Hasira-1 are known and the Sarqala-1 well has produced for a longer duration.

Kurdamir Block

On the Kurdamir Block, the Company has submitted an alternative development plan to the KRG and is now in active discussions with the KRG on further refinements to advance the development of both the significant gas and oil volumes. Certain activities, including front end engineering of the necessary facilities and planning for additional drilling, will be completed in coordination with the KRG as the development plan is agreed. The Company will provide further guidance and will look to convert the contingent resources to reserves once the development plan has been finalized with the KRG.

Liquidity and Capital Resources

As at December 31, 2014, WesternZagros had $197.1 million in cash and cash equivalents. The Company also has access to two debt facilities, $150 million that can be drawn commencing in October 2015 and $50 million that can be drawn commencing in June 2016. These capital resources will be used to fund both future development activities and the repayment of the Cdn$100 million convertible notes where the conversion rights have not been exercised.

As the Company advances the execution of its development activities it will continually evaluate both its capital resources and capital structure. The Company in this evaluation will monitor and assess all relevant factors, including the following:

The expected timing and scope of development activities based upon an appropriate phasing reflective of the approved development plans, current market conditions, and the political and security situation within Iraq;

The ability to export or to sell into the domestic market oil and natural gas in accordance with the economic terms of the PSCs;

- The level of cash flow generated from production;
- The continued participation of its co-venturers in development activities;
- The current conditions of the oil and gas industry given the recent significant decline in world oil prices and the impact on further investment in in the industry;
- The current conditions in the financial markets, including the potential for further market instability; and
- The ability to access debt, and the costs thereof, for development activities in Kurdistan.

With the capital resources and anticipated crude oil sales, the Company is fully funded for currently planned activities in 2015. The Company is focused on increasing its production capacity and sales volumes to support further investment on the Garmian and Kurdamir developments. However, the Company may need to access further capital resources depending on a number of the factors identified above, and particularly the outcome of the negotiations of the Kurdamir development plan and the participation of its co-venturer. This could include potentially accessing the debt and/or equity market, or seeking additional partnerships, farmouts or other strategic arrangements. The Company may also delay certain phases of its development plans if the ability to export or sell into the domestic market oil and natural gas in accordance with the economic terms of the PSCs is restricted or unavailable, or if the political and security situation within Iraq is not suitable.